

June 11, 2010

## Accumulus Funds — June 2010 Update

Dear Accumulus Investor,

### Performance Review

For the first five months of 2010, the Accumulus Funds returned between 2.7% and 2.9% in USD and 2.3% in EUR. (For a discussion of the slight underperformance of the EUR share class, most of which has been earned back in June, please see below.) The following table puts these returns in the context of hedge fund indices and other asset classes.

	<u>Jan-10</u>	<u>Feb-10</u>	<u>Mar-10</u>	<u>Q1 2010</u>	<u>Apr-10</u>	<u>May-10*</u>	<u>2010 YTD</u>
Accumulus Fund US\$	0.6%	0.7%	0.7%	2.0%	1.4%	-0.6%	2.8%
Accumulus Fund EUR	0.6%	0.7%	0.8%	2.1%	1.6%	-1.4%	2.3%
Accumulus Fund LP (US\$)	0.1%	2.0%	0.8%	2.9%	0.3%	-0.3%	2.9%
HFRX Global Investable Index	0.0%	0.3%	1.4%	1.6%	0.8%	-2.6%	-0.3%
HFRI Fund of Funds Composite Index	-0.4%	0.1%	1.7%	1.4%	0.9%	-2.8%	-0.5%
S&P 500 Index	-3.6%	3.1%	6.0%	5.4%	1.6%	-8.0%	-1.5%
MSCI World Index	-4.2%	1.2%	5.9%	2.7%	-0.2%	-9.9%	-7.6%
CSFB High Yield II Index	1.3%	0.3%	2.8%	4.5%	2.3%	-3.2%	3.5%
US Bonds	2.4%	0.2%	-1.1%	1.5%	1.7%	3.0%	6.3%
S&P/GS Commodities Index	-7.9%	5.6%	1.9%	-0.9%	2.8%	-13.2%	-11.6%

\* May 2010 Performance for Accumulus Funds is estimated

This year we have seen positive contribution from credit arbitrage, convertible arbitrage and mortgage strategies as well as from our two global macro managers. Merger arbitrage was also slightly positive while we have made no money so far this year with our equity related strategies.

We are pleased that the Accumulus Funds protected capital in May and that we have delivered decent absolute returns in 2010 year-to-date.

### EUR-Hedged Share Class

The EUR-hedged share class underperformed the USD share class by about 70bps in May, after outperforming by about 30bps during the first 4 months of the year. During June the EUR class is outperforming again, so that YTD they should be about the same. These swings are the result of the massive recent currency volatility which - at times - has made the hedging difficult and taxing on the liquidity of the fund. We therefore plan to reduce the percentage of the fund held by EUR shareholders from 42% currently to 30% or less. Once we get to that lower level we will restrict the EUR share class to a maximum of 30% of fund capital. A smaller hedge relative to the fund's capital will benefit all shareholders as it will minimize any potential liquidity needs if the EUR should continue to fall against the USD. We remind our shareholders that it is possible to switch from EUR to USD shares at any month end.

## Outlook

We believe that we are in a low-return world for many years to come. However, the path to low returns can be flat or it can be a roller-coaster ride. We suspect it may be the latter. Indeed, the steepest and biggest rallies usually occur in bear markets. Governments are encouraging investors and entrepreneurs to take risks by offering free money and paying zero interest on deposits. This is a temptation that investors should resist. It seems to us that deflation is the most likely environment for a considerable time. The difficulties that our long-short equity managers are experiencing this year reflects, we believe, the huge uncertainty regarding future corporate profits in an environment where the ultimate end client, the developed world consumer, is burdened by unemployment, falling home prices, high leverage and rising taxes.

In this context, we are convinced that putting money with experienced and cautious hedge fund managers is the best way to achieve some return without undue risk of permanent loss of capital. We continue to focus on convertible arbitrage, credit long-short, mortgages and merger arbitrage.

Thank you for your continued trust and confidence in Accumulus Capital Management. If you have any questions, please do not hesitate to contact us at (212) 490-7570.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Benjamin Schliemann', written in dark ink.

Benjamin Schliemann

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