

Client: Hedgebay
Source: Hedge Week
Date: 20th January 2015



Hedge bay confirms highest premium purchase in secondary fund market since 2005

Hedgebay, the secondary market platform, has confirmed the highest premium transaction on its platform since 2005.

The transaction, which was completed last month via its UK regulated authorised agent, potentially signals the return of investor confidence in managers as well as a reaffirmation of the secondary market as a viable means to efficiently rebalance portfolio positions.

Prior to the financial crisis unfolding in 2008, the secondary market's central function was to allow investors to rebalance their portfolio of high performing and/or long lock-up funds. The vast majority of these transactions were executed at prices that were very close to stated NAV. Some transactions, however, took place at a premium to NAV, which required investors paying more than book value to increase their exposure to funds that were closed to new investment.

That all changed once the financial crisis unfolded. In late 2008, the secondary market saw its central role change from portfolio rebalancing to helping investors obtain liquidity. Contrary to market expectations, six plus years later, the liquidity issues in the hedge fund sector have not been fully resolved, and the Hedgebay platform continues to be at the forefront of providing liquidity solutions to investors.

Paramount amongst Hedgebay's liquidity solutions is the use of its proprietary technology, which provides streamlined technological functionality for investors and funds in the secondary market.

Founded in 1999, Hedgebay provides the gateway to the secondary market for hedge funds whereby authorised agents and licensees match sophisticated buyers and sellers of hedge fund interests and other illiquid alternative investment assets using the Hedgebay platform.

In 2004, the firm launched its innovative Global Secondary Market Index, a first of its kind information tool, that describes the average premium or discount paid for hedge funds that trade on the platform in any given month. Investors use the index as a sentiment indicator, outlining hedge fund investors' future expectations for performance. The index is also a benchmarking tool for hedge fund investors to assess latent value in their portfolios or as indicators of the cost of liquidity.

The platform has been successful in sourcing, executing and settling billions of dollars of secondary market transactions. Users include funds of hedge funds, ultra high net worth family offices, banks that provide leverage and structured products, pension funds, endowments and foundations.

Anastasia Brooks, VP of Marketing at Hedgebay, says: "This purchase is quite significant, and we believe demonstrates a tangible return of confidence among investors. Whilst premium sales were a regular occurrence pre-crisis, the 2008 meltdown all but shut that market. This is particularly good news for those looking to sell, as the last several years lacked any real demand for premium assets. The ability to capture premium by investors who are rebalancing not only creates greater liquidity in the marketplace as a whole, but puts material economic value in the investors' pockets as well as provides capital stability for the underlying managers."

<http://www.hedgeweek.com/2015/01/20/216848/hedge-bay-confirms-highest-premium-purchase-secondary-fund-market-2005>