

KALO CAPITAL MANAGEMENT, LP

May 2, 2012

Dear Investor:

For the month ended April 30, 2012, the Kalo Capital Management, LP fund lost 2.5% on a gross basis (-2.7% net), versus a loss of 1.4% for the Russell 2000. After falling some early in the month, the stock market ended the month with only a small loss. Kalo's performance suffered from a couple of unique company-specific events that resulted in significant losses in a couple of long positions.

The Fund lost approximately 240 bps from long positions and broke even on short exposed positions. Gains were led by Points.com (PCOM) and eBay (EBAY). We discussed eBay in a prior monthly letter and remain excited about its prospects. Points.com is a relatively new position in the portfolio, but a name I have followed for years. Points.com works with airlines and other companies that use reward points (like airline miles). They have recurring revenues and significant operating leverage, and are excited about some new products they are beginning to ramp, which could help them generate significant earnings growth.

Our losses were led by Mitek Solutions (MITK) and Allscripts (MDRX). Mitek owns the technology used in mobile banking for mobile check deposits, and has been the source of gains in prior months for Kalo. The stock suffered a dramatic sell-off this month as their first customer filed a lawsuit against Mitek. I believe that Mitek still has a bright future and the lawsuit will end up being settled and not have a dramatic financial impact to the company, however, it has created a significant overhang on the stock for now. Consequently, I have reduced the position to only a small position, as I feel it won't rebound significantly until the matter of the lawsuit is not overhanging the stock. As for Allscripts.....Kalo had been reducing its position in the stock as I grew wary about the company's competitive position. Unfortunately, the Company pre-announced its quarterly earnings while Kalo still held a position, in which it missed analyst expectations, reduced guidance, and announced its CFO was leaving the company, and four Board members had quit. Both Mitek and Allscripts suffered unusual significant blows in the month, hurting the alpha generation of Kalo for the month (roughly 1.6% of negative performance combined in the month).

| | Bps Gain/Loss | Avg Exposure | Average Performance |
|--------------|---------------|--------------|---------------------|
| Longs | (240) | 55% | -4.4% |
| Shorts | 0 | -18% | 0.0% |
| Russell 2000 | | | -1.4% |

My Expectations

The stock market has hovered in the same range for a few months now. There continue to be concerns about the economy slowing (particularly in Europe and China), but the concerns remain in check. Whenever the market seems to grow more concerned and fall, it seems to rebound. Overall, I remain mildly positive about the economy and stock market and maintain typical net exposure levels (around 40%). However, as we approach the Summer doldrums and I consider the European and Chinese potential slowdown, I am also concerned that the market may have a decent fall in the near future. Consequently, my gross exposure levels are at lower levels than typical, leaving me capable of buying if/when a stock market drop occurs.

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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 | | | | | | | | | | 1.5% | 1.3% | 3.6% | 6.5% | 6.5% |
| | Russ2000 | | | | | | | | | | 1.4% | 3.4% | 7.8% | 12.9% | 12.9% |
| | S&P500 | | | | | | | | | | 1.6% | -0.2% | 6.5% | 7.9% | 7.9% |
| | EEM | | | | | | | | | | -0.2% | -2.9% | 7.3% | 3.9% | 3.9% |
| | Russ Micro | | | | | | | | | | 2.2% | 3.5% | 9.5% | 15.8% | 15.8% |
| | Alpha | | | | | | | | | | 1.8% | -0.3% | 1.3% | 2.8% | 2.8% |
| Beta (vs.R2000) | | | | | | | | | | 0.2% | 2.0% | 3.3% | 5.5% | 5.5% | |
| Net Exp | | | | | | | | | | 41% | 57% | 45% | 48% | 48% | |
| Gross Exp | | | | | | | | | | 52% | 85% | 98% | 79% | 79% | |
| 2011 | Gross | 0.8% | 0.3% | 0.7% | 1.2% | -2.4% | -0.1% | -1.5% | -2.5% | -4.9% | 2.3% | -2.1% | -0.8% | -8.6% | -0.8% |
| | Net | 0.5% | 0.2% | 0.5% | 0.9% | -2.0% | -0.2% | -1.6% | -2.7% | -5.1% | 2.2% | -2.2% | -0.9% | -10.1% | -4.2% |
| | Russ2000 | -0.3% | 5.4% | 2.4% | 2.6% | -2.0% | -2.5% | -3.7% | -8.8% | -11.4% | 15.0% | -0.5% | 0.5% | -5.5% | 6.8% |
| | S&P500 | 2.3% | 3.2% | -0.1% | 2.8% | -1.4% | -1.8% | -2.1% | -5.7% | -7.2% | 10.8% | -0.5% | 0.9% | 0.0% | 7.9% |
| | EEM | -3.8% | 0.0% | 6.3% | 2.7% | -2.9% | -0.9% | -1.0% | -9.3% | -17.9% | 16.2% | -2.0% | -4.3% | -18.8% | -15.6% |
| | Russ Micro | -1.8% | 5.4% | 2.6% | 1.6% | -2.1% | -3.1% | -2.7% | -10.6% | -11.2% | 13.7% | -1.1% | 1.4% | -9.8% | 4.4% |
| | Alpha | 1.0% | -1.4% | -0.1% | 0.1% | -1.4% | 1.1% | -0.4% | 0.1% | -1.0% | -0.4% | -0.9% | -0.9% | -4.2% | -1.5% |
| Beta (vs.R2000) | -0.2% | 1.8% | 0.8% | 1.0% | -1.0% | -1.1% | -1.0% | -2.6% | -3.9% | 2.7% | -1.2% | 0.1% | -4.8% | 0.5% | |
| Net Exp | 40% | 39% | 39% | 40% | 38% | 31% | 35% | 28% | 30% | 29% | 27% | 32% | 34% | 37% | |
| Gross Exp | 96% | 88% | 103% | 111% | 110% | 110% | 99% | 97% | 102% | 90% | 83% | 78% | 97% | 93% | |
| 2012 | Gross | 5.3% | 2.3% | 0.8% | -2.4% | | | | | | | | | 6.0% | 5.1% |
| | Net | 5.2% | 2.2% | 0.7% | -2.5% | | | | | | | | | 5.5% | 1.0% |
| | Russ2000 | 7.0% | 2.3% | 2.4% | -1.4% | | | | | | | | | 10.5% | 18.0% |
| | S&P500 | 4.4% | 4.1% | 3.1% | -0.8% | | | | | | | | | 11.1% | 19.9% |
| | EEM | 11.0% | 5.3% | -3.1% | -1.8% | | | | | | | | | 11.1% | -6.2% |
| | Russ Micro | 8.7% | 2.0% | 4.1% | -1.0% | | | | | | | | | 14.3% | 19.3% |
| | Alpha | 2.5% | 1.4% | 0.0% | -2.0% | | | | | | | | | 1.8% | 0.3% |
| Beta (vs.R2000) | 2.7% | 0.9% | 0.8% | -0.4% | | | | | | | | | 4.1% | 4.6% | |
| Net Exp | 44% | 43% | 40% | 37% | | | | | | | | | 41% | 38% | |
| Gross Exp | 91% | 99% | 89% | 72% | | | | | | | | | 88% | 92% | |

* 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 Capital Management, 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 before fees. 'Net' represents performance net of a 1.5% management fee and 20% performance fee. '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. 'Russ2000' represents the Russell 2000 index. 'EEM' is the MSCI Emerging Markets Index Fund. 'Russ Micro' is the IWC - Russell Microcap Index. 'Alpha' and 'Beta' represent the portion of monthly returns generated by net exposure to the market based on the Russell 2000 (beta), and the additional alpha return.

I appreciate your continued support.

Sincerely,



Steven D. Friedman, CFA
Founder and Chief Investment Officer

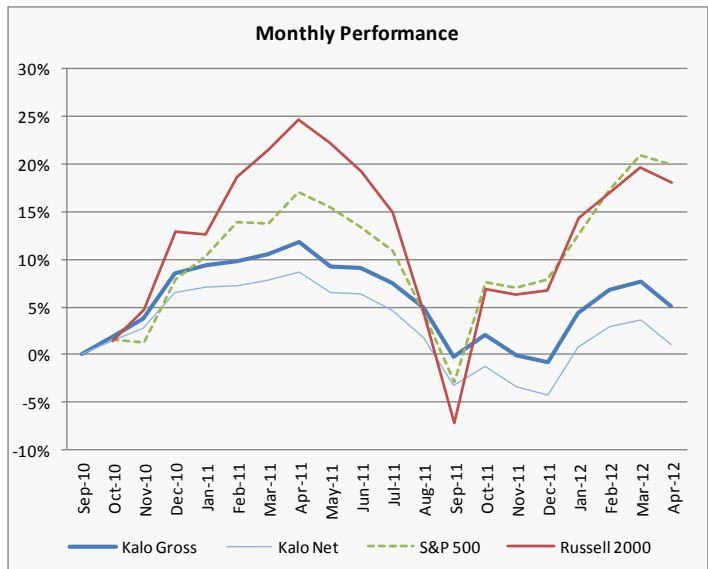
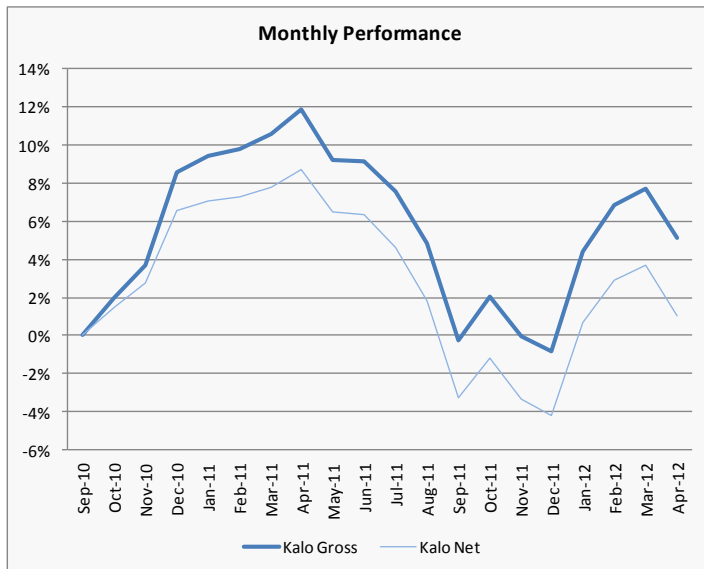
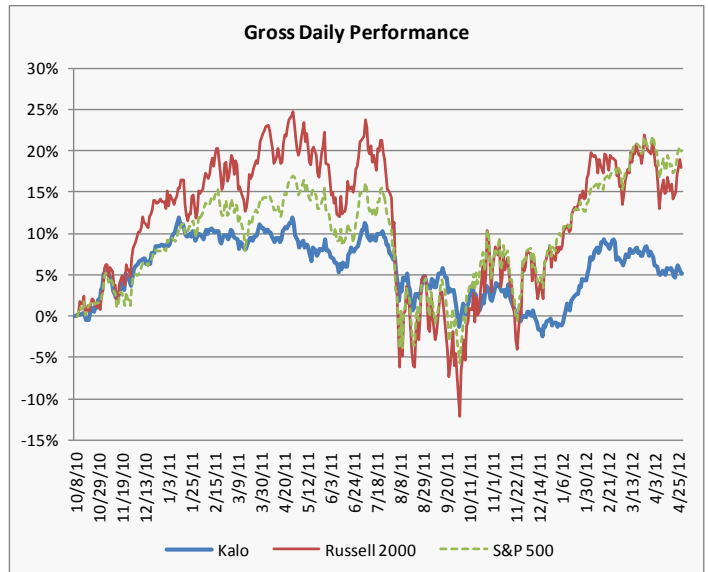
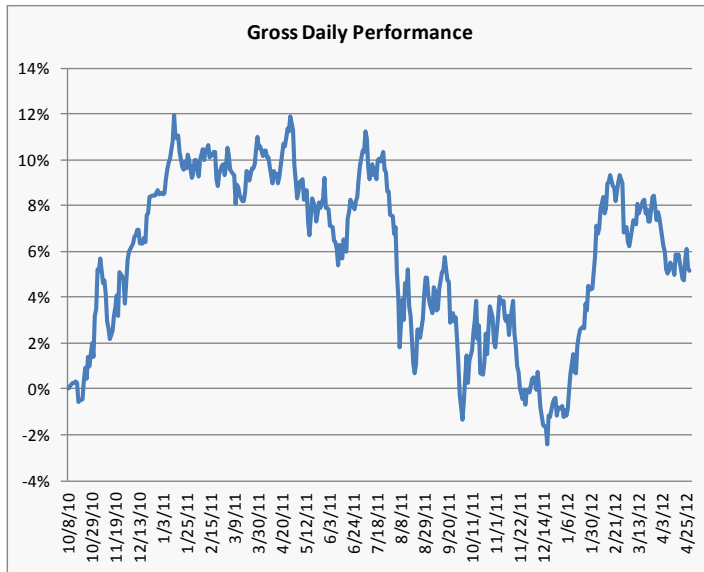
Please note that Kalo's expectations and strategy can change regularly and the views expressed here may change.

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Assets Under Management

| Kalo Capital Management, LLC AUM (\$M) | |
|--|--------------|
| LP Fund | \$3.3 |
| Separately Managed Accounts | \$3.2 |
| Total AUM EGRV Strategy | \$6.5 |
| Other SMA Strategies | \$3.3 |
| Total AUM | \$9.8 |

Historical Performance



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OVERVIEW OF KALO CAPITAL MANAGEMENT

Background

Steven Friedman is the founder and Chief Investment Officer of Kalo Capital Management, 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 .

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- **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.
- **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

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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 Capital Management, LLC and Kalo Capital Management, LP. At Kalo, Steven directly manages client accounts and a hedge fund utilizing the Emerging Growth with Reduced Volatility ("EGRV") strategy he developed over the last decade. The EGRV strategy 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. Prior to founding Kalo in 2011, he spent ten years in the hedge fund industry as a Portfolio Manager and Senior Analyst, focused on the Emerging Growth space, initially as an analyst at Feirstein Capital Management, and subsequently as a Portfolio Manager in the Emerging Managers Program at Pequot Capital, and later as a Portfolio Manager and Partner at Manalapan Oracle Advisers. Prior to the hedge fund industry, Steven was an investment banker at Lazard Freres & Co, LLC. Steven has an MBA from Columbia University and BBA from the University of Michigan. He has been a CFA Charterholder since 2005 and is a Registered Investment Adviser in New Jersey.

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LEGAL DISCLAIMER

This document is intended for information purposes only. It is not an invitation or offer to purchase interests in any Fund. Any representation to the contrary is not permitted.

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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