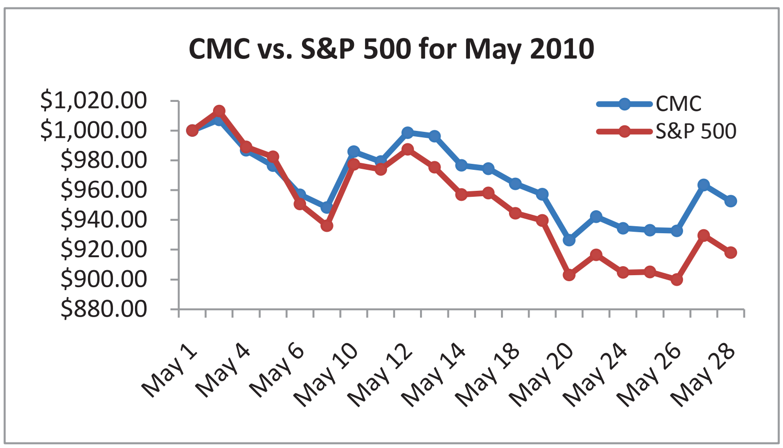
CAPITAL MANAGEMENT CLUB

June 7, 2010

Dear Members and Friends,

Calling May uneventful would be like saying Lloyd Blankfein has a full head of hair. To put it very simply: this was one of the wildest months that we have ever witnessed. We experienced events of all different types over the last few weeks with anything ranging from the flash crash to the sovereign debt crisis in Europe to China's tightening to the Australian mining tax to financial regulation to the massive oil spill to the German short selling ban to the hostility between North and South Korea to the situation with Lebanon. This was unarguably one of the craziest months we have seen in over a year. These events were reflected in the markets, as the S&P was down 8.20% in May. Our fund was similarly hurt, as we experienced losses of 4.74% for the month.



Much has happened in the markets since our last letter. Most notably, volatility and uncertainty have increased due to worries of Eurozone failures. With the fiscal situation in Greece continuing to deteriorate and other European countries teetering on the brink, we find ourselves at an interesting crossroads in history. Will the euro be able to withstand this test, or will the situations in these debt-ridden countries break the currency apart? If not, will countries with better fiscal situations such as Germany and France be forced to help bail out the rest of the Eurozone? One thing is certain: the deprecation of the euro harms the recovery for each member of the community.

Unfortunately, problems are not just contained to Europe, as the Gulf oil spill fills headlines daily and new financial regulations leave investors wondering what the future brings for Wall Street. The current fiscal situation in America, while not as bad as most Eurozone countries, will need to be addressed in the near future as the long-term outlook remains bleak if nothing is done. With respect to the short-term, the market is seeing mixed signals about the sustainability of economic recovery. Hourly earnings were up and construction spending was revised upward, but the latest jobs number greatly disappointed, as the private sector only created 41,000 jobs when it was expected to create 150,000. Additionally, the number of long-term unemployed Americans remains at an all-time high.

With Eurozone problems, the stimulus package soon to wear out, deleveraging to continue, and what seems to be a lack of job growth in the US, we feel that our portfolio composition must become more market neutral. To date the Badger Absolute Returns Fund has been positioned very well against *slight* market downturns, but we seem to have entered a different market environment. The PMs were content with our 30% cash buffer, yet we now feel that additional hedging is appropriate. We are still extremely confident with the names in our portfolio, but we feel that strategic risk management is necessary to tail pressure to the downside. Short ideas are strongly encouraged and the PMs plan on proposing a series of various sector hedges in the next few meetings. For example, an area that we are currently overweight is semis/tech. Although we are still bullish in these areas, we wish to protect ourselves against the nature of our high beta names and the wild swings in these volatile times. By hedging out some of the market risk, we allow our company specific drivers to play a larger part in providing us with excess returns.

Speaking of semiconductors, this month we added Advanced Micro Devices to our portfolio. The company competes with Intel on making processors; in fact, AMD should have an advantage as their new product line will consist of between eight and twelve core chips, while Intel is only introducing six core processors. This more advanced product line should give AMD an advantage in the coming months. In addition, AMD tends to bring the processor components that Intel makes down to a more affordable price, which should provide it with more sales overall.

Continuing with this technology theme, we also bought Microsoft as a way to play the business PC refresh cycle. A very large percentage of businesses use Microsoft products, meaning that this company is a good way to play this trend. In addition to company PC repurchasing, Microsoft's XBOX controls a significant portion of the gaming market, and with 60% of households owning a gaming console, the future looks good for MSFT. It also plans to release Project Natal in the fall, which will revolutionize the gaming industry and hopefully bring the company higher profits.

RTI International Metals, Inc., a leader in titanium production, was another name we added to our book this month. The company provides titanium to many aerospace and defense companies, as well as commercial jets. Despite the delay in Boeing's 787, RTI will provide them and Airbus with titanium to produce these planes, which should enable the company to recognize significantly higher revenues. With Aerospace inventory restocking in the coming months we feel that this is great way to profit.

We have stated in past letters that market timing has been an important part of generating alpha and entering/exiting positions is an area that we feel we have excelled at all year. However, in the case of two companies, our entry point was decidedly wrong. A few weeks ago we purchased Pride International and Rowan Companies hoping to capitalize on what had appeared to be a vast market overreaction to the Gulf oil spill. This has negatively affected our portfolio performance over the past month and we recognize that we were too hasty to enter into the positions. Overall, the inability to stop the spill in a timely manner has greatly hurt drillers in recent weeks, especially deepwater drillers. This spill will bring about new government regulations, creating many headwinds for the industry. Therefore, we are taking a very close look at drilling legislation, reading the fine print with special care. We are interested to hear any thoughts and predictions that analysts have about the sector as a whole.

Worst May Performers

Name	Value (Beg. May)	Price (May 31)	Value (May 31)	Gain/(Loss)	% Return
Tata Motors Ltd. (TTM)	$ 1,081.73	$ 16.68	$ 884.04	$ (197.69)	-18.28%
Pride International (PDE)	$ 1,007.82	$ 24.77	$ 817.41	$ (190.41)	-18.89%
Rowan Companies (RDC)	$ 1,004.52	$ 24.76	$ 817.08	$ (187.44)	-18.66%
Microsoft Corp. (MSFT)	$ 1,020.34	$ 25.80	$ 877.20	$ (143.14)	-14.03%
Glaxo SmithKline PLC (GSK)	$ 969.54	$ 33.46	$ 869.96	$ (99.58)	-10.27%

Our best performer of the month was the Chinese Ctrip.com, which was propelled up by a very strong earnings report. China was also in the news this month after posting a relatively disappointing PMI number. Moreover, the country is undergoing rate raising initiatives in an attempt to combat inflation. Indices will predictably react poorly to this tightening process, and the PMs feel that these rate hikes are very fundamental to the U.S. markets on an export/import basis. Although we see downside ahead in many Chinese equities, we are still bullish on our portfolio's holdings of CTRP and YONG. These companies should continue to perform well due to their connection with a growing Chinese middle class and will be insulated against an economic growth slowdown.

Best May Performers					
Name	Value (Beg. May)	Price (May 31)	Value (May 31)	Gain/(Loss)	% Return
Ctrip.com Intl. (CTRP)	$ 949.00	$ 39.39	$ 1,024.14	$ 75.14	7.92%
RTI International Metal (RTI)	$ 1,083.60	$ 26.51	$ 1,139.93	$ 56.33	5.20%
Whole Foods Market (WFMI)	$ 1,170.60	$ 40.43	$ 1,212.90	$ 42.30	3.61%
Ameren Corp. (AEE)	$ (726.88)	$ 24.66	$ (690.48)	$ 36.40	5.01%
SPDR Gold Shares (GLD)	$ 807.52	$ 118.88	$ 832.16	$ 24.64	3.05%

In an earlier letter we touched on an interesting pair trade between Bucyrus International and Joy Global, and we entered this pair trade in late March. Unfortunately, Bucyrus missed on their revenue and our thesis required them to obtain a large order sometime in April. This coupled with Australia's imposition of a super tax of 40% on mining convinced us to exit the pair trade. Although this trade didn't play out as our club had hoped, we ended up making a gain overall. Analyst Lazarevic's strong diligence in reviewing new information relating to this trade allowed us to make an informed decision on the pair.

Even though this month was our funds worst to date, we feel that this allows us to take a fresh look at our portfolio from a new perspective. The PMs are confident in our fund's performance going forward and our analysts' ability to pick successful stocks in the future. We would once again like to urge all members to remain thorough and attentive with their coverage throughout the summer. On a whole, it is becoming increasingly difficult to navigate this global market; however, attacking this unpredictable environment with vigor will only help us all hone our analyst skills, leading to a stronger club overall.

Sincerely,

Alex Kreindler
Portfolio Manager

Brandon Winikates
Portfolio Manager

Sam Curley
Portfolio Manager