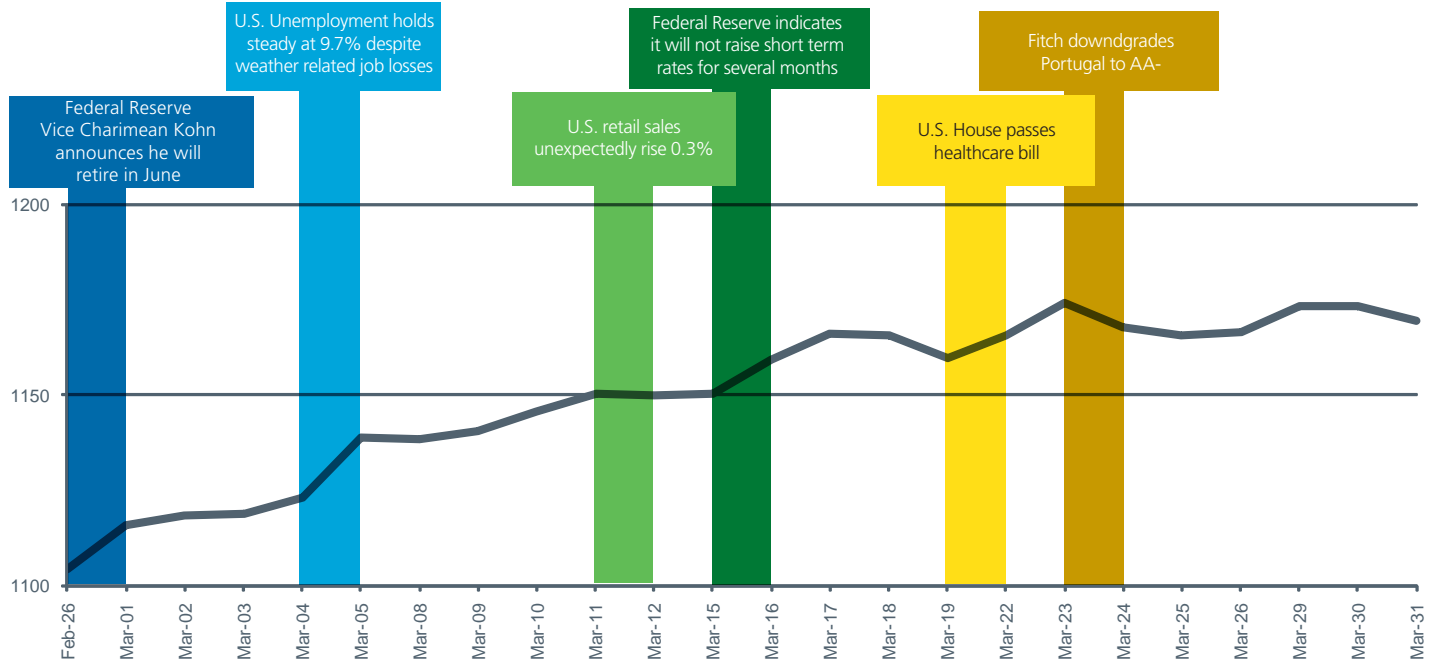


S&P 500 Index



| | March 2010 | | |
|---|------------|-------|-------|
| | Month | QTD | YTD |
| HFRI Fund of Funds Conservative Index * | 1.24% | 1.88% | 1.88% |
| HFRI Fund of Funds Diversified Index * | 1.59% | 1.61% | 1.61% |
| HFRI Equity Hedge Index * | 3.53% | 3.10% | 3.10% |
| HFRI Event Driven Index * | 2.96% | 4.36% | 4.36% |
| HFRI Merger Arbitrage Index * | 0.95% | 1.86% | 1.86% |
| HFRI Distressed Index * | 3.04% | 5.17% | 5.17% |
| HFRI Relative Value Index * | 1.10% | 3.24% | 3.24% |
| HFRI FI Convertible Arbitrage Index * | 2.01% | 2.64% | 2.64% |
| HFRI Macro Index * | 2.20% | 0.44% | 0.44% |
| S&P 500 | 6.03% | 5.39% | 5.39% |
| FTSE 100 | 6.50% | 5.99% | 5.99% |
| MSCI EAFE | 6.31% | 0.94% | 0.94% |
| Barclays Capital U.S. Credit Index | 0.30% | 2.27% | 2.27% |
| Barclays Capital High Yield Index | 3.13% | 4.62% | 4.62% |

* 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

Most major global equity indices posted returns of +6% or more in March, driven by improved economic sentiment and significant buying of equities by hedge funds. Fears over Greece also were addressed when the executive arm of the European Union (EU) indicated it was preparing a proposal that could lead to the creation of a bailout fund for financially troubled member countries. Germany backed the idea of having an institution with powers similar to the International Monetary Fund. The S&P 500, FTSE 100 and MSCI EAFE returned +6.03%, +6.50% and +6.31%, respectively. Credit spreads also tightened, with lower-quality credits benefitting the most. The Barclays Capital High Yield Index was up 3.13%.

In the U.S., total household debt fell 1.7% in 2009 to \$13.5 trillion, marking the first annual decline since records began in 1945. Unfortunately, much of the decline results from an increase in defaults on mortgages and other obligations. New-home sales dropped 2.2% to an all-time low in February, coming in at 308,000. A rebound in housing does not look imminent, with the increasing number of foreclosures, high unemployment, tight credit conditions and expiration of the homebuyer tax credit all weighing on the market. On a positive note, U.S. retail sales for February were up 0.3%, beating expectations for a 0.2% drop. Excluding autos and auto parts, sales increased 0.8%, widely beating the anticipated 0.1% rise.

Hedge Fund Strategies

President Obama revealed details around his “Volcker rule” remarks first made in January. He proposes banning banks from proprietary trading and from investing or sponsoring hedge funds and private equity funds. Non-bank financial firms also would have more stringent rules, targeted at preventing banks from merely shedding their bank assets. Financial firms would not be allowed to grow by acquisition to more than 10% of the aggregate U.S. financial system liabilities.

The European Union (EU) is proposing new regulations that would make it difficult for managers in non-EU countries to access the EU markets. The U.K., which is home to roughly 80% of the EU hedge funds, has stood firmly opposed to the proposal, believing it would place the U.K. and the EU at a competitive disadvantage. The new EU proposal has European pensions concerned about losing access to non-EU managers. European pensions tend to place the majority of their hedge fund investments with non-EU managers, which is consistent with the majority of the world’s hedge fund managers being located outside the EU. If the opportunity set for European pensions is reduced, it could lead to overall reduced return expectations, which ultimately could require companies to increase pension contributions. Senator Charles Schumer, in showing opposition to the current EU hedge fund proposal, suggested that if the EU proposal becomes law, the U.S. should consider similar measures to make it difficult for EU managers to access U.S. markets.

In a survey by Deutsche Bank, a majority of investors indicated they expect to see more than \$100 billion of net cash flow into hedge funds in 2010, reversing the trend of the prior two years. Many pensions are seeing a larger shortfall between their assets and liabilities, leading to expectations that pensions will turn to hedge funds to help close this gap. Reports say that the California State Teachers Retirement System, having never invested in hedge funds, was looking to hire a consultant to help select hedge fund investments. Based on its own survey, Credit Suisse forecasts that hedge fund assets could return to their pre-financial crisis level by year-end.

Long/Short Equity Strategies

The global rally in equities, along with the increased net exposure of long/short equity funds, resulted in long/short equity producing a return of +3.53% (HFRI Equity Hedge Index). Consumer discretionary and information technology both outperformed the broader market. Passage of the healthcare bill by the U.S. House of Representatives resulted in a rally in healthcare-related stocks, which had been stuck in trading ranges, given the uncertainty as to whether a bill would actually be passed. The increased coverage of Americans means more use of healthcare services, even if it might be at a less profitable rate. Long/short equity funds continued to move into industrials, the best-performing sector in March, at +8.85%. Small cap stocks outperformed large cap stocks, and value fared better than growth.

Relative Value Strategies

Convertible arbitrage managed a return of 2.01% (HFRI FI Convertible Arbitrage Index), driven by the rally in credit, with lower-rated credits performing the best. Equity volatility was once again a drag on returns, as the VIX fell nearly 2% to end the month at 17.59%. Single-stock volatility also declined modestly. New issuance returned from the doldrums of January and February, with \$4.8 billion priced. Nearly all of the new issuance was either non-rated or below investment grade. New issuance is typically a good source of return for convertible arbitrage managers, because it is usually priced relatively cheap. In March, however, the new issuance was met with strong demand, enabling the deals to be priced aggressively at an average theoretical cheapness of only 1.8% (versus more recent levels of 3% to 4%).

Event-Driven Strategies

According to The Wall Street Journal, the 382 non-financial firms that had reported fourth-quarter results by early March collectively held \$932 billion of cash, up 8% from the third quarter and 31% from the prior year. This has resulted in nearly 50% of all acquisitions in 2010 being all-cash deals, up from 24% of all deals in 2009. The excess cash is expected to result in more deals in 2010, as well as an increased level of share buybacks. Global announced deal volume for March returned to the levels seen in December and November after a slow start to 2010. Britain’s business secretary, Peter Mandelson, proposed making U.K. takeovers more difficult by requiring approval by a two-thirds majority of shareholders. If enacted, his proposal would likely reduce the number of merger arbitrage opportunities in the U.K., but it would possibly lead to a greater spread to be captured, given the increased uncertainty around completing deals. The Association of British Insurers said its members did not support the proposal, indicating that once someone controls more than 50% of a company’s shares, they control the company.

Distressed investing had a strong month, benefitting from the spread tightening in lower-rated credits. After a pause in February, the yield on the Barclays High Yield Index declined 68 basis points (bps), despite the more than 20 bps increase in U.S. Treasury bond yields. Leveraged loans performed well, with the 100 largest facilities gaining 2.91%, consistent with the +3.04% return for distressed managers (HFRI Distressed Index).

Macro Strategies

Macro funds increased exposure to emerging markets throughout the month, benefitting from the strong rally. Short-term trend followers and commodity-oriented exposure showed strength as well. Commodities as a whole returned approximately +2%, with oil performing particularly well at +5.14%. On the energy front, managers have moved into the seasonal gas versus heating oil trade earlier than normal this year. The trade, long gas and short heating oil, benefits from the colder-than-normal winter and low refinery utilization rates in the U.S. and Europe. Gold was slightly down on

the month, as managers reduced exposure. The U.S. Dollar gained against major currencies, up 5.06% against the Yen, 0.89% against the Euro and 0.35% against the Sterling. Macro managers profited from being short the Euro and the Sterling. Managers still are generally positioned for a steeper U.S. yield curve, something that had little impact on returns as the 2-year and 10-year yields increased 21 bps and 23 bps, respectively.

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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March 2010 Monthly Hedge Fund Commentary