

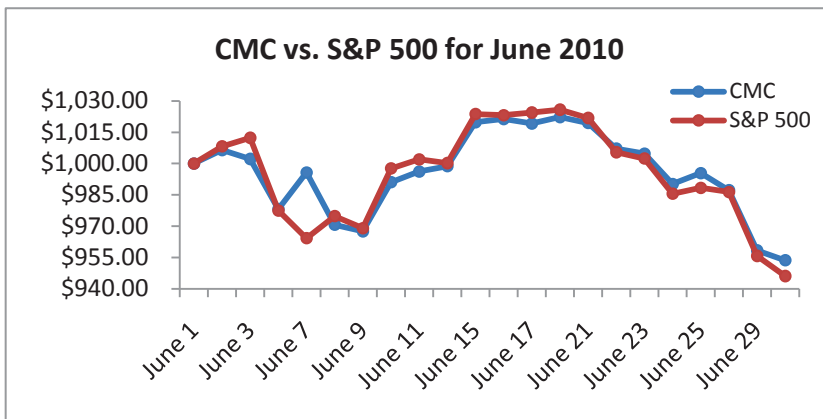


CAPITAL MANAGEMENT CLUB

July 12, 2010

Dear Members, Partners, and Friends:

Our portfolio's performance met significant headwinds once again this month as the market continued its decline. The S&P 500 shed a whopping 5.39% throughout the month of June as the sell-off continued. The Badger Absolute Return Fund lost 4.63% this month, weathering the proverbial storm better than the index. The market was quite unforgiving to us, yet we made a few strategic transactions to better position our portfolio. We can assure you that our books are still structured in such a way that we will continue to remain resilient to the downside and dynamic to the upside.



Despite our efforts to maintain a market neutral portfolio, mostly by holding cash, we have still experienced losses this month, due to our long positions. The PMs are looking to this coming earnings season to see what direction equities will take us. On the whole, we believe that expectations are still inaccurate, and we are excited to see what type of results companies report. There is no doubt that earnings will be a telling sign for the next period, and positive/negative numbers will without a doubt give more direction to this market.

In fact, many companies in the past few quarters have reported positive earnings; however, most of this has come from severe cost cutting and streamlining businesses, not increases in top line figures. This explains the lack of hiring that we are seeing in the economy, as demand remains sluggish and companies do not foresee large increases in demand. The stimulus is beginning to wear off, which could harm companies moving forward. Overall, it is very likely that the speed of the recovery will be much slower than anticipated until consumer spending and employment begin to pick up.

On the whole, the current economic environment remains somber for the United States and Euro zone countries. Unemployment in both areas still remains near highs and personal income levels continue to decline. Growth has slowed down and worries over the possibility of a double-dip recession have caused many market participants to flee to the safety of U.S. Treasury securities. Economic data suggest a bleaker than expected outlook for the manufacturing sector, consumer spending, and employment. Credit conditions still remain tight, as banks are being paid on their reserves. Therefore, they understandably make safer, smaller returns rather than investing in risky companies during this uncertain time.

One of the transactions that we made this month was shorting the VIX Short Term Futures ETN (VXX) to take advantage of heightened volatility. The goal of the VIX is to estimate the implied volatility of the S&P 500 index over the next month. It is calculated based on a weighted blend of options prices on the S&P 500 index. VXX essentially tracks a daily rolling long position by buying second-month contracts and selling near-month



contracts. Thus, like our UNG position, the VXX ETN loses value each month as a result of simply rolling contracts. In addition, we feel that such an elevated level of volatility is unsustainable in the long term and expect a regression back toward the mean. We experienced some paper losses earlier in the month, but as of writing this letter the short VXX play is looking like the best trade in America.

Best June Performers						
Name	Price (Jun 1)	Value (Jun 1)	Price (Jun 30)	Value (Jun 30)	Gain/(Loss)	% Return
Applied Micro Circuits (AMCC)	\$ 11.76	\$ (1,168.99)	\$ 10.48	\$ (1,048.00)	\$ 120.99	10.35%
Tata Motors (TTM)	\$ 16.68	\$ 884.04	\$ 17.19	\$ 911.07	\$ 27.03	3.06%
Ameren Corp (AEE)	\$ 24.66	\$ (690.48)	\$ 23.77	\$ (665.56)	\$ 24.92	3.61%
SPDR Gold Shares (GLD)	\$ 118.88	\$ 832.16	\$ 121.68	\$ 851.76	\$ 19.60	2.36%
Glaxo SmithKline (GSK)	\$ 33.46	\$ 869.96	\$ 34.01	\$ 884.26	\$ 14.30	1.64%

Recognizing that we were overweight in the tech and semiconductor sectors, we decided to look for shorts in this area. We short sold Applied Micro Circuits (AMCC) this month as we believe that their chips are inherently worse than our other holdings like Advanced Micro Devices, Marvell, and KLA Tencor. AMCC should see continued downside pressure and it has already performed great for us, returning 10.35% overall. The company also acts as a good hedge to our long book, as AMD and MRVL were unfortunately among our worst performers this month. Overall, we are still very confident in our portfolio composition with regard to semis.

Worst June Performers						
Name	Price (Jun 1)	Value (Jun 1)	Price (Jun 30)	Value (Jun 30)	Gain/(Loss)	% Return
Advanced Micro Devices (AMD)	\$ 8.57	\$ 1,079.82	\$ 7.32	\$ 922.32	\$ (157.50)	-14.59%
Whole Foods Market (WFMI)	\$ 40.43	\$ 1,212.90	\$ 36.02	\$ 1,080.60	\$ (132.30)	-10.91%
Marvell Technology (MRVL)	\$ 18.98	\$ 721.24	\$ 15.76	\$ 598.88	\$ (122.36)	-16.97%
RTI International Metal (RTI)	\$ 26.51	\$ 1,139.93	\$ 24.11	\$ 1,036.73	\$ (103.20)	-9.05%
Microsoft Corp (MSFT)	\$ 25.80	\$ 877.20	\$ 23.01	\$ 782.34	\$ (94.86)	-10.81%

The PMs hope that all club members are having a great summer and would like to urge analysts to stay on top of their research during break. We are looking forward to reading more stock updates on the forums and encourage everyone to take a fresh look at their company's drivers, especially as earnings season is now underway. Club meetings have been frequent throughout the summer and our online meeting software is superb. The ability to meet remotely via the Internet is one of the key things that truly differentiates us from other organizations throughout the nation. In addition, some great ideas have been generated at these meetings. In conclusion, the PMs recognize that we are all busy with internships, but some more pitches and higher attendance rates would make these meetings even better.

Sincerely,



Alex Kreindler
Portfolio Manager



Brandon Winikates
Portfolio Manager



Sam Curley
Portfolio Manager