

Hedgebay

GLOBAL HEDGE FUND SECONDARY MARKET INDEX

Edition 09 | May 2010

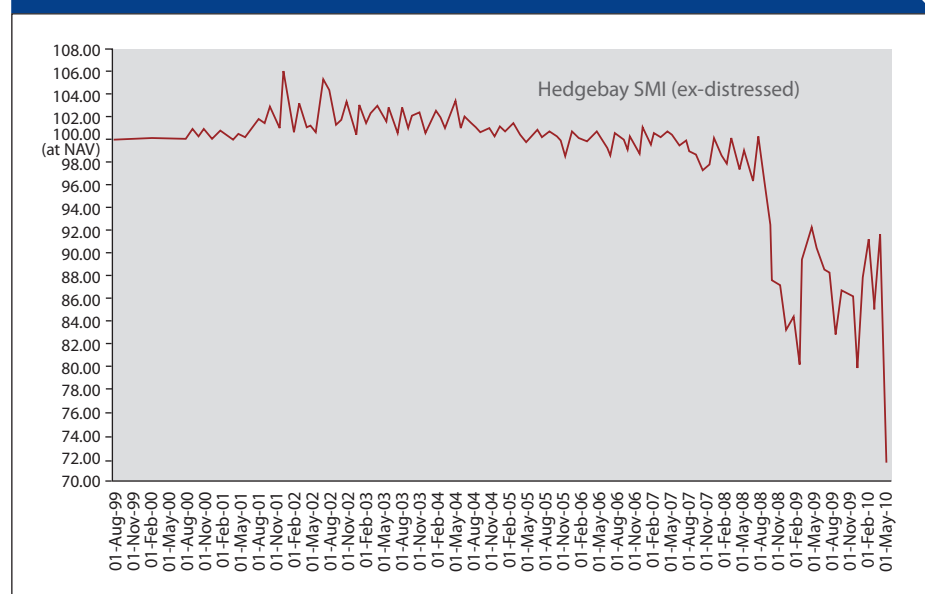
► Index Drops on Market Jitters

Activity for the month of May was heavy. However, the precipitous drop in equity markets unnerved most hedge fund investors which led to a correspondingly large drop in the index value. At 71.99, the index decreased by almost 2000 basis points from April's levels. Dispersion widened to 92 points, not far from its all time high of 100.

The macro-economic environment had a major effect on the hedge fund secondary market in May. The combination of Greek fallout and evaporating liquidity in equity markets led many investors to the sidelines. Similar to the reaction one gets when an airplane hits an air pocket in flight, investors are holding the arm rests and their breath, waiting nervously to see what happens next. With virtually no supply of funds that are closed to new investment and almost no funds that are still in their original lock ups, the vast majority of transaction volume was in funds that were gated. How markets react coming into the summer months will be interesting to see. Buy-side demand still remains, even if prices have backed away somewhat, but how sellers deal with the new market volatility still remains to be seen.

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-May-10	71.99%	-21.56%
30-Apr-10	91.78%	7.34%
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%

► Top traded strategy

Date	1st	2nd
May-10	Credit	Private Equity

► Highest & lowest trades (relative to NAV)

Date	Highest trade	Lowest trade
May-10	100.00%	8.00%

The Hedgebay Global Secondary Market Index (GSMI) is a proprietary, asset-weighted index that describes the average premium or discount paid for hedge funds that trade in the secondary market in any given month. An investor may wish to use the index as a sentiment indicator to describe hedge fund investors' future expectations for performance, a benchmarking tool for hedge fund investors to assess latent value in their portfolios or as indicators of the cost of liquidity.

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GLOBAL HEDGE FUND ILLIQUID ASSET INDEX

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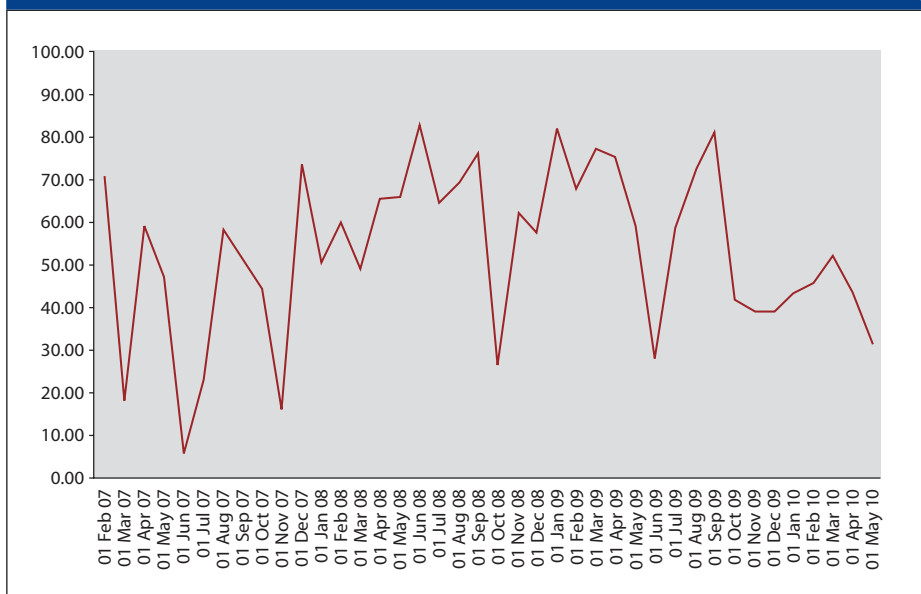
► IAI for May was 31.62

The IAI retreated for the second month in a row to 31.62. Transactions were concentrated in credit related issues and private equity. The IAI, while down 1200 basis points in May, fared better than the SMI which was down 2000 basis points. Our take on this is based on the fact that the funds in this category are very long term liquidations and the underlying valuations won't be effected that much by month to month movements in equity markets.

The decline certainly reflects the risk premium that buyers are demanding in this volatile environment.

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

► Global Illiquid Assets Index (GIAI)



► GIA

Date	GIA	Monthly % change
May-10	31.62	-27.06%
Apr-10	43.35	-16.25%
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%

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