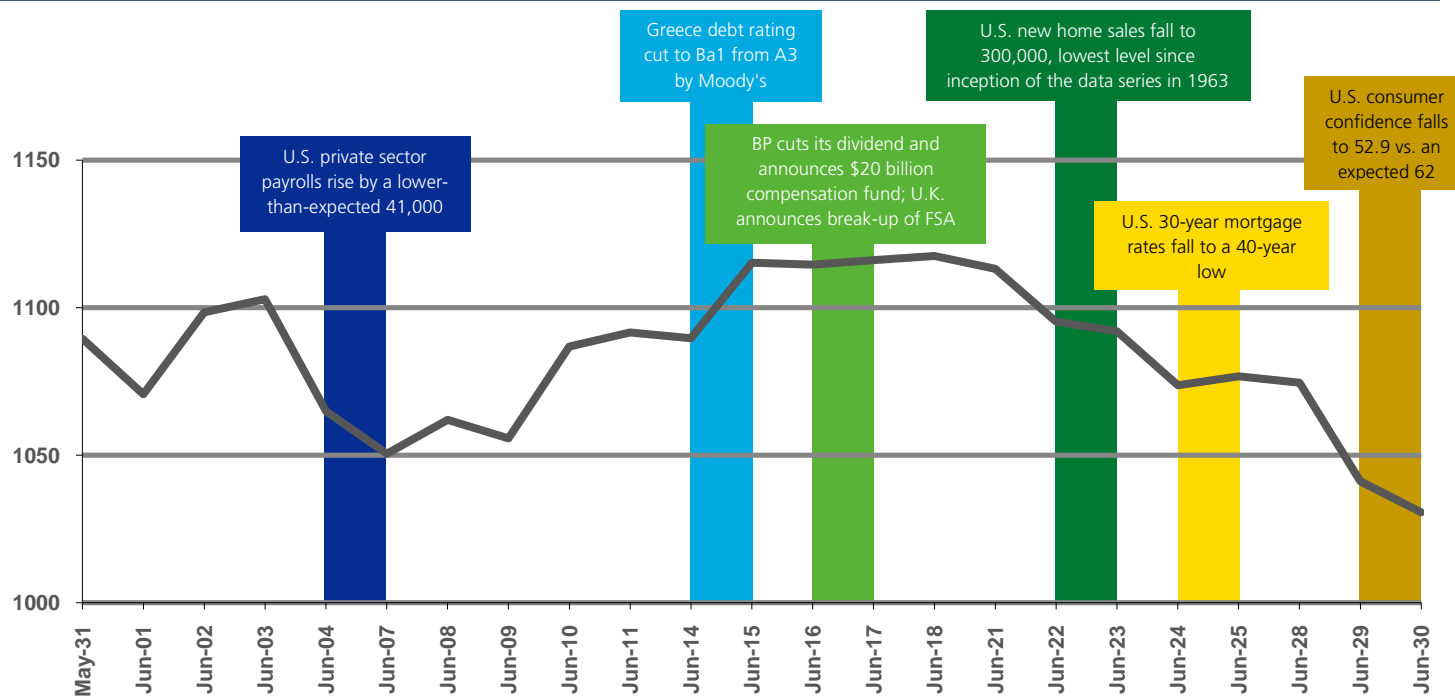


Monthly Hedge Fund Commentary

June, 2010



S&P 500 Index



	Month	June 2010 QTD	YTD
HFRI Fund of Funds Conservative Index *	-0.86%	-1.66%	0.02%
HFRI Fund of Funds Diversified Index *	-1.34%	-2.81%	-1.28%
HFRI Equity Hedge Index *	-1.50%	-4.26%	-1.60%
HFRI Event Driven Index *	-1.10%	-2.07%	2.43%
HFRI Merger Arbitrage Index *	0.11%	-0.91%	0.63%
HFRI Distressed Index *	-0.94%	-1.05%	3.96%
HFRI Relative Value Index *	0.40%	0.02%	3.66%
HFRI FI Convertible Arbitrage Index *	1.51%	0.61%	3.62%
HFRI Macro Index *	-0.23%	-1.04%	-1.27%
S&P 500	-5.23%	-11.43%	-6.65%
FTSE 100	-5.01%	-12.62%	-7.39%
MSCI EAFE	-0.97%	-13.75%	-12.93%
Barclays Capital U.S. Credit Index	1.96%	3.27%	5.62%
Barclays Capital High Yield Index	1.24%	-0.11%	4.51%

* 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).

Market Review

Uncertainty around a number of issues, including the global economic outlook, sovereign risk and financial regulation, have resulted in investors shunning risk assets, leading the Standard & Poor's 500 Index (S&P 500) to another negative month at -5.23%. Fixed income fared better, as the flight to quality drove interest rates lower, resulting in the yield on the 10-year U.S. Treasury Note dipping below 3%. The Barclays U.S. Credit Index returned +1.96%.

More austerity measures came from Europe, with Germany announcing \$95.6 billion in budget cuts and France following with \$54.5 billion in cuts over three years. The G20 nations met in Toronto and agreed to cut deficits in half by 2013, while indicating that growth remains a top priority. The UK decided to break the Financial Services Authority into three new agencies. The Bank of England will take on responsibility for preventing systemic risks and for supervising the financial sector.

The expiration of the homebuyer tax credit in the U.S. led to a record low number of new-home sales, while existing-home sales were also surprisingly weak, raising concerns about the housing outlook. New-home sales were down 33% in May, while existing-home sales fell 2.2% to an annualized rate of 5.66 million. Headline durable goods orders also were weaker than expected. Durable goods orders declined 1.1% against an expectation of a 0.5% decline. Excluding weak airline sales, orders were up 0.9%. The final estimate of first-quarter gross domestic product was revised down from 3.0% to 2.7%.

Hedge Fund Strategies

The European Union was unable to reach accord on new regulations for the hedge fund industry, delaying a vote until the second parliamentary session in September. At the heart of the matter is the desire by lawmakers to use a passport system for those non-European hedge funds that are able to meet European standards. The UK, home to the majority of European hedge funds, is seeking to allow foreign hedge funds to apply for a license to operate in individual countries if they are unable to meet the stricter European standards. At the G20 meeting, member nations announced that they would implement strong measures in an internationally consistent and non-discriminatory way.

In the U.S., the latest version of new financial regulation does not ban investment banks from managing and sponsoring hedge funds as previously anticipated. Nevertheless, the current proposal does limit the exposure to 3% of the Tier 1 capital of a bank, which will result in significant reductions of hedge fund and private equity fund investments at many banks. Goldman Sachs will be one of those affected most, having hedge fund and private equity fund investments in excess of 20% of its Tier 1 capital. Banks would have up to five years to meet the requirements.

Investment consultant Casey Quirk & Associates expects global hedge fund assets to surpass their mid-2008 all-time high, potentially yet in 2010. U.S. institutional investors, particularly pension funds, are driving inflows. Casey Quirk expects assets to reach \$3 trillion by 2013.

Long/Short Equity Strategies

The S&P 500 had another difficult month, down 5.23%, as all sectors posted negative returns for a second consecutive month. The sectors to which long/short equity funds have the most long exposure were mixed, with consumer discretionary having the worst return at -9.80%, while healthcare, at -1.86%, was one of the best. Long/short equity was one of the poorest-returning hedge fund strategies, but was down only 1.50% (HFRI Equity Hedge Index), benefitting from the reduction in net exposure that began in April and continued throughout the second quarter. The environment for stock picking continued to be difficult, as the trend of higher correlation among stocks and sectors persisted, which resulted from the current macroeconomic uncertainties. Trading volume in S&P 500 stocks declined by 20% from May levels, as funds maintained higher cash balances.

Relative Value Strategies

Convertible arbitrage was the top-performing strategy, at +1.51% (HFRI FI Convertible Arbitrage Index). Both broad-market and single-stock volatility remained high, with the Chicago Board Options Exchange Volatility Index rising roughly 2.5 points to end the month at 34.54. Credit spreads widened again in June but were more than offset by the decline in U.S. Treasury yields. The slight increase in new issuance was met with strong demand. New issues continue to trade well in the secondary market.

Event-Driven Strategies

U.S. companies continue to sit on huge piles of cash. As of March 31, 2010, companies had \$1.84 trillion in cash, up 26% from the prior year, representing the highest percentage of company assets in more than 50 years. Companies are being cautious, waiting to make sure the recovery is taking hold and that the European debt troubles are addressed. Announced deal volume for the month was at the lowest level in nearly a year. The premium on outstanding deals was firm to slightly tighter, enabling merger arbitrage to post a return of +0.11% (HFRI Merger Arbitrage Index).

Carlyle was forced to sell a €1.5 billion loan portfolio as a result of Goldman Sachs and a hedge fund buying equity in

the CELF Partnership Loan Fund 2008 CLO and subsequently forcing redemption of the CLO. The portfolio sale was the largest to hit Europe since 2008 and drove the top 40 leveraged loans in Europe more than a half point lower in price. The impact of the loan sale helped drive distressed investing to a -0.94% return (HFRI Distressed Index), despite the generally positive performance of below investment grade debt resulting from lower interest rates.

Macro Strategies

European sovereign concerns drove the Euro to a four-year low below \$1.20 early in the month, as speculators increased their short exposure to the currency by nearly 20%. The currency fell more than 3% during this period. Short exposure remained throughout the month, but was aggressively covered after the first week, with the currency rebounding 2.6% during the last three weeks of the month. The ability of macro funds to reposition their exposure enabled them to make net profits on the Euro. Macro funds have maintained exposure to gold, both as a safe-haven investment and as a hedge against inflation. Gold was up 2.14%. Funds also cut their bets on higher oil prices to a 10-month low on the heels of economic reports signaling that demand for fuel is declining. Exposure to equity markets has largely been reduced, enabling macro funds to avoid the equity market decline and to be roughly flat on the month at -0.23% (HFRI Macro Index).

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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