

Hedgebay

GLOBAL HEDGE FUND SECONDARY MARKET INDEX

Edition 07 | March 2010

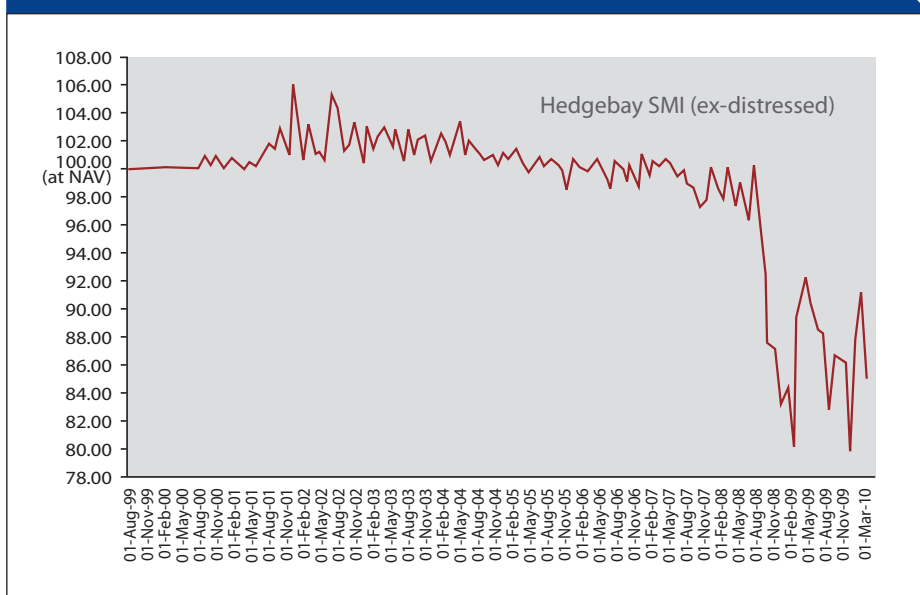
► Volume increase on lower prices

Activity for the month of March was the strongest of the year to this point. However, the increased activity did not correspond to an increase in the index value. At 85.04, the index decreased by almost 650 basis points from February's levels despite a repeat of transactions at a premium to NAV. Dispersion narrowed to 65.5 points. The first quarter of the year seems to have brought about a shift in mentality in investors. What could be best described as "cash raising" is no longer the primary focus of investors. The new focus is portfolio clean up and within this context it can be either a few items or it can be the winding up of an entire product or even business. During the "crisis" times investors rarely, if ever, labelled themselves as forced sellers, but their deliberate and methodical execution perhaps indicated otherwise. Today, the need to monetize illiquid assets has greatly abated and investors are now doing a more in depth evaluation of their residual holdings to determine their future expected value and subsequently the net present value to sell them at.

What is interesting is the fact that the bid levels for these assets, generally speaking, hasn't changed all that much. This seems to indicate a few things. First, that the market fundamentals haven't greatly changed. Second, that as distributions get made the remaining assets will categorically have a longer tail to liquefy - as a result, bids for these assets always go lower, by at least the amount of the distribution. And finally, buyers who purchased assets during the crisis did their homework. They understood that a full clean up was going to take a long time, and the fact that prices are generally the same means that this process still has a while to run yet.

ALL FIGURES BELOW ARE RELATIVE TO A TRADE AT NAV EQUALLING 100%

► Average discount or premium (to NAV) since 1999



► Average price of trades

Date	Average % of NAV	Monthly % change
31-Mar-10	85.04%	-7.02%
28-Feb-10	91.46%	3.86%
31-Jan-10	87.93%	9.27%
31-Dec-09	79.78%	-7.34%
30-Nov-09	86.10%	-0.72%
30-Oct-09	86.73%	4.41%
30-Sep-09	82.90%	-6.22%
31-Aug-09	88.40%	-0.33%
31-Jul-09	88.69%	-1.84%
30-Jun-09	90.35%	-2.07%
31-May-09	92.26%	3.28%
30-Apr-09	89.33%	11.23%

► Top traded strategy

Date	1st	2nd
Mar-10	Relative Value	Private Equity

► Highest & lowest trades (relative to NAV)

Date	Highest trade	Lowest trade
Mar-10	102.00%	36.50%

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GLOBAL HEDGE FUND ILLIQUID ASSET INDEX

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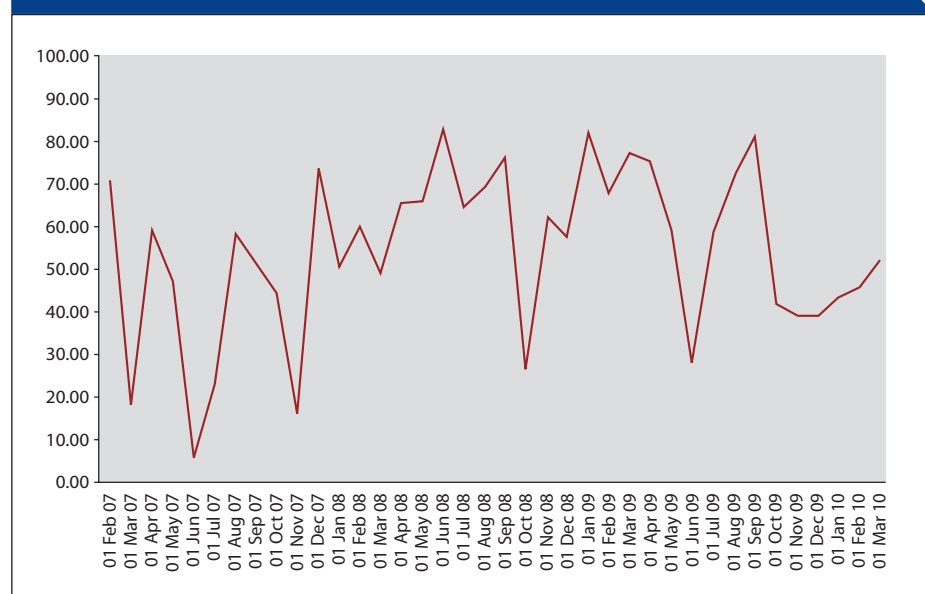
► IAI for February was 51.76

The IAI advanced for the fourth month in a row to 51.76. Transactions were widely varied between emerging market real estate, private equity, credit and insurance related assets.

Investors continue to hunt for value in this, the least liquid tier of the hedge fund market with mixed success. Assets are difficult to diligence and even more difficult to purchase, given the complexities of transparency, price negotiation and settlement. What is clear, however, is that there is a substantial amount of this type of asset available that investors would like to move.

ALL FIGURES BELOW ARE RELATIVE TO A TRADE AT NAV EQUALLING 100%

► Global Illiquid Assets Index (GIAI)



► GIA

Date	GIA	Monthly % change
Mar-10	51.76	10.41%
Feb-10	46.37	7.05%
Jan-10	43.10	10.58%
Dec-09	38.54	-0.13%
Nov-09	38.59	-5.88%
Oct-09	41.00	-49.34%
Sep-09	80.93	12.28%
Aug-09	70.99	18.21%
Jul-09	58.06	53.50%
Jun-09	27.00	-53.37%
May-09	57.90	-22.79%
Apr-09	74.99	-1.83%

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