

Hedgebay

GLOBAL HEDGE FUND SECONDARY MARKET INDEX

Edition 12 | August 2010

► SMI for August was 74.21

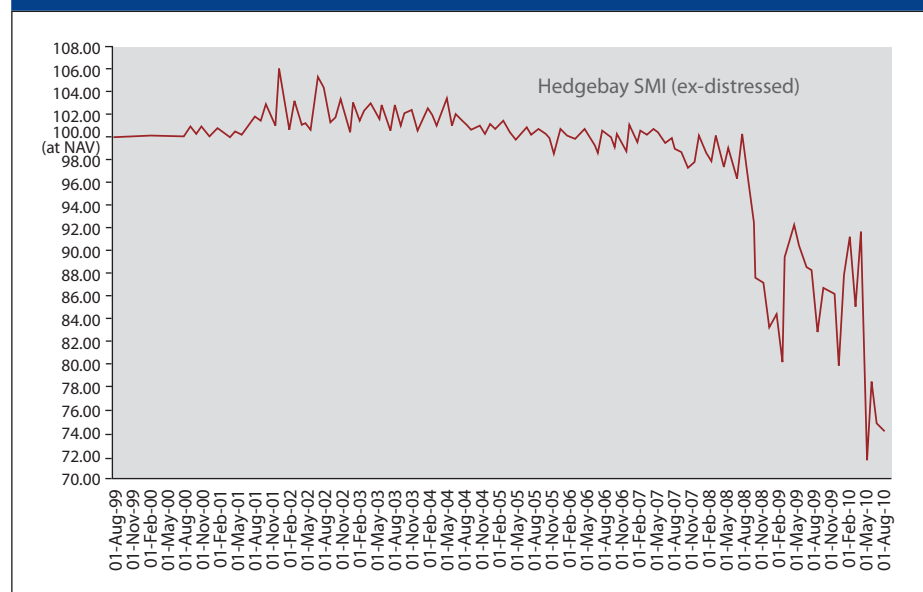
Activity for the month of August was heavy. At 72.41, the index retreated just slightly from July's levels. Dispersion widened to 73 points.

The final month of the summer was the busiest of the year in terms of both volume and the number of transactions. While most were truly on vacation, perhaps the first meaningful one since the crisis hit, many were still actively working on portfolio changes. The current market dynamics continue to see relatively little supply of top tier managers that are either closed to new investment or which have longer locks. The bulk of the action therefore is in gated, suspended or side pocketed interests.

The question is: where does the market go from here? With performance being "ok", there doesn't seem to be a tail wind for capital raising and therefore capacity constraints aren't likely, on average, to be much of an issue in the short term. There will doubtless be continued balance sheet makeover either in part or in whole.

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-Aug-10	74.21%	-1.05%
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%

► Top traded strategy

Date	1st	2nd
Aug-10	Private Equity	Credit

► Highest & lowest trades (relative to NAV)

Date	Highest trade	Lowest trade
Jun-10	78.00%	5.00%

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GLOBAL HEDGE FUND ILLIQUID ASSET INDEX

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► IAI for August was 44.28

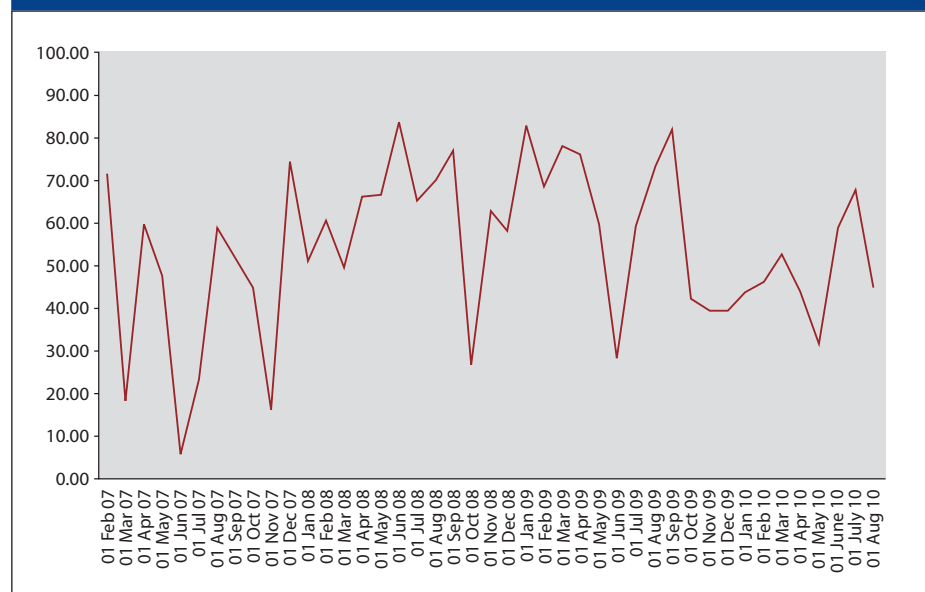
The IAI declined to 44.28. Transactions were widely varied between emerging market real estate, private equity and credit related assets.

Prices declined in the least liquid segment of the market from the somewhat heady levels earlier in the summer. It's not clear whether the decline was led by buyers being more jittery about current market events and their long term ramifications, idiosyncratic factors such as distributions which always result in lower prices "ex-dividend" or some other random factors.

While supply of assets in this category has been steady, the angle to watch will be the reaction of investors who participate in secondaries if, as most global macro managers predict, there is another significant downturn. Do prices remain stable due to the long term nature of these assets or does the liquidity premium (or cost) go up exponentially?

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

► Global Illiquid Assets Index (GIAI)



► GIA

Date	GIA	Monthly % change
Aug-10	44.28	-34.83
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%

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