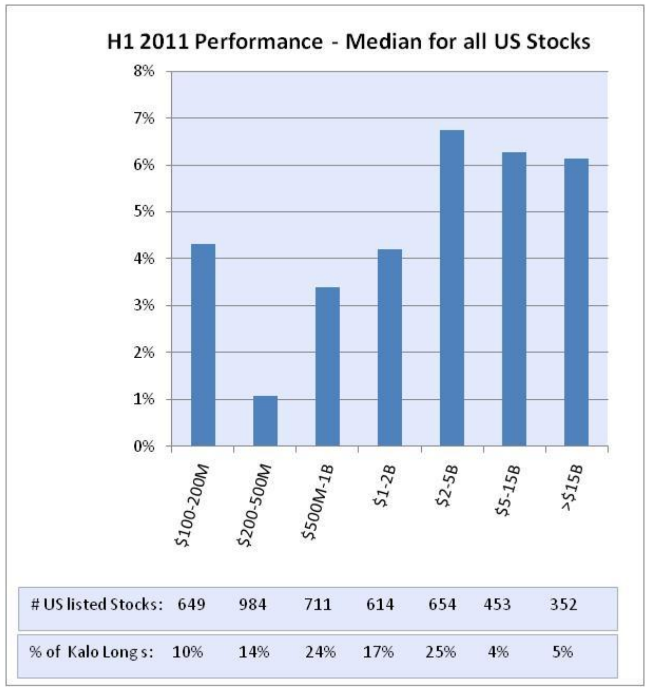
July 5, 2011

Dear Investor:

For the month ended June 30, 2011, the Kalo Capital Management, LP fund depreciated 0.1% on a gross basis (-0.2% net).* The month's performance looked like a "V" as we experienced losses in the first part of the month, before rallying in the 2nd half to finish roughly breakeven. At the bottom of the "V", Kalo was down 3.5% gross for the month, vs. down 8.4% for the Russell 2000. Sentiment in the market seemed to be all over the place as the market bounced back and forth between anxiety and comfort regarding the Greek debt situation. After great concern about Greece and EU contagion, it now appears that Greece will receive their next aid payment to prevent default, after passing austerity measures, which has comforted the market. If this sounds familiar, that's because we went through the same fear and elation last year. Despite pushing off default, it still seems as though Greece will eventually default, but now we don't have to worry about it again for awhile. It seems, the 'kick the can down the road' philosophy still seems strong.



In past monthly letters I discussed how the bigger market cap names have been performing better than the smaller cap names. This seemed to have finally reverted in June as many large cap names fell significantly. While the Kalo portfolio was hurt during this fall, it performed relatively well. Many long growth stocks owned in the portfolio found support mid-month and Kalo started to improve and show significantly better MTD performance numbers. This relative outperformance was lessened in the last few days of the month as the indices shot up significantly, but still allowed Kalo to outperform the market. Year-to-date, larger cap companies still have significantly outperformed their smaller peers (with the exception of the smallest names <$200 million market cap). As seen on the graph to the right, companies with market caps >$2 billion have a median YTD performance of over +6%, while those with market caps from $200 million to $2 billion have medians ranging from +1% to +4%. As has been discussed in the past, a significant portion of Kalo longs are in this $200 million - $2 billion market cap area (55% of long currently). This phenomenon partially explains Kalo's underperformance versus the market indices.

The Fund lost 127 bps from long positions and gained 122 bps from short exposed positions. Gains were led by a growing internet advertising SaaS business (MediaMind-MDMD), as it was acquired in an all-cash deal. Solar/LED equipment manufacturer (GT Solar-SOLR) had strong gains driven by several large contract announcements and growing excitement and understanding on their new LED product line. And LivePerson (LPSN) also had strong gains, bouncing back from a weak May. LivePerson may be benefitting from growing excitement for their upcoming couponing product. Coupon related businesses seem to be the rage nowadays with extreme excitement for the coming Groupon IPO (which incidentally, I believe is significantly overvalued). The biggest detriments to performance came from IntraLinks (IL), which I still expect to bounce back once they report strong numbers and the market regains confidence in management. Kalo also had losses from Cree (CREE), an LED chip manufacturer. There is growing and well recognized concern about a slowdown in LED adoption and margins. However, I still have confidence the LED market will experience enormous growth which will more than offset price erosion and allow CREE to generate nice EPS growth going forward. It's always difficult to determine the timing, however I expect things to improve for CREE in Fall 2011.

Performance

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2010	**Gross**										**2.0%**	**1.7%**	**4.6%**	**8.5%**	**8.5%**
	Net										**1.4%**	**1.2%**	**3.6%**	**6.4%**	**6.4%**
	Russ2000										1.4%	3.4%	7.8%	12.9%	12.9%
	S&P500										1.6%	-0.2%	6.5%	7.9%	7.9%
	Net Exp										41%	57%	45%	48%	48%
	Gross Exp										52%	85%	91%	76%	76%
2011	**Gross**	**0.9%**	**0.4%**	**0.7%**	**1.2%**	**-2.4%**	**-0.1%**							**0.7%**	**9.3%**
	Net	**0.6%**	**0.2%**	**0.4%**	**0.8%**	**-2.0%**	**-0.2%**							**-0.2%**	**6.2%**
	Russ2000	-0.3%	5.4%	2.4%	2.1%	-1.5%	-2.5%							5.6%	19.3%
	S&P500	2.3%	3.2%	-0.1%	2.6%	-1.1%	-1.8%							5.0%	13.3%
	Net Exp	40%	39%	39%	40%	38%	31%							38%	41%
	Gross Exp	96%	92%	103%	111%	110%	110%							104%	94%

* Performance and other quantified metrics shown here are estimates for the EGRV (Emerging Growth with Reduced Volatility) Strategy. Performance metrics start on October 11, 2010, when Kalo, LLC started to manage assets for a separately managed account referred to as "the tracking managed account". Performance numbers represent the tracking managed account until March 1, 2011, when the Kalo Capital Management, LP fund was launched. 'Gross' represents the gross performance. 'Net' represents performance net of a 2% management fee and 20% performance fee. 'ROIC' represents the return on invested capital, calculated as the gross performance based only on the non-adjusted invested portion of capital, calculated daily. 'Net Exp' and 'Gross Exp' represent the average net and gross exposure over the time period, where inverse ETFs are calculated as short exposure and any ultra ETFs are adjusted to reflect the multiple of its exposure. Put options are reflected as delta-adjusted. 'AUM' represents the total assets under management at the end of the month in both managed accounts and the hedge fund.

Expectations and Strategy

As many countries have been showing signs of business slowing, I become more comforted in Kalo's focus on companies that can grow in weak macro environments. The stock market had a major reset of expectations in early June which set the stage for companies to please investors in the upcoming quarterly earnings season. However, with the significant bounce back we've seen in the last week, expectations may not be so low again. Going forward, I anticipate holding a mid-range exposure to the market on a gross and net basis.

As July passes, I expect focus to turn to the US debt situation as the August 2 deadline date looms. I do expect the debt ceiling to be lifted, however, I believe we may simply see a small increase in order to avoid default, but still keep both sides at the negotiating table. Put in another way, I think the Republicans will want to keep the threat of a US default as a negotiating tactic to sway the Democrats to agree to meaningful cuts to entitlement programs. However, I don't think the Democrats will concede quickly. Thus, we won't have any deal as we approach the deadline, but wanting to avoid a default, the Republicans will agree to a small increase to the debt ceiling, to ensure negotiations and pressure remain and intensify on the Democrats.

My hope is that government spending gets reined in, and the budget put on a path that allow responsible analysts to see the light at the end of the tunnel. Today I feel very few people believe the deficit will right itself over any time period. To me, this is the most significant roadblock for corporations to invest in their business and grow their workforce. If the

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government can pass a plan that can revive this confidence in the country, I believe we can see the economy and hiring environment improve. I do believe tax increases can be a part of this, so long as the entitlement spending (Medicare, Social Security) truly get reined in and put on a path that is fiscally responsible. Unfortunately, I don't foresee my hope coming true with the current Congress and administration.

I am also excited to announce that I am now a Registered Investment Adviser (RIA) in the state of New Jersey. I am still in the process of becoming registered in California as well.

I appreciate your continued support.

Sincerely,

Steven D. Friedman
Founder and Chief Investment Officer

Please note that Kalo's expectations and strategy can change regularly and the views expressed here may change.

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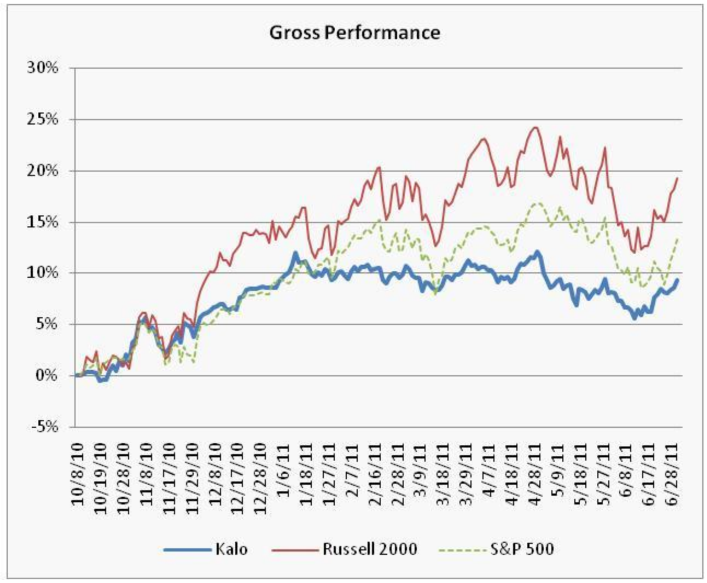
KALO CAPITAL MANAGEMENT, LP

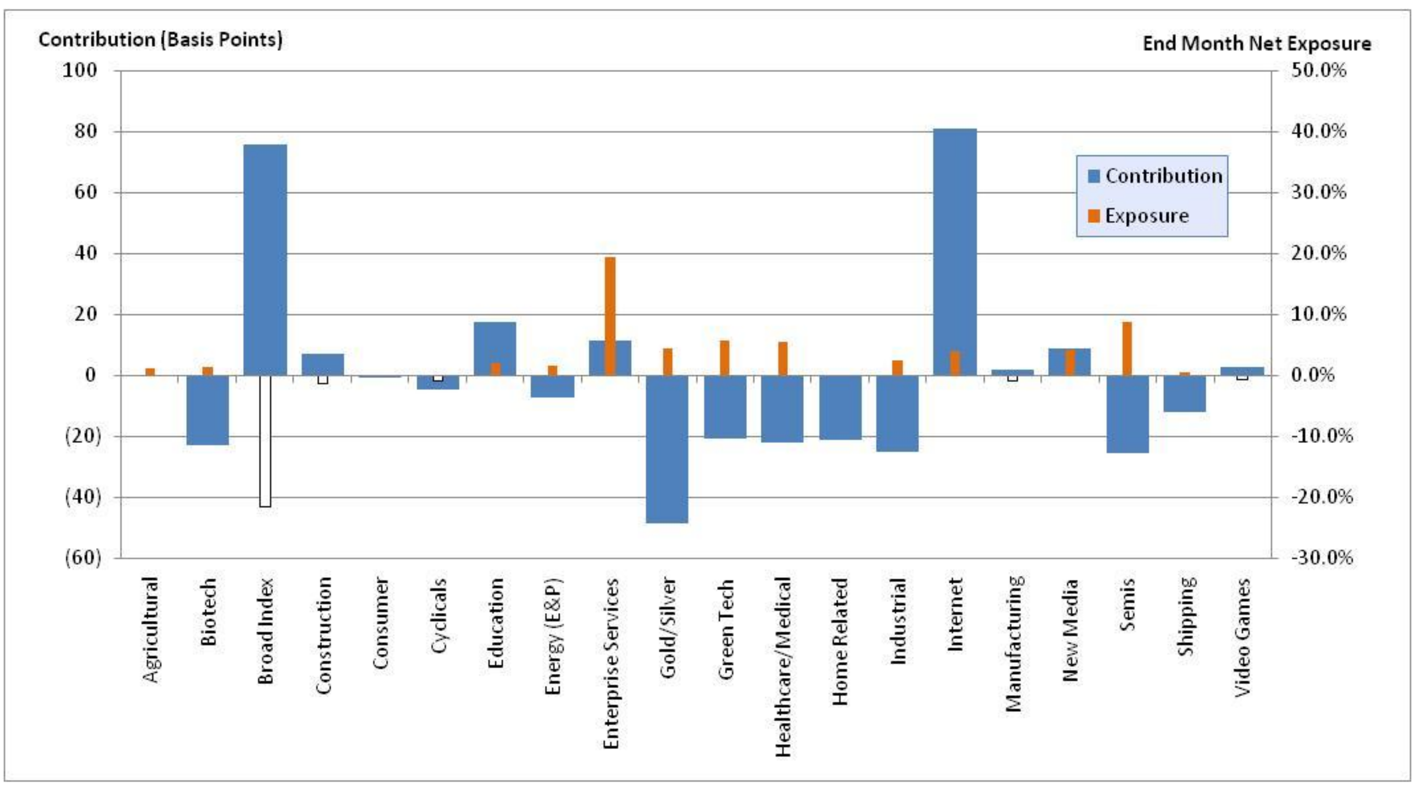
Assets Under Management

Kalo, LLC AUM ($M)	
LP Fund	$2.7
Separately Managed Accounts	$2.9
Total AUM EGRV Strategy	$5.6

Historical Performance



Month Contribution and Exposure by Industry



OVERVIEW OF KALO CAPITAL MANAGEMENT

Background

Steven Friedman is the founder and Chief Investment Officer of Kalo, LLC ("Kalo"), and manages a long/short equity strategy focused on emerging growth opportunities. Kalo manages the Kalo Capital Management, LP fund ("The Fund"), as well as separately managed accounts.

Strategy

The Fund primarily focuses investments on US listed emerging growth companies characterized by large open-ended growth opportunities, disruptive technologies, disruptive business models, or changing industry dynamics. These investments may occur in any sector but are commonly in the following sectors: internet, technology, media, telecom, alternative energy, medical devices, and manufacturing. In addition, the Fund will trade other stocks long and short that it believes are temporarily undervalued or overvalued.

The Fund believes there is more potential for consistent, outsized returns in long positions over time as companies grow. Thus, the Fund favors having a net long exposure. However, the Fund also looks to hedge these long positions with index and company-specific short exposed positions to create additional alpha, smooth returns and limit drawdowns. This risk control enables the Portfolio Manager to take advantage of market contractions.

Bullish positions typically consist of fundamental positions and trading opportunities, while bearish positions consist of fundamental shorts, trading opportunities, and index hedges. The majority of the Fund's positions will be in equities. Derivatives are used opportunistically in order to: make an investment with extremely high volatility, create a hedge to a specific position or portion of the portfolio, or to gain additional exposure to an idea.

Investment Philosophy

The Fund's objective is to produce relatively low volatility returns with consistent alpha primarily by identifying emerging growth opportunities that are fundamentally mispriced by the market. Throughout many industries, companies bring products/services to the market that have the opportunity for extremely fast-paced growth. Many of these opportunities are caused by the introduction of disruptive technologies, disruptive business models, and changing industry dynamics. When these transforming events occur, the Fund believes well managed companies positioned properly can achieve superior growth and offer the opportunity for attractive stock returns.

The Portfolio Manager believes that the market often misprices these emerging growth stories. This provides the Fund the opportunity to build positions when it believes that the general market is not appropriately valuing the stock. This opportunity is often caused by the following:

- **The market broadly values companies on near term results, disregarding longer term results.** The market focuses on valuation multiples looking out 1-2 years, initially disregarding the following years. However, many of these opportunities see accelerating EPS growth 2-4 years out, driven by operating leverage and economies of scale, which the market overlooks. By establishing an investment before the market focuses on these outer years, we believe that the Fund may earn consistent alpha .
- **The investor community often develops unrealistic financial expectations.** These inflated expectations can be caused by a lack of industry understanding, irrational exuberance, and management hype. This creates opportunities for short sale investments.

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- **Sell-side analysts often don't recognize or acknowledge the sales growth and/or leverage impact that can occur during certain inflection points.** The Fund believes that sell-side analysts will generally only be comfortable forecasting a certain amount of fundamental growth, even when evidence points to more significant growth, in order to not be recognized as overly bullish. This situation often leads to companies significantly exceeding earnings expectations, despite the stock being known by the investment community.
- **The broader market often over-reacts to positive or negative events.** These over-reactions cause dramatic stock price movements, which may create opportunities with relatively low downside risk when a stock is overly depressed as well as short opportunities when a stock is inflated.
- **Many emerging growth companies are not well known by the broader market.** Many emerging growth companies are under followed by sell-side analysts, and thus are either unknown or not well understood by the investor community. Discovering these companies before the general market creates the opportunity to make an investment while it is undervalued.

The Fund believes that traditionally investments focused in this space have been characterized by attractive returns accompanied by very high volatility. The Portfolio Manager believes it is possible to capture most of these inherent returns with reduced volatility by using a balanced, diversified, and hedged portfolio approach, supported by rigorous fundamental and stock technical analysis. The Fund will also utilize options to control downside risk. The Fund targets absolute performance with low drawdowns, but expects better absolute performance in up or flat markets, than in down markets.

Investments

Fundamental Longs and Calls: Emerging Growth Opportunities

The Fund believes emerging companies with good business models create an excellent investment vehicle for outsized returns. The future earnings power of companies with certain key characteristics are often under-appreciated, creating the investment opportunity. The key characteristics the Fund looks for include:

- Large open-ended growth opportunity
- Markets with low, but growing penetration
- Demonstrated traction with their customer base
- Leading market share
- Significant barriers to entry
- Profitable business model with significant operating leverage
- Recurring revenues
- Sufficient capital
- Potential for above average returns based on future market multiples, combined with limited downside risk
- Good technical trading pattern

Fundamental Shorts and Puts: Deteriorating or Flawed Fundamentals

The Fund primarily looks for two types of fundamental bearish positions: i) emerging growth companies that the Portfolio Manager feels are fundamentally flawed and likely to decline; and ii) companies impacted by industry changes such as increasing competition or shifting demand; . As industries change, many companies' products/services become inferior to ramping new technologies. When this momentum occurs, these companies often face significant challenges and suffer from dramatic reductions to their earnings power. The Fund looks to short these names when the investment community does not fully realize this market shift is occurring, or how significantly it may hurt the earnings power of the company.

Trading Opportunities
The Fund opportunistically invests in stocks that may have imminent catalysts, have had dramatic price fluctuations, or other timely traits. Occasionally, the Fund recognizes imminent potential catalysts that it believes will impact near term stock prices. Stocks that see dramatic price fluctuations in either direction often are exaggerated and create the opportunity for a quick rebound to earlier levels. These opportunistic investments tend to be of shorter duration than the fundamental positions and occur on both the long and short side.

Hedges
The Fund often hedges long positions with index and company specific short exposed positions, in order to limit drawdowns when the stock market contracts. A portion of these hedges typically consist of index ETFs.

Steven D. Friedman, CFA Background

Steven D. Friedman is the Founder and Chief Investment Officer of Kalo,LLC and Kalo Capital Management, LP. Previously, Steven was Portfolio Manager at Manalapan Oracle Advisers (2009-2010), Proprietary Trader at Madoff Securities (Aug-Dec 2008)*, Portfolio Manager at Pequot Capital Management within the Emerging Manager program (2006-2008), senior analyst at Feirstein Capital (2001-2006), and financial analyst at Lazard Frères & Co (1996-1998) . Steve graduated from the University of Michigan (1996) and Columbia Business School (2001). Steven has also been a CFA Charterholder since 2005. Steven is also a Registered Investment Adviser in the state of New Jersey.

* Federal prosecutors have stated that the proprietary trading desk was unrelated to Mr. Madoff's fraudulent investment management business. It was later sold in March 2009.

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Performance and other quantified metrics shown here are estimates. Actual investor returns will differ. Past performance is not necessarily indicative of future results.

Any Fund or investment involves risk. Potential investors must familiarize themselves with the offering materials related to such investment and must meet certain investment sophistication levels in order to make such investments and must be able to fully absorb the risk associated with such investments. The Offering Memorandum for the Fund and related Subscription Agreement and Limited Partnership Agreement will be made available to those who demonstrate the capacity to evaluate the risks and merits of this investment.

The past performance of any Fund or investment discussed herein is no indication of future results that may be achieved by an investment in the Fund. The Benchmark indices presented in these materials may or may not hold substantially similar securities to those held by the funds referred to herein, and thus, little correlation may exist between the Funds' historic return and those such indices and there is no guarantee that any correlation which may have existed will continue to do so in the future.

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