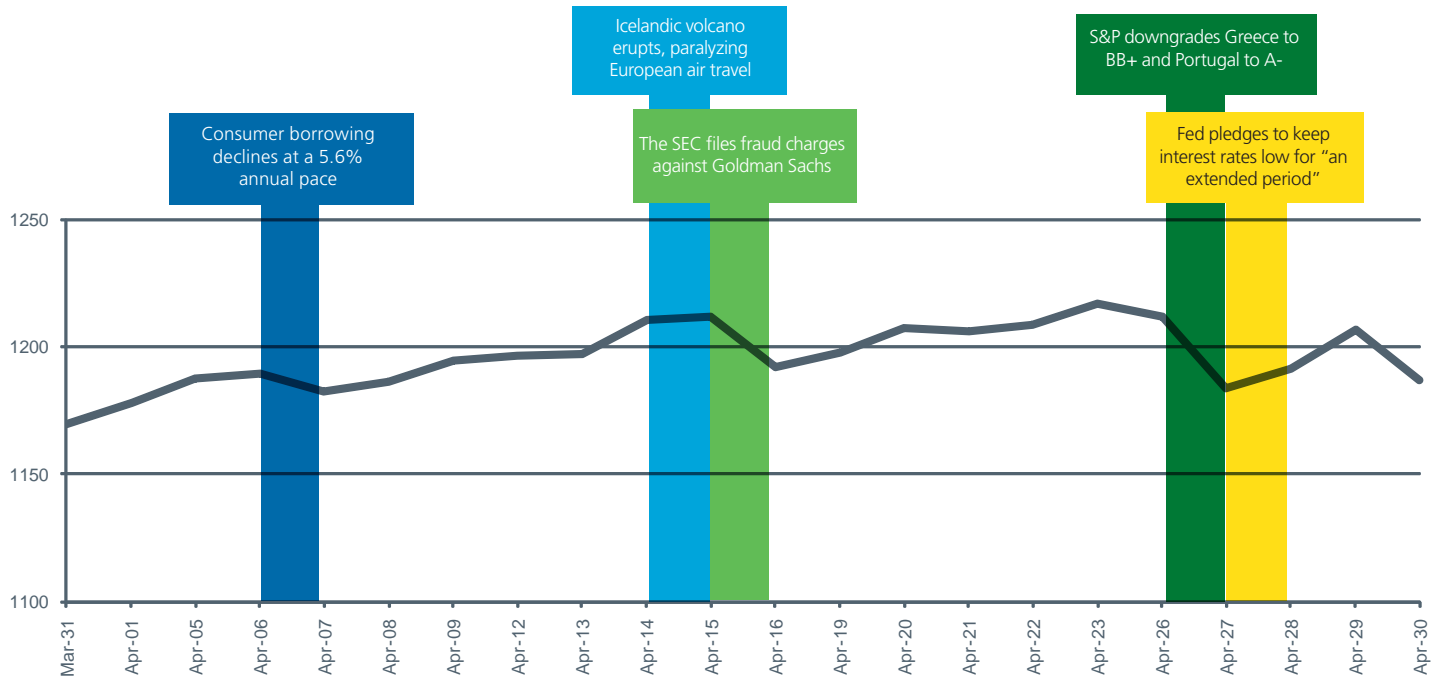


S&P 500 Index



Market Review

Greece took center stage in April over concerns that the country's economic situation might result in a default and that it might prove to be a contagion to other European economies. The sovereign credit rating of Greece was downgraded to BB+, while the various eurozone governments worked to determine the best course of action. At month end, the European governments and the International Monetary Fund announced that they would extend up to €110 billion in debt to Greece in exchange for severe budget cuts by the troubled country. The turmoil helped lead European equity markets lower, with the FTSE, CAC and DAX falling 2.22%, 3.95% and 0.29%, respectively.

In the U.S., the SEC filed a civil suit charging Goldman Sachs with securities fraud related to certain CDO investments. The decision to sue was made on a 3- to-2 vote, with the two Republican commissioners voting against it. The announcement of the suit did not follow the SEC's normal protocol of giving the company notice prior to filing the suit. Such advance notice has typically been given as a courtesy to the company, giving the company an opportunity to attempt to settle with the SEC or, at the very least, prepare for the public fallout. Despite the Goldman Sachs situation, U.S. equity markets fared better than their European counterparts did; the S&P 500 rose 1.58%, buoyed by strong earnings announcements from many companies.

	April 2010		
	Month	QTD	YTD
HFRI Fund of Funds Conservative Index *	1.20%	1.20%	3.16%
HFRI Fund of Funds Diversified Index *	0.64%	0.64%	2.24%
HFRI Equity Hedge Index *	1.37%	1.37%	4.32%
HFRI Event Driven Index *	1.42%	1.42%	6.01%
HFRI Merger Arbitrage Index *	0.20%	0.20%	1.85%
HFRI Distressed Index *	1.75%	1.75%	6.80%
HFRI Relative Value Index *	1.55%	1.55%	5.38%
HFRI FI Convertible Arbitrage Index *	2.33%	2.33%	5.48%
HFRI Macro Index *	1.01%	1.01%	0.85%
S&P 500	1.58%	1.58%	7.05%
FTSE 100	-2.02%	-2.02%	3.84%
MSCI EAFE	-1.73%	-1.73%	-0.80%
Barclays Capital U.S. Credit Index	1.67%	1.67%	3.99%
Barclays Capital High Yield Index	2.34%	2.34%	7.07%

* Source of HFRI indices is Hedge Fund Research, Inc. These indices are preliminary and subject to change, with final returns reported on the 1st day of the following month (i.e., March 1st for January returns).

A combination of lean inventories and improving orders helped improve the U.S. manufacturing sector, with March output surging 0.9% and the manufacturing ISM rising to 59.6, the highest level since 2004. The U.S. economy added 162,000 jobs in March, the largest gain in three years, while the initial estimate of first quarter U.S. GDP growth came in at an annualized rate of +3.2%. The Federal Reserve noted that the economy has continued to strengthen and that economic growth is likely to be moderate for a time but that inflation has remained tame. Once again, it reiterated that rates are likely to remain low for an extended period. The Fed voted 9 to 1 to keep rates between 0.0% and 0.25%.

Hedge Fund Strategies

Citigroup announced plans to sell its \$4.2 billion hedge fund business to SkyBridge Capital. The deal will quadruple the size of SkyBridge. The hedge fund industry is likely to continue seeing consolidations, as banks look to shed risk, something they might be forced to do if the Obama administration is successful in its "Volcker rule" proposal.

The SEC voted 5 to 0 to propose new rules for large traders that would assign them unique identifiers and require them to report trading data to regulators with a one-day lag. While the data would only be meant for regulators, it could cause concern among high-frequency traders, who fear their trading strategies could be revealed.

According to HedgeFund.net, hedge funds saw assets increase 1.6%, with \$7.7 billion of net inflows and \$28.5 billion in performance increases. Eleven of the last 12 months have now seen net inflows of capital.

Long/Short Equity Strategies

Intel announced a 44% increase in revenues and a four-fold increase in earnings, kicking off an upbeat earnings season for tech companies. Google and AMD followed suit, showing earnings increases in excess of 30%. Sales of Windows 7 helped drive Microsoft to a 35% profit increase. Apple delayed the international launch of the iPad, citing strong domestic demand. Apple reported a 90% surge in first-quarter profit.

Technology, along with consumer discretionary and healthcare, continues to be one of the sectors to which long/short equity managers have the largest net exposure. The positive earnings news from technology companies resulted in a +1.76% return for the sector, while consumer discretionary turned in the best performance of any sector, at +6.02%. The returns of these two sectors were tempered by the -3.91% return of the healthcare sector (S&P 500 sector indices). Long/short equity strategy produced a return of 1.37% (HFRI Equity Hedge Index).

Relative Value Strategies

Convertible arbitrage continued to perform strongly, up 2.33% (HFRI FI Convertible Arbitrage Index). Declining interest rates, tightening credit spreads and higher volatility combined to provide the impetus for the positive returns. While the new issue calendar was light, the deals that did come tended to be reasonably priced and traded well in the secondary market. This marks the 17th consecutive month of positive returns for the strategy, following the streak of six negative months in 2008. In 12 of those 17 months, the return has exceeded 2%.

Event-Driven Strategies

Announced merger and acquisition activity declined from the high level seen in March. The average premium increased more than 5%, however. In Europe, Iberia and British Airways signed a definitive merger agreement that would create the third-largest airline in Europe, but the transaction is not expected to be completed until after the end of the year. United Airlines discussed combinations with both U.S. Air and Continental, ultimately announcing a deal with Continental May 1. The deal was deemed a merger of equals, however, and neither party received a premium, which was unfortunate for merger arbitrage managers. Mirant and RRI Energy agreed to merge in a \$3.1 billion all-stock deal that would create one of the largest independent power companies in the U.S. Merger arbitrage continues to be a lagging strategy in 2010, with April and year-to-date returns of 0.20% and 1.85% (HFRI Merger Arbitrage Index), but optimism continues for deal volume to pick up later this year, driving returns higher. According to the most recent ACG-Thomson Reuters DealMakers Survey, 85% of dealmakers expect an increase in merger and acquisition activity in the next six months, up from only 56% a year ago, with healthcare, manufacturing and distribution being the most active sectors.

The theme of tightening credit spreads continues to drive distressed investing to high returns. The strategy produced a return of +1.75% for April and now stands at +6.80% for the year (HFRI Distressed Index). Leveraged loans were up 1.48% and, while they have improved significantly over the last year, there is still value to be had. According to Thomson Reuters, more than 30% of the leveraged loan market in Europe trades between 70% and 90% of face value.

Macro Strategies

Macro managers remain positioned long on oil and gold, which both performed well. Oil increased 2.85% amid news of a major oil spill in the Gulf of Mexico. Gold was up nearly 6%, as concerns over the possibility that Greece could default on its debt and become a contagion to other European economies drove investors to seek safe havens. This fear also resulted in a 1.6% rise in the U.S. Dollar against the Euro. Macro funds and speculators in general continue to be net short on the Euro, with the net short position reaching

a record level at the end of the month. Managers increased their net long exposure to the 2-year U.S. Treasury Note but more aggressively reduced their net short exposure to the 10-year U.S. Treasury Note. Nevertheless, managers remained solidly positioned for a steeper U.S. yield curve, which hurt returns, as the curve flattened by 10 basis points.

Important information

Past Performance is not indicative of future performance.

Investing in hedge funds, fund of hedge funds or other securities is subject to certain risks, including market, liquidity, economic, interest rate, institutional and counterparty risk.

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