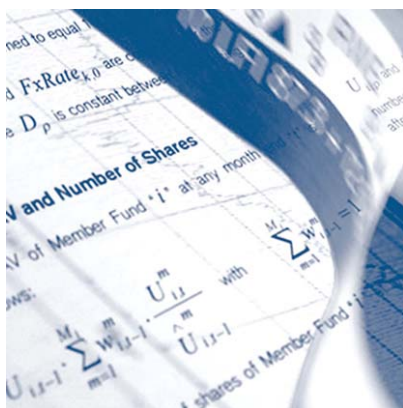


# Credit Suisse Liquid Alternatives

## Monthly Hedge Fund Commentary

April 2010



### Hedge Funds and Global Markets Summary

	March	February	Avg. Annualized Return*	Annualized Vol.*	Current Sector Weights
<b>CS/Tremont Hedge Fund Index</b>	<b>2.22%</b>	<b>0.68%</b>	<b>9.38%</b>	<b>7.76%</b>	<b>100%</b>
Convertible Arbitrage	2.06%	0.47%	7.78%	7.17%	1.80%
Dedicated Short Bias	-6.61%	-3.20%	-3.05%	16.91%	0.34%
Emerging Markets	3.89%	-0.45%	8.07%	15.46%	8.44%
Equity Market Neutral	0.54%	-1.35%	5.34%	10.76%	2.22%
Event Driven	2.85%	0.44%	10.40%	6.04%	25.99%
Fixed Income Arbitrage	1.44%	0.07%	4.97%	6.03%	3.62%
Global Macro	0.38%	1.10%	12.38%	10.23%	17.55%
Long/Short Equity	2.99%	1.32%	10.32%	10.00%	22.04%
Managed Futures	4.25%	1.81%	6.33%	11.79%	3.91%
Multi Strategy	1.44%	0.56%	8.19%	5.46%	14.08%

Source: Credit Suisse/Tremont Hedge Fund Index.

\*Average annualized Index data begins January 1994.

#### Credit Suisse/Tremont Hedge Fund Index Performance Statistics

3 Months	3.09%
6 Months	6.32%
1 Year	21.20%
3 Year Annualized Return	2.52%
5 Year Annualized Return	6.21%

#### 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	March	February	March Change		
			(bps)	February (bps)	
S&P 500	6.03%	3.10%	10-year US	21.40	2.73
MSCI World	5.93%	1.23%	10-year Germany	-0.90	-9.50
DJ STOXX 50	5.87%	-1.85%	10-year Japan	9.50	-2.00
Nikkei	9.52%	-0.71%	CS High Yield Idx	-66.00	14.00

\*Change in bps

Currencies*	March	February	Commodities		
			March	February	
EUR	-0.89%	-1.69%	DJ-UBS Index	-1.24%	3.71%
GBP	-0.37%	-4.65%	GSCI	2.45%	6.45%
YEN	-4.85%	1.51%	Gold	-0.39%	3.40%
CHF	1.84%	-1.17%	Crude Oil	4.70%	9.08%

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 Index Gained 2.22% in March, with Managed Futures and Directional Strategies Posting the Best Performance

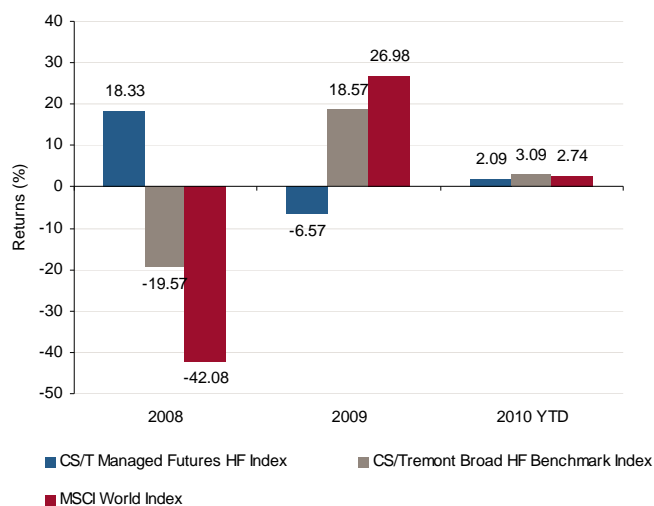
As suggested by the Credit Suisse/Tremont Hedge Fund Index, hedge funds posted their best monthly performance since September 2009, registering 2.22% returns in March, boosted by robust equity markets: The MSCI World Index was up 6.19% for the month, the S&P 500 Total Return Index gained 6.03% (and had its best first quarter since 1998, up 5.39%), the Dow Jones Euro STOXX 50 was up 5.87% and Japan's TOPIX Index led equity indices with 10.41% for the month. The passage of the healthcare reform bill in the US was one of the month's more notable events. The Obama administration's success in passing the bill despite stiff opposition in Congress had a generally positive reception in equity markets, and hedge fund managers generally mirrored that sentiment, as it helped reduce the uncertainty that had been prevalent in the Healthcare sector in the last six to nine months.



Other key markets that helped support hedge fund performance were the high yield bond market, and certain commodity sectors such as Energy and Industrial Metals, that were buoyed by positive manufacturing data in Asia, the US and parts of Europe. The high-yield bond market had its 13<sup>th</sup> month of positive performance, with the BofA Merrill Lynch High Yield Constrained Index registering a return of 3.02%. High yield bonds had a record issuance of \$38.3 billion for the month<sup>1</sup>, despite ongoing concerns regarding Eurozone sovereign risk, as well as rising Treasury rates in the US. The Barclays Capital Global Aggregate Bond Index was down, however, with a performance of -0.76%.

All strategies except Dedicated Short Bias were positive for the month, with five strategies registering gains over the 2% mark—none of the strategies did so in February, and only Fixed Income Arbitrage managed to post a 2.02% gain in January. The performance leader in March was Managed Futures (+4.25%), followed by directional strategies—Emerging Markets (+3.89%) and Long/Short Equity (2.99%)—followed by Event Driven (+2.85%) and Convertible Arbitrage (+2.06%). Managed Futures is notable for having had the best yearly performance in 2008, following which it experienced a difficult year in 2009 (see *Figure 1*). The strategy's negative performance in 2009 was in contrast to the gains in equities and other hedge fund strategies that experienced substantial recoveries from the 4Q 2008 market dislocations. By posting index-leading performance in February and March of this year, however, Managed Futures may be poised to turn the page on last year.

**Figure 1: CS/Tremont Managed Futures Index vs. CS/Tremont Broad HF Index vs. MSCI World Index**

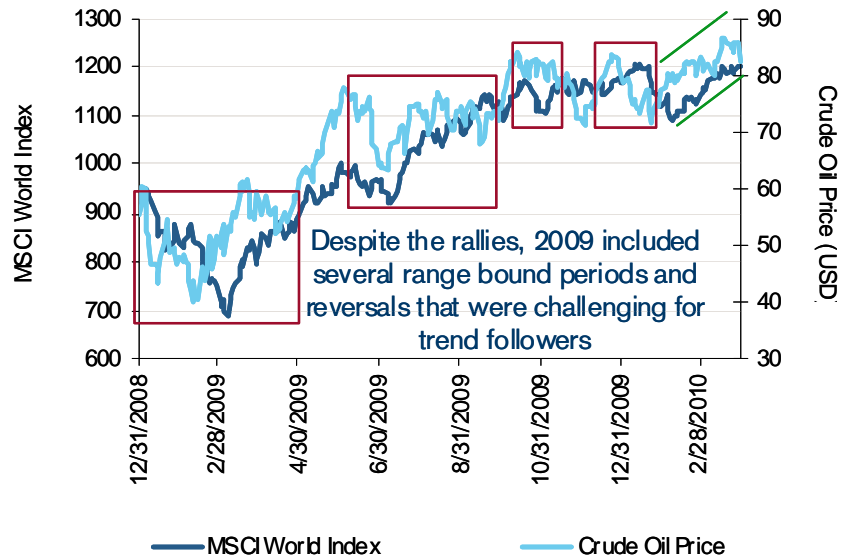


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<sup>1</sup> Source: Bloomberg, "Junk Bonds in 'Goldilocks' Market Reach Record: Credit Markets," March 29, 2010. [www.bloomberg.com](http://www.bloomberg.com)

Some of the profitable sectors in which Managed Futures trend followers have seen their models gain traction in the last two months have included equities, commodities, currencies, as well as short positions in natural gas. *Figure 2* shows the performance for the last 15 months of two representative indices from these sectors, namely the MSCI World Index and Crude Oil prices. One can note that periods in 2009 in which Managed Futures performed poorly tended to take place during “sideways” markets, or periods experiencing frequent and strong reversals.

**Figure 2: MSCI World Index and Crude Oil, 2009 – 2010 YTD**

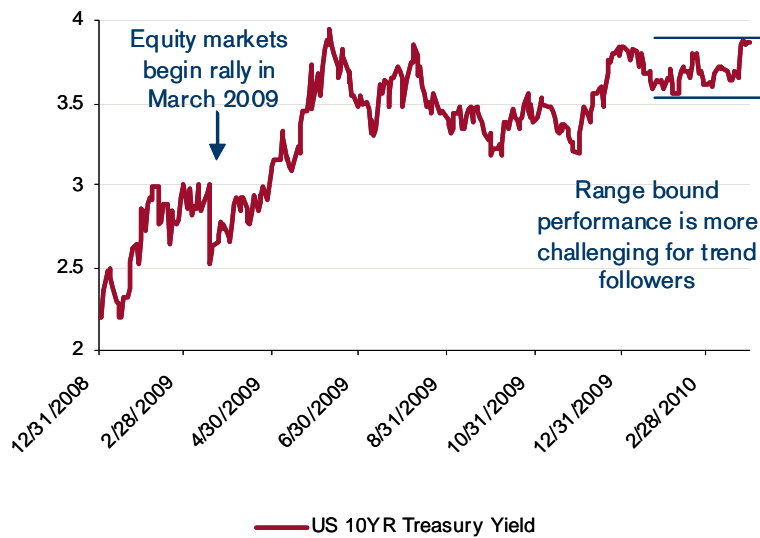


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It is also interesting to note that fixed income was the only market sector that detracted from performance for Managed Futures trend followers in March. This can be attributed to the fact that several fixed income markets (with certain exceptions such as high yield bonds and leveraged loans) were range-bound and suffered from a lack of clear direction (as an example, *Figure 3* shows the benchmark US 10-Year Treasury). Multi-strategy and high frequency managers in the Managed Futures sector had mixed returns, as they struggled with multiple intra-day reversals in areas such as currencies.

Directional strategies, such as Emerging Markets and Long/Short Equity, benefited from the positive performance of global equity markets. A number of Long/Short managers remained somewhat cautious, nonetheless, and therefore did not capture the full upside of equity markets. Gains came primarily from long positions in Industrials, Financials, Healthcare and Consumer Discretionary stocks. Economic macro data was generally positive, particularly in manufacturing and consumer confidence surveys, and many managers believe that the current environment is favorable for stock picking.

Figure 3: US 10-Year Treasury Yield, 2009 – 2010 YTD



Source: Bloomberg, Credit Suisse. 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.

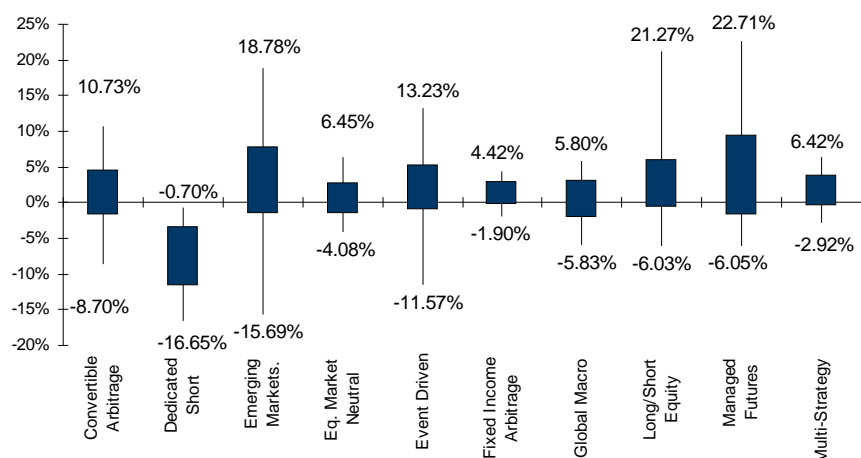
Despite volatility at the beginning of March, European equities made gains by the end of the month, as the Eurozone announced a concrete plan to provide financial assistance (in coordination with the International Monetary Fund) in the event of a potential default by Greece. Emerging Markets managers had positive performance as well, with Eastern Europe-focused managers with exposure to Turkey and Russia standing out as the strongest contributors, followed by Asia and Latin America-focused managers.

The Event Driven sector had a positive month (+2.85%), and was the Index's performance leader for the first quarter, registering a gain of 4.8%. The sector's performance was driven by a number of areas, including thematic plays on the healthcare sector, robust M&A activity (with \$200 billion of newly announced deals), and certain credit sectors rising as represented by the Credit Suisse Leverage Loan and High Yield Indices, which posted 2.16% and 2.85% gains, respectively. Credit Suisse Research believes that the opportunity set for this sector will continue to grow for the next three to six years in all areas of debt, as well as more idiosyncratic, event-driven type of situations, because of a number of factors that include, among others, new and less-crowded debt markets outside of the US.

Global Macro managers had more muted performance, with several systematic traders hurt by reversals in currencies and corrections in the front end of the curve for sovereign bonds. These losses offset the gains that were made by a number of discretionary managers who were long equities or commodities, such as copper and oil. Fixed-income relative-value traders appear to have been having some difficulty defining trends, in part because of interest rates remaining at very low levels (still near zero in the US), and therefore had a relatively quiet month.

Dispersions within the various hedge fund sectors widened in March, with several positive outliers registering double-digit performance, whereas none did so in February. Performance was mixed among the sectors with directional strategies moving from predominantly negative performance in February to a more positive mix. All Dedicated Short managers showed negative performance, while Managed Futures experienced a more positive distribution of returns. *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 February Performance Dispersion by Strategy**



Source: Credit Suisse/Tremont Hedge Fund Index

## Hedge Fund Sector Overview

### Convertible Arbitrage

Convertible Arbitrage managers were broadly positive in March as valuations rose alongside bullish equities and improving credit conditions. The US market saw lower grade credits generally outperforming higher quality bonds. Credit continues to be the primary driver of returns, echoing momentum in high yield markets. Funds also profited from distressed and other idiosyncratic situations, while volatility-oriented convertibles, and select equity and credit hedges weighed on performance. Managers noted an increase in trading activity compared to the earlier part of the year. A number of managers slightly increased exposure in March, after having delevered amid global sovereign uncertainty in the earlier part of the year. Nevertheless, leverage and macro risks remain relatively low on a broad historical basis.

New issuance volume picked up across the regions in March, although year-to-date annualized volume trailed historical averages. Moreover, the US convertible market experienced over \$2 billion of organic growth in March. While recent new deals were priced higher, bonds still traded actively in after-price auction, indicating pent-up demand for new deals. Managers were generally not concerned about the more aggressive valuations, suggesting that a less cheap primary market will attract companies to issue convertible paper. The primary markets in EMEA and Asia also saw deal flow in the first quarter, though the supply of investment-grade bonds was relatively scarce.

Credit Suisse/Tremont Convertible Arbitrage Index (USD)	
Performance	2.06%
Avg Month	0.65%
Best Month	5.81%
Worst Month	-12.59%
Monthly Standard Deviation	2.07%
Annualized Standard Deviation	7.17%
Sharpe Ratio	0.59

Credit Suisse/Tremont Emerging Markets Index (USD)	
Performance	3.89%
Avg Month	0.75%
Best Month	16.41%
Worst Month	-23.03%
Monthly Standard Deviation	4.46%
Annualized Standard Deviation	15.46%
Sharpe Ratio	0.29

## Emerging Markets

Emerging Markets managers produced overall positive returns in March. Risky assets rallied as the economic recovery gained momentum and the Greek crisis faded into the background. EM equities, as measured by the MSCI EM Free Index, finished the month up +8%. EM external and domestic debt (JPM EMBI+ Index and JPM ELMI+ Index) also ended the month on a positive note (+2.1% and +1.7%, respectively), as higher growth potential and improved underlying fiscal and debt dynamics of EM countries (as compared to developed markets) helped the narrowing of spreads, and a general appreciation of EM currencies. Consequently, global managers with a bullish bias towards EM equities, credit or FX posted the strongest results for the month.

Asia-focused managers generally posted positive returns in March as the MSCI Asia ex-Japan Index advanced 7.2%, supported by a continuation of positive economic data. Reports showed that India's industrial production further advanced 16.7%, while China's retail sales grew 17.9% year-over-year. Equity-focused strategies performed well as a result of their long portfolios. However, managers with large exposure in Chinese equity markets generally underperformed due to concerns over interest rate hikes and RMB appreciation. Credit-focused strategies also performed well in March, as both investment grade and high yield credit spreads tightened, and inflows into emerging market bond funds continued. Tactical strategies benefited from volatilities in price differences between A and H shares and overall strength in Asian currencies.

Eastern Europe-focused managers posted the strongest returns in March as the MSCI EM Eastern Europe Index finished the month up over 10%, with major markets such as Turkey and Russia standing out as the strongest contributors. Turkey benefited from an increase in international investor risk appetite as the local political turmoil showed signs of subsiding. In Russia, large caps rallied over 11%, driven by metal and oil prices. The utilities sector was among the largest contributors, benefiting from the positive momentum of the Russian utilities reform process, falling interest rates and the RUB appreciation.

Latin America-focused managers produced mostly positive returns in March, and equity-focused managers posted the highest gains, driven by strong market performance (MSCI Latin America Index was up +6.9% for the month). Mexico and Brazil were the best performers, while Chile was the only market to fall, largely as a result of the earthquake. Latin American external debt rose 2.3% and fundamentals in most countries continue to look supportive. Managers focused on Brazil profited from long rates on the short end of the curve, as well as curve flatteners, due to higher than expected inflation numbers and expectations of a hiking cycle that may start in April. Moreover, certain managers profited from their exposures in Argentina, which has been a top performer since the announcement that a debt swap will be launched on April 14 for hold-out investors from the 2001 default.

### Equity Market Neutral

Equity Market Neutral managers posted mixed returns in March. While some managers experienced gains, others saw relatively flat performance due to mixed performance across their forecasting models. Managers have generally been seeing more opportunity in slightly longer-term, fundamental forecasting models versus shorter-term technical forecasts. Short-term market rallies, as seen in March, can prove somewhat challenging for managers given the "one direction," momentum-driven type of environment. Leverage levels have remained fairly consistent in recent months and still below pre-crisis levels.

### Event Driven

The Event Driven strategy posted gains in March, bolstered by rallies that lifted credit and equity markets. The majority of performance was a result of long exposures to individual event driven credits and special situation equities, modestly offset by single name and index hedges. In general, the overall market momentum benefited Event Driven managers as a result of announced M&A deals, on-going strategic and distressed deals, as well as further technical relief in credit markets.

Global M&A volume saw over \$200 billion of newly announced deals in March. Managers continue to believe that activity will evolve in various industries and geographies as management of corporate firms seek more reassuring indicators that the economy will remain stable. Arbitrageurs have been focused on trading around recently announced strategic deals (i.e., Devon Energy/BP, Dominion/Consol, and Tommy Hilfiger/Phillips-Van Heusen), overbidding situations (i.e., targets that include Terra Industries, OSI Pharmaceuticals, Arrow Energy, and Macarthur Coal), as well as distressed companies that have crossed into the merger strategy (i.e., General Growth Properties, Lyondell, and MGM). Aside from the aforementioned trading opportunities, select managers have also established gains from thematic plays on healthcare names (in relation to healthcare reform legislation), as well as activity within the life insurance sector (i.e., AIA/Prudential and AIG/MetLife). As lingering macro issues surrounding the solvency of European banks, government deleveraging, rising interest rates, and unemployment still linger, managers have maintained a market neutral approach by actively managing tail hedges through short exposure in their portfolios.

Credit markets rose in March, with an abundance of new issuance activity, and a rise in investor appetite that prompted decreasing spreads and increasing prices. Both the CS Leveraged Loan and High Yield Index contributed gains of 2.16% and 2.85%, with spreads that tightened by more than 600 bps, for the first time since December 2008 and December 2007 respectively. Strength in the capital markets, due to on-going technical conditions, has been fueled with high yield mutual fund inflows, and over \$40 billion of proceeds from the high yield new issuance market (resulting in the largest single month of volume recorded). The largest gains were again concentrated in lower-rated securities, particularly in distressed situations that involve corporate restructurings and bankruptcies.

Credit Suisse/Tremont Equity Market	
Neutral Index (USD)	
Performance	0.54%
Avg Month	0.50%
Best Month	3.63%
Worst Month	-40.45%
Monthly Standard Deviation	3.11%
Annualized Standard Deviation	10.76%
Sharpe Ratio	0.17

Credit Suisse/Tremont Event Driven	
Index (USD)	
Performance	2.85%
Avg Month	0.84%
Best Month	4.22%
Worst Month	-11.77%
Monthly Standard Deviation	1.74%
Annualized Standard Deviation	6.04%
Sharpe Ratio	1.14

Credit Suisse/Tremont Fixed Income	
Arbitrage Index (USD)	
Performance	1.44%
Avg Month	0.42%
Best Month	4.33%
Worst Month	-14.04%
Monthly Standard Deviation	1.74%
Annualized Standard Deviation	6.03%
Sharpe Ratio	0.24

### Fixed Income Arbitrage

Fixed Income Arbitrage managers generally experienced another positive month with most strategies posting positive returns.

US Treasury yields saw an upward move across the entire curve triggered by two weaker auctions during the month. On the other hand, the swap market was supported by the new corporate issuance. In addition, certain technical factors caused market pressure as many market participants who had levered bets on widening swap spreads closed their positions. The net effect was a substantial swap spread tightening which brought the 10-year spread into negative territory for the first time ever.

Overall, the general market perception that swap spreads will remain tight for a prolonged period of time did not have a significant negative effect on Fixed Income Arbitrage managers. Furthermore, managers kept exposures to European peripheral markets, such as Greece and Portugal, at relatively lower levels.

In general, directional-biased fixed income managers had a flat to slightly negative month, with the biggest detractor being front-end related interest rate exposures. Traditional arbitrageurs ended the month flat to slightly up, benefitting from auction-related strategies in Europe and the US, while futures versus cash bond strategies produced mixed results.

Mortgage specialists had another solid month after experiencing some turbulence in February. The most notable event for the sector was Obama's announcement regarding support for troubled home owners with LTV's (Loan to Value) above 115%, which spurred a rally in non-agency subprime bonds.

Credit-focused managers also had a positive month as corporate debt issuance increased on the back of further credit spread tightening and a low interest rate environment.

Generally, managers have increased portfolio protection as implied volatility continues to cheapen in March.

### Global Macro

Credit Suisse/Tremont Global Macro	
Index (USD)	
Performance	0.38%
Avg Month	1.02%
Best Month	10.59%
Worst Month	-11.55%
Monthly Standard Deviation	2.95%
Annualized Standard Deviation	10.23%
Sharpe Ratio	0.87

The Global Macro strategy continued its run of positive monthly performance to date this year, seeing broad-based gains across discretionary managers and mixed performance from systematic funds. Though volatility continued its decline across asset classes for the first half of the month, moves in a number of interest rate and currency markets toward month-end created a variety of directional trading opportunities for global macro hedge funds.

Central banks remained active in March, hiking interest rates in Australia and India, among other countries. With this and other cases of increasingly hawkish rhetoric, macro-based themes such as relative growth divergence and diversity of policy response continued to be present. Related trades were profitable for global macro managers, particularly in foreign exchange, where emerging markets currencies appreciated further against those of the developed world. On the other hand, moves at the front end of US interest rate markets were difficult for funds which had not decreased these exposures, though short back-end positions benefited from supply pressures in Treasuries, and long breakeven inflation positions were profitable in a number of markets.

Equity markets and risky assets generally continued to benefit from inflation themes and increased liquidity, and though global macro hedge funds maintained relatively light equity exposures, tactical index trading was profitable for a number of funds. Commodities saw overall mixed performance during the month, and contracts that were more tied to industrial production, such as metals and crude oil, broadly outperformed the rest. While cross-commodity relative value trading produced muted performance on the month, commodity index trading generated profits for funds in the space.

The ongoing unwind of public policies, and uncertainty surrounding their outcomes, continues to create opportunities for funds with a macroeconomic focus. Further cross-country divergences have the potential to create a favorable environment for global macro hedge funds that look to be tactical and opportunistic through times of macroeconomic transition.

### Long/Short Equity

Long/Short Equity managers delivered another positive month in March as equity markets around the globe experienced consistent run-ups. Investors generally set aside broader, macro-economic concerns such as the sovereign wealth issues in the EU, and risky assets saw overall positive returns with equities outperforming bonds, emerging markets outperforming developed markets, and cyclicals outperforming defensives. The S&P 500 moved upward, experiencing 16 positive trading days out of 23. Managers benefited from the market rally as cyclical exposures on the long side of the book performed best. Both gross and net exposures increased marginally from the previous month. On a regional basis, Japanese-focused funds were the top performers, followed by European, US and Global managers.

US-oriented Long/Short Equity managers saw gains led by positions in Industrials, Financials and Consumer Discretionary stocks. Healthcare positions also contributed to profits during the month, and despite the overall weakness in the sector, many stocks continued to trade on their fundamental merits. For example, while the S&P 500 Healthcare Index returned only 2.4% in March, the AMEX Biotech Index returned 18.0%.

While developed European equities performed relatively poorly over the quarter, they finished March on a high note, translating to compelling Long/Short Equity returns in the region. Managers benefited most from long positions in Materials, Financials, Consumer Discretionary and Industrials while short books largely detracted from performance. The MSCI Europe Index closed March up 7.1%. Greece also finished up on the month (Athex Composite Index: +8.1%) after four consecutive negative months, though direct manager exposure to the country was marginal at best.

Japanese managers generally posted positive returns in March. Japanese equities advanced by more than 9% as a result of improving economic data and BOJ's strengthened effort to fight against deflation. Furthermore, Japan's exports climbed at their fastest pace in 30 years, and retail sales showed the biggest monthly increase in a decade. The weakening of the Yen and improving risk appetite of global investors also supported the market rally. Managers especially benefited from their long portfolios in cyclical sectors as the global economic recovery translated into recoveries in earnings projections for the next fiscal year at a number of Japanese companies.

### Managed Futures

Managed Futures managers experienced another positive month in March, with gains largely due to trend followers who were able to generate profits across most sectors including equities, commodities and currencies. Multi-strategy and high-frequency managers ended the month with mixed returns after having a relatively quiet month.

Trend followers benefited from long equity and commodity positions. Short natural gas exposures also lead to profits due to a continued decline caused by increased inventory. Long base metal positions generated gains as metals prices climbed with higher than expected demand from China and continued restocking in the industrialized world. Currency was another sector that made a positive contribution to manager returns, although to a lesser extent. Short Euro positions, which suffered from a short-lived rally during the first half of the month, recouped their losses towards the end of the month as the Euro reached a new low for the year. Most trend followers were also able to benefit from the rally of the Mexican Peso and the Australian Dollar. Generally, fixed income was the only sector that incurred losses as the market suffered from a lack of clear direction.

Multi-strategy managers posted mixed returns, with some managers ending the month higher thanks to their trend following, and discretionary global macro programs which posted solid gains. Conversely, managers that rely on liquidity-providing models, ended the month in negative territory as some markets experienced two lag down or two lag up movements.

High frequency managers ended the month with mixed returns as well. Currency plays were generally not profitable as the Greek debt situation coupled with the EUR/USD technical support level resulted in multiple intraday reversals. Some managers, however, were still able to generate profits in other sectors such as equities.

Credit Suisse/Tremont Long Short Equity Index (USD)	
Performance	2.99%
Avg Month	0.86%
Best Month	13.01%
Worst Month	-11.44%
Monthly Standard Deviation	2.89%
Annualized Standard Deviation	10.00%
Sharpe Ratio	0.68

Credit Suisse/Tremont Managed Futures Index (USD)	
Performance	4.25%
Avg Month	0.57%
Best Month	9.95%
Worst Month	-9.35%
Monthly Standard Deviation	3.40%
Annualized Standard Deviation	11.79%
Sharpe Ratio	0.24

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### Contact Information

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Suzanne Fleming  
Corporate Communications, Credit Suisse  
telephone +1 212 325 7396  
suzanne.fleming@credit-suisse.com

Credit Suisse Tremont Index LLC  
Eleven Madison Avenue  
New York, NY 10010  
United States  
hfindices.ir@credit-suisse.com  
www.hedgeindex.com