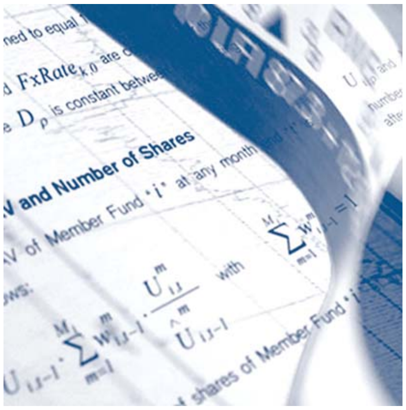
Credit Suisse | Tremont
HEDGE INDEX

Credit Suisse Liquid Alternatives

Monthly Hedge Fund Commentary

May 2010



Hedge Funds and Global Markets Summary

	April	March	Avg. Annualized Return*	Annualized Vol.*	Current Sector Weights
CS/Tremont Hedge Fund Index	**1.24%**	**2.22%**	**9.41%**	**7.74%**	**100%**
Convertible Arbitrage	1.69%	2.06%	7.85%	7.16%	1.76%
Dedicated Short Bias	-3.89%	-6.61%	-3.27%	16.90%	0.29%
Emerging Markets	1.01%	3.89%	8.09%	15.42%	7.85%
Equity Market Neutral	0.43%	0.54%	5.34%	10.73%	2.15%
Event Driven	1.89%	2.85%	10.47%	6.03%	26.61%
Fixed Income Arbitrage	1.75%	1.44%	5.06%	6.03%	3.42%
Global Macro	1.65%	0.38%	12.43%	10.20%	18.3%
Long/Short Equity	0.29%	2.99%	10.29%	9.97%	22.31%
Managed Futures	1.89%	4.25%	6.42%	11.77%	3.90%
Multi Strategy	0.96%	1.44%	8.21%	5.45%	13.41%

Source: Credit Suisse/Tremont Hedge Fund Index.
*Average annualized Index data begins January 1994.

Credit Suisse/Tremont Hedge Fund Index Performance Statistics	
3 Months	4.19%
6 Months	7.51%
1 Year	20.67%
3 Year Annualized Return	2.26%
5 Year Annualized Return	6.70%

Credit Suisse/Tremont Correlation Statistics	Correlation from January, 1994
CS/Tremont Hedge Fund Index	1.00
S&P 500 (TRI)	0.54
Dow Jones STOXX 50 (TRI) Index (USD)	0.53
TOPIX Index	0.44

Equities	April	March
S&P 500	1.58%	6.03%
MSCI World	-0.16%	5.93%
DJ STOXX 50	-4.77%	5.87%
Nikkei	-0.29%	9.52%

Fixed Income*	April Change (bps)	March (bps)
10-year US	-17.25	21.40
10-year Germany	-7.50	-0.90
10-year Japan	-11.00	9.50
CS High Yield Idx	-19.00	-66.00

*Change in bps

Currencies*	April	March
EUR	-1.58%	-0.89%
GBP	0.59%	-0.37%
YEN	-0.42%	-4.85%
CHF	-2.20%	1.84%

Commodities	April	March
DJ-UBS Index	1.94%	-1.24%
GSCI	3.73%	2.45%
Gold	5.92%	-0.39%
Crude Oil	2.36%	4.70%

Source: Bloomberg, Datastream.
*vs. US Dollar.

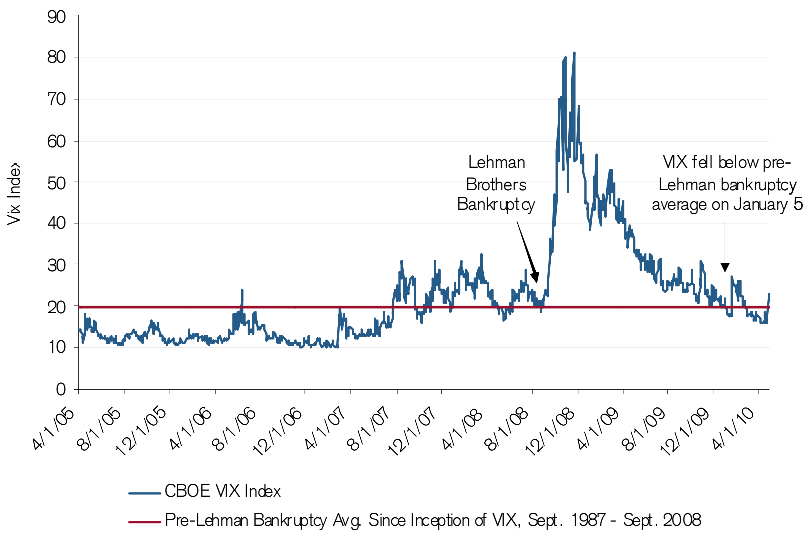
All data was obtained from publicly available information, internally developed data and other third party sources believed to be reliable. Credit Suisse has not sought to independently verify information obtained from public and third party sources and makes no representations or warranties as to accuracy, completeness or reliability of such information.

Hedge Fund Overview

The Credit Suisse/Tremont Hedge Fund Broad Index Gained 1.24% in April, with Managed Futures and Event Driven Co-Leaders for Individual Strategy Performance

Hedge funds had a positive month overall with +1.24% return (as indicated by the Credit Suisse/Tremont Hedge Fund Broad Index, or the “Index”), as volatility increased and performance dispersion widened among global equity markets. Nine-out-of-ten strategies in the Index posted positive returns in April, with Dedicated Short Bias the only negative performer. Market volatility continued to be mainly driven by fears of sovereign risk in Europe, and concerns over whether financial and political authorities would find a solution to prevent the confidence crisis from spreading among the peripheral European economies. A key gauge of investor fear is the Chicago Board of Exchange VIX volatility index, which rose approximately 30% from 17.47 at the start of the month, to 22.81 on April 30, taking the VIX back above its pre-Lehman bankruptcy average of 19.78 (see Figure 1).

Figure 1: Market Volatility Rising: CBOE VIX Volatility Index, May 2005 – April 2010



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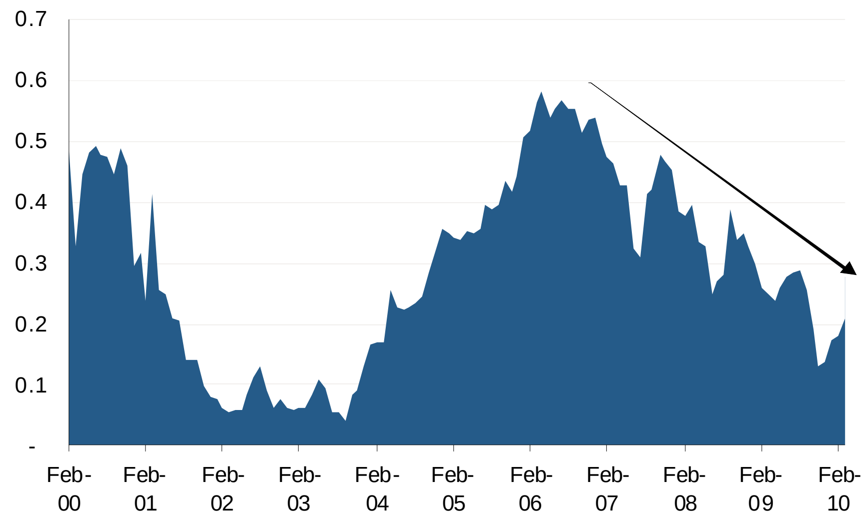
In the increasingly volatile market environment, two sectors were tied for best monthly performance in the Index: Managed Futures and Event Driven, both posting +1.89%. They were followed closely by the relative value strategies, Fixed Income Arbitrage and Convertible Arbitrage, and Global Macro. In the directional space, Emerging Markets outperformed Long/Short Equity, as they posted +1.01% and +0.29%, respectively.

Some managers believe that beta-driven investment opportunities such as the rallies that markets experienced in 2009 (what some have termed a “snapback” recovery from the drawdowns experienced in late 2008) will be scarcer this year. As a result of this lower beta, many believe that exposure to idiosyncratic risk may be preferable to systematic risk. Our research shows that hedge fund beta is at its lowest level since 2004 (as of April 30, 2010; see *Figure 2*).

Figure 2: Rolling 12-month Beta of the Broad Index to MSCI World Index



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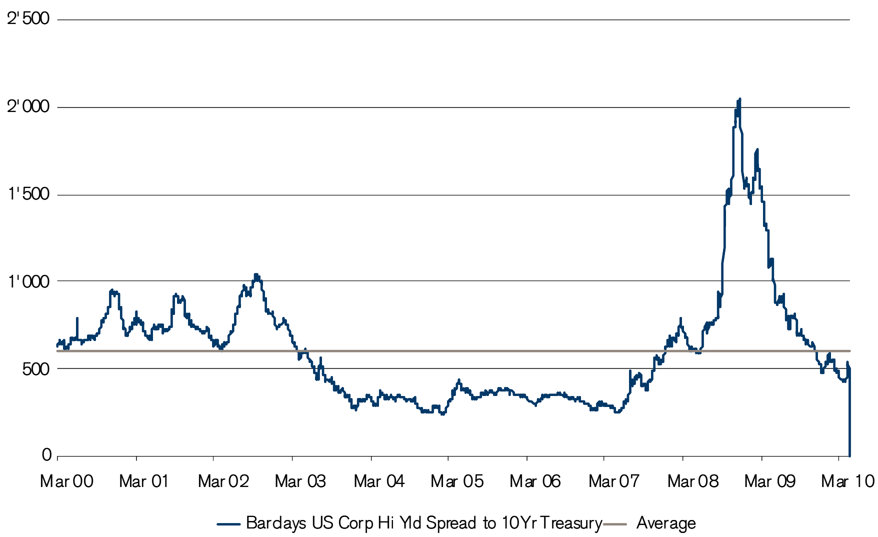
Event Driven is a strategy in which managers tend to focus on idiosyncratic opportunities and process-driven events. These performance drivers are typically not tied to market movements but rather to special situations. This focus may help explain its index-leading performance in April as well as for the first quarter (posting +4.76%). Additionally, Managers' long exposures to credit and equity investments helped contribute for the month's positive returns. These included specific distressed investments in corporations that may have recently completed restructurings or exited from bankruptcy (e.g. balance sheet restructurings, exchange offers, rescue financings, liquidations and loan-to-own situations), and other holdings involved in acquisition investments. A number of Event Driven managers (as well as managers for most other strategies) have been giving up some portion of returns, however, by being cautious and hedging their portfolios to guard against tail risk events.

The high yield credit market posted its 14th month of consecutive positive returns, despite the European sovereign debt concerns and rising Treasury rates. Both the CS Leveraged Loan and CS High Yield Index contributed gains of +1.28% and +2.32%, respectively, with high yield spreads tightening from 634 bps at the beginning of the year to 572 bps at the end of April (See Figure 3). Many relative value managers in strategies such as Fixed Income Arbitrage and Convertible Arbitrage were able to capitalize on the unusual mix of tightening credit markets, flight-to-safety behaviors, and higher levels of volatility. These developments resulted in a flattening of the major yield curves, and improved the opportunity set for many managers in active-trading strategies.

Figure 3: US Corporate High Yield Spread to Treasury (Credit)



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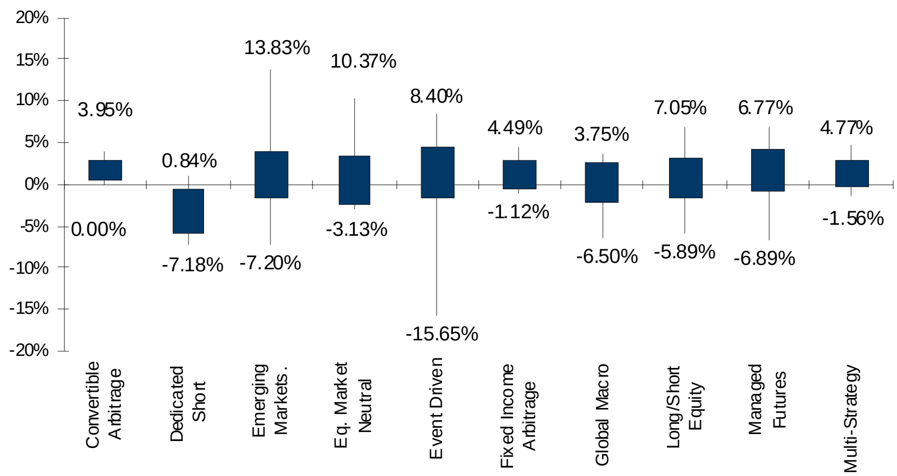
Tactical strategies such as Managed Futures and Global Macro hedge funds had positive performance based on theme-based trading and tactical opportunities provided by month-end volatility. Profitable trades were spread across asset classes and regions, as markets were driven by a diverse set of macroeconomic factors. Global Macro managers found profitable growth-dispersion trading opportunities in foreign exchange and fixed income markets, as the differentiation between developing and developed global markets and central banks' reactions continued to increase.

Trend followers in the Managed Futures strategy started off the month with gains, especially from long equities and energies positions, as the markets continued their longer-term trends. The gains were partially erased during the month as stock markets declined, and yet managers were able to recoup some of the losses as the US stock markets and energies rebounded towards the end of the month. Rallies in precious metals and bonds also contributed positively, as many nervous investors moved into "safe haven" investments.

Dispersions within the various hedge fund sectors tightened in April. Performance was predominantly positive for Managed Futures, Event Driven, Multi-Strategy, Emerging Markets and relative value strategies. Other sectors were mixed with the exception of Dedicated Short Bias which was predominantly negative. Figure 4 depicts the range of dispersions as well as the bulk of returns, which are shown as the dark blue boxes (one standard deviation from the mean in either direction).

Figure 4: Credit Suisse/Tremont April Performance Dispersion by Strategy



Source: Credit Suisse/Tremont Hedge Fund Index

Hedge Fund Sector Overview

Convertible Arbitrage

Credit Suisse/Tremont Convertible Arbitrage Index (USD)	
Performance	1.69%
Avg Month	0.65%
Best Month	5.81%
Worst Month	-12.59%
Monthly Standard Deviation	2.07%
Annualized Standard Deviation	7.16%
Sharpe Ratio	0.61

Convertible Arbitrage funds generally posted positive performance in April. Convertible bond valuations rallied off of equity-market strength and tightening credit spreads. Managers benefitted from the richening environment despite some softness toward the end of the month due to headlines regarding financials and rising sovereign risks. Lower-grade bonds outperformed investment-grade names, reflecting the bullish market sentiment. Volatility ticked up during the last week of April, allowing funds to generate gamma-trading profits. International names also contributed gains, including outperformance from asset swapped positions in Asia. Special situations, such as distressed restructurings, equity issuances, and M&A transactions, continued to be an source of returns. Managers still believe these event-driven situations offer risk-adjusted upside and have continued to identify opportunities. Portfolio-level hedges against equities, credit, and interest rates were the main detractors from performance.

Global primary market volume slowed after a wave of new issuances in March. The US market saw seven new deals in April totaling $2.6 billion, or $1.38 billion of organic growth. Managers generally profited from new issues in April as pricing continued to be attractive and well-subscribed. Most funds kept leverage constant over the month. Managers generally believe their portfolios are conservatively positioned. Given the macro uncertainties around the sustainability of the economic recovery, managers prefer to maintain some cash balances so that they can re-deploy capital if the convertible bond universe cheapens.

Credit Suisse/Tremont Emerging Markets Index (USD)	
Performance	1.01%
Avg Month	0.75%
Best Month	16.41%
Worst Month	-23.03%
Monthly Standard Deviation	4.45%
Annualized Standard Deviation	15.42%
Sharpe Ratio	0.30

Emerging Markets

Global Emerging Market-focused managers on average produced positive returns in April, capitalizing on a positive start to the month, though emerging markets pulled back in the second half of April. Positive first quarter earnings initially lifted markets higher, but increased concerns about global risks (China's monetary tightening, the SEC civil suit against Goldman Sachs and sovereign downgrades in some Euro peripheral economies) coinciding with the end of earnings season, triggered the onset of a correction towards month-end. Emerging markets equities (as measured by the MSCI EM Free Index) ended the month up 1%, and Emerging markets external and domestic debt (JPM EMBI+ Index and JPM ELMI+ Index) closed the month on a slightly positive note (+0.7% and +0.2% respectively), despite volatile global market conditions. Moreover, concerns regarding the deteriorating sovereign credit quality of developed countries have strengthened the case for emerging markets currencies, given the strength of emerging markets' public sector balance sheets. Global managers with a neutral bias towards the market and hedges in Western European credits, as well as specific long exposures such as in Brazilian or Argentinean sovereign debt, posted the strongest results in April.

Asia-focused managers on average posted modest positive returns in April. While economic growth across the region was confirmed through the year-on-year GDP growth numbers of +11.9% in China, +13.1% in Singapore and +7.8% in Korea, the MSCI Asia ex-Japan Index advanced modestly by 1.9%. Chinese stock markets remained under pressure as the government introduced additional counter-measures to curb property speculation. The Shanghai Composite Index fell -7.7% during the month. The second rate hike in a month by the Reserve Bank of India and the fear of European sovereign debt problems also weighed on the Asian markets toward the end of the month. Equity-focused strategies with limited exposure to China in general managed to produce positive returns from their long portfolios, while managers with large exposures in Chinese equity markets generally underperformed, or returned negatively. Credit-focused strategies performed positively in April, as credit markets in Asia were relatively stable. Volatilities in price differences between share classes and overall strength in Asian currencies continued to provide profitable trading opportunities.

Emerging Europe-focused managers on average posted positive returns in April, despite the MSCI EM Eastern Europe Index finishing the month down -0.7%. The return of Russia to the international debt markets and a broad economic and military agreement with Ukraine were sidelined by the crescendo of the Greek crisis, and caused the RTSI$ to give up all of the gains in the second half of the month. However, smaller-cap and second-tier stocks in Russia, as well as other regional markets such as Turkey, remained resilient versus the late-month global sell-off, supported by improving economic and political conditions. Managers profited from company-specific situations and were able to protect their gains from the first half of the month by taking profits towards the worsening environment at the end of the month.

Latin America-focused managers (LATAM) on average produced mixed to slightly negative returns in April. LATAM equities (as measured by the MSCI Latin America index) finished the month down -0.8%, while external and local debt as well as currencies ended in positive territory. The negative performance of equities was mostly driven by Brazil and Mexico which ended the month down -4% and -1.7% in local currencies, respectively. In Brazil, the rate-tightening cycle finally started with a 75 bps rate hike, which brought a sense of relief to a market worried with the pace of consumption amid increasing inflation signs, and which caused small and mid-cap equities to outperform larger caps. Managers profited from their selective exposures to external sovereign debt, as well as from investments in Brazilian mid and small-cap stocks. Moreover, the appreciation of the BRL by approximately 3% also contributed. On the negative side, some managers suffered from the steepening of the curve in Brazilian rates following the rate hike.

Equity Market Neutral

Equity Market Neutral managers experienced mixed performance in April as volatile and uncertain markets in the last week of the month caused funds to give back much of their earlier gains. De-leveraging in the marketplace late in the month put pressure on portfolios, and the indiscriminate selling of assets had a negative impact on managers' portfolios.

Credit Suisse/Tremont Equity Market Neutral Index (USD)	
Performance	0.43%
Avg Month	0.50%
Best Month	3.63%
Worst Month	-40.45%
Monthly Standard Deviation	3.10%
Annualized Standard Deviation	10.73%
Sharpe Ratio	0.17

Event Driven

The Event Driven strategy posted positive returns in April. Individual positions in idiosyncratic situations represented the majority of gains, while long exposure to credit and equity investments contributed as well. These included specific distressed investments that may have recently completed restructurings or exited from bankruptcy (e.g. balance sheet restructurings, exchange offers, rescue financings, liquidations and loan-to-own situations), and other holdings involved in acquisition plays. In general, managers continued to assert their overall wariness to broader markets with greater short protection in their portfolios, while continuing to find investment opportunities in company-specific situations.

Credit Suisse/Tremont Event Driven Index (USD)	
Performance	1.89%
Avg Month	0.85%
Best Month	4.22%
Worst Month	-11.77%
Monthly Standard Deviation	1.74%
Annualized Standard Deviation	6.03%
Sharpe Ratio	1.15

M&A activity remained steady in April with over $140 billion of newly announced deals. Reports of better-than-expected corporate earnings, along with strength in capital markets, have enabled firms to gain traction on the acquisition front, which has been marked with an increase in hostile and unsolicited deal situations. Arbitrageurs remained selective by choosing to participate in certain contested situations that offered favorable spreads and returns. Noteworthy transactions during the month that signaled sizeable transaction volume included Qwest Communications/CenturyTel, Mariner Energy/Apache, Mirant/RRI Energy, Hertz/Dollar Thrifty Auto and E.ON/PPL. Certain managers have also taken a significant interest in the publicized distressed merger situation of General Growth. Overall, merger funds benefited from an increase in the number of announced deals, and established gains from competing takeover bids of select target companies.

Credit markets performed positively in April, as European sovereign debt concerns had minimal impact on US credit markets. Both the CS Leveraged Loan and High Yield Index contributed gains of 1.28% and 2.32%, respectively. The strongest contributors again stemmed from lower-rated and defaulted paper in loan markets, while technical conditions helped to continue March's record flow of high yield issuance, with over $32 billion in new paper. With further spread- tightening, managers have shifted their focus to restructuring equities through acquiring equity stakes in companies as they restructure their balance sheets. In addition to investments in liquidations and reorganizations, managers continue to seek and capitalize on mispriced off-the-run securities in large and complex capital structures.

Fixed Income Arbitrage

Credit Suisse/Tremont Fixed Income Arbitrage Index (USD)	
Performance	1.75%
Avg Month	0.43%
Best Month	4.33%
Worst Month	-14.04%
Monthly Standard Deviation	1.74%
Annualized Standard Deviation	6.03%
Sharpe Ratio	0.26

Fixed Income Arbitrage funds posted positive returns in April. After a quiet first half of the month, risk sentiment changed on European sovereign debt contagion concerns, spurred by Standard & Poor's downgrading of Greece, Portugal and Spain. The flight-to-safety behavior and higher levels of volatility caused a flattening of the major yield curves. As widely expected, the US Federal Open Market Committee (FOMC) left interest rates unchanged, and once again confirmed that rates will remain low "for an extended period of time."

As markets grew more volatile, managers ran relatively low levels of risk, and built protection going into April due to the problems and volatility surrounding the situation in Greece. While the exposure to the Euro peripheral countries was low, many more directionally-biased Fixed Income Arbitrage managers welcomed the general increase in interest-rate volatility, which improved the opportunity set for active-trading strategies.

Bond arbitrageurs continued to deliver small but steady uncorrelated returns and in general finished the month up. Main source of profits continued to be futures basis (futures vs. cash bonds) and auction concession trading, both of which are liquid strategies with short-term catalysts.

Credit relative-value managers overall had a positive month, with shorts contributing, especially in the financial sector, which experienced a spread-widening amid increasing sovereign spreads.

US mortgage-focused strategies also had a positive month, benefitting from a rally in non-agency RMBS bonds, which was initiated by President Obama's effort to support the housing market. The plan involves a principal modification of borrowers with negative equity (mortgage amount exceeds house value). If successful, this brings the LTV (loan-to-value) back to reasonable levels and therefore reduces the likelihood of defaults, which is in turn good for the stressed RMBS bonds.

Global Macro

Credit Suisse/Tremont Global Macro Index (USD)	
Performance	1.65%
Avg Month	1.02%
Best Month	10.59%
Worst Month	-11.55%
Monthly Standard Deviation	2.94%
Annualized Standard Deviation	10.20%
Sharpe Ratio	0.87

During the month of April, Global Macro hedge funds generated positive performance in discretionary and quantitative investment mandates through strategic, theme-based trading and tactical opportunities provided by month-end volatility. Profitable trades were spread across asset classes and regions, as markets were driven by a diverse set of macroeconomic factors on the month.

The continued bifurcation of the developing and developed world was seen in the contrast between tightening in core emerging nations such as Brazil, and ratings downgrades in Europe. In line with this, and complemented by continued evidence of domestic demand growth in emerging markets, managers were provided profitable growth-dispersion trading opportunities in foreign exchange and fixed income markets. Long Asian-currency themes crossed against short developed-market exposures were profitable on the month, most notably in short Euro positioning. Curve trading in developed fixed-income markets ultimately had positive results for a number of funds, though risk at the front end of fixed income markets was reduced in many cases.

In equities, funds generally maintained light exposures, as uncertainty surrounding the direction of risky assets remained high. The worsening sovereign debt situation in Europe impacted stocks; however, small, opportunistic relative-value index trading did contribute positively in select cases. In the face of this, commodity trades continued to be influenced by global growth dynamics, whereby a number of core energy and agricultural commodity contracts increased in value while many industrial metals sold off. Global Macro managers saw opportunities in this cyclicality, and similarly broad exposure to Gold across the Global Macro investment universe generated profits.

Central bank exit strategies, sovereign debt issues and the persistent uncertainty surrounding related outcomes continue to drive the opportunity set for Global Macro hedge funds. While risk levels remain low on a relative basis, the resulting high levels of unencumbered cash should allow managers to be opportunistic through changing macroeconomic regimes and market environments.

Long/Short Equity

Credit Suisse/Tremont Long Short Equity Index (USD)	
Performance	0.29%
Avg Month	0.86%
Best Month	13.01%
Worst Month	-11.44%
Monthly Standard Deviation	2.88%
Annualized Standard Deviation	9.97%
Sharpe Ratio	0.68

Long/Short Equity Funds closed April with marginally positive performance as developed equity markets experienced mixed results around the globe. The “risk-on” trade reversed, bringing macro/systemic risks back to the forefront; however, equity hedge funds were generally able to hold on to some gains during the month. Exposure to cyclical sectors broadly drove performance on the long book while defensive sectors caused a drag. Regionally, Japan-focused funds performed the best, followed by US and Global managers, while European funds lagged behind their developed-market peers.

US Long/Short Equity fund performance was primarily attributed to one of the strongest earnings seasons on record, measured by the magnitude of actual EPS beats. Managers saw positive stock-specific performance led by exposure to companies in cyclical sectors, namely Consumer Discretionary & Industrials. Net long exposure to Healthcare was a drag on performance, as were index hedges on the short side. Financial companies sold off much more during the last week of the month relative to other sectors due to heightened concern over financial regulatory reform, causing mixed performance results for many managers. For the month of April, the S&P 500 Index returned 1.5%, the S&P 400 Mid Cap Index returned 4.2%, and the Russell 2000 Index returned 5.6%.

European Long/Short funds experienced a positive first half to the month and a negative second half, as the fears of sovereign risks took hold. Despite decent economic data points in certain parts of the Eurozone in April, top-down risks dictated the direction of individual stock prices and the markets in general. Thus, long books largely detracted from performance as areas such as Financials, Materials, and Technology caused a large drag on performance. Also, companies with a higher domestic focus suffered more than those with a more export-based business due to the Euro’s depreciation during the month. Regionally, the CAC 40 Index (France) returned -4.0%, the FTSE 100 Index (UK) returned -2.2% and the DAX Index (Germany) dropped 0.29%.

Japanese managers continued to post positive returns in April, while Japanese equity markets on average returned flat. Fiscal year-end earnings results favorably contributed to stock selections by managers. A number of small and mid-cap stocks in both manufacturing and service sectors outperformed through inflows from foreign and individual investors, better business sentiment in the Bank of Japan Tankan report and recovery in consumer spending.

Managed Futures

Credit Suisse/Tremont Managed Futures Index (USD)	
Performance	1.89%
Avg Month	0.58%
Best Month	9.95%
Worst Month	-9.35%
Monthly Standard Deviation	3.40%
Annualized Standard Deviation	11.77%
Sharpe Ratio	0.25

Managed Futures managers, in general, delivered another positive month in April. Trend followers posted profits despite some reversals during the month. Most high frequency managers also ended the month higher, as their volatility breakout models were able to pick up the downturn of the markets, as well as the reversals which followed. Multi- strategy managers’ returns were mixed depending on their exposure to sub-programs.

Trend followers started off the month with gains, especially from long equities and energies positions, as the markets continued their longer-term trends. The gains, however, were partially erased during the month as stock markets slid, due to mounting concern on Greece and credit rating downgrades for some of the EU countries. The managers were able to recoup some of the losses as the US stock markets and energies rebounded, ending the month higher despite fears over the sustainability of the economy. A rally on the precious metals and bonds prices also contributed positively, as investors moved into “safe haven” investments.

High-frequency managers also tended to generate profits as their short term volatility breakout models were able to pick up the reversals that occurred during the last week of the month and provided protections against downside.

Multi-Strategy managers posted mixed results. Managers with more momentum-driven components generated positive results, while others with larger stat arb and mean reversion components ended the month with slightly negative returns. Mean reversion strategies have benefitted from the volatility around the Greece downgrading which enabled them to make up for the losses incurred earlier in the month, and to finish April almost flat.

Important Legal Information

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