

Hedgebay

GLOBAL HEDGE FUND SECONDARY MARKET INDEX

Edition 11 | July 2010

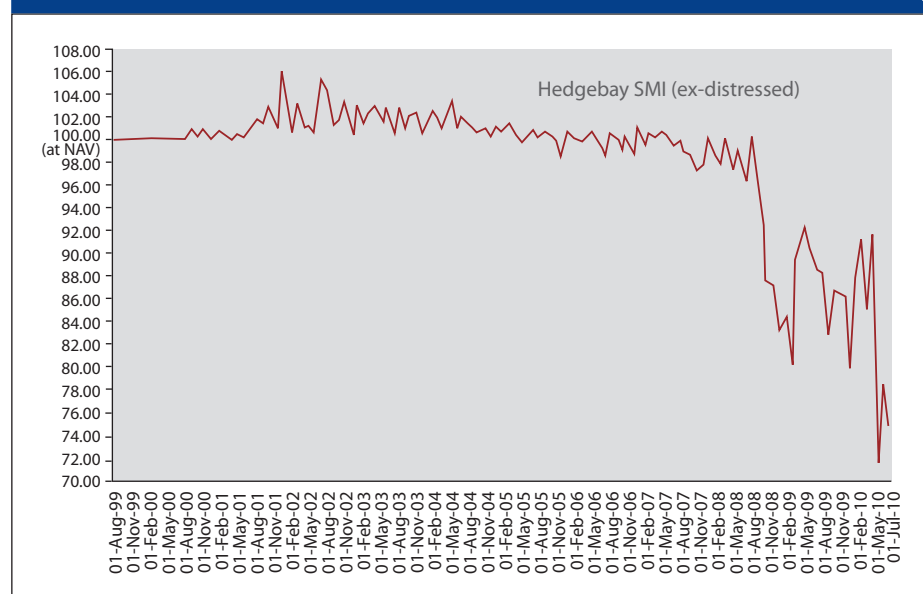
► SMI for July was 75.00

Activity for the month of July was average for this time of the year. The index decreased in value by a little more than 300 basis points to 75. Dispersion narrowed to 35 points. The lack of “near par” transactions was abundantly obvious again in July with all of the activity taking place in gated, suspended or side pocketed assets. With investors continuing to put money to work on the primary side of the market in liquid funds, they continue to show their general lack of willingness to accept lock ups.

With a lot of attention focused on economic factors, the degree to which hedge fund performance exceeds interest rates and equity returns will largely govern demand for the asset class, and consequently whether we begin to see more funds closing to new investment. On the flip side, if hedge funds disappoint during another downturn in the economy and/or markets, will we return to the illiquid times of 2008 and 2009 as investors scramble to get their cash back?

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-Jul-10	75.00%	-4.26%
30-Jun-10	78.34%	8.11%
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%

► Top traded strategy

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

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

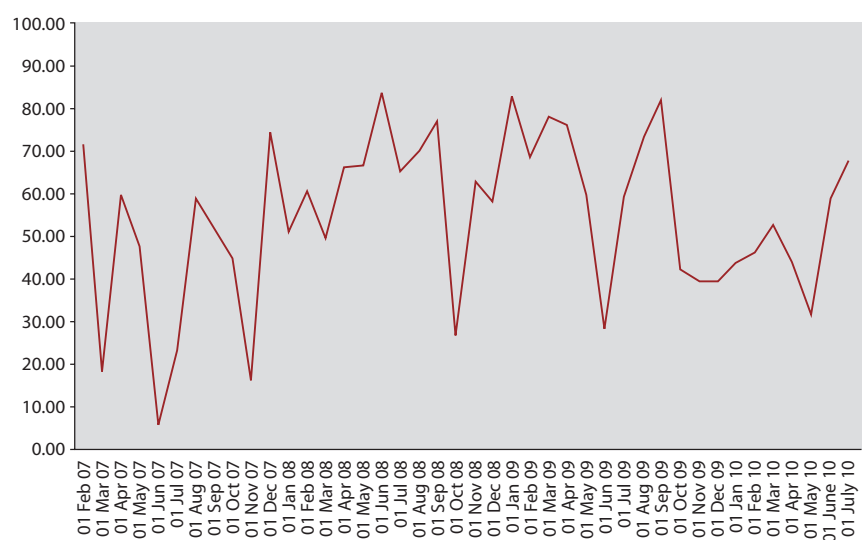
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► IAI for July was 67.95

The IAI rose in value to 67.95. Transactions varied between emerging markets, private equity and credit and related assets. Buyers have continued to search for assets in this category as July's level reached the highest point in almost 12 months. The last time the difference between the two indices was this close there was a major price correction in the IAI. In fact, as of the middle of August, the index has declined substantially from its July levels. Many different factors could be at work here and any speculation on which ones are driving this phenomenon would be just that; speculation.

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

► Global Illiquid Assets Index (GIAI)



► GIA

Date	GIA	Monthly % change
Jul-10	67.95	12.52%
Jun-10	59.44	46.80%
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%

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