STRATEGIC BALANCE, LLC

June 5, 2011

	Strategic Balance Partners, LP	S&P 500
May	**1.7%**	**-1.1%**
Year to Date	**2.2%**	**7.8%**
Since Inception	**49.8%**	**58.9%**

The information provided is historic and should not be taken as any indication of future performance. SBPLP returns are unaudited for this year and net of 1% management fee and 10% incentive allocation. Actual returns may differ due to differences in contribution date, fee structure and new issue eligibility. All returns are time weighted with dividends reinvested. S&P 500 returns are provided strictly for informational purposes to reflect general equity market performance. Fund Inception 8/1/03.

Dear Investor:

Worries over a Greek default and a slowdown in China pulled the equity market lower in May. In what has become a common pattern, markets rebounded in the last few days of the month to erase most of their losses. Investors remain reticent to decrease risk in a significant way. Market participants seem to believe the Fed will always support the market with virtually free money. This belief (and the belief that it will work) seems to feed an insatiable desire to speculate in expensive securities.

Inevitably, Greece will need to restructure. It might be tomorrow or in two years, but it is fantasy to embrace the scenario that holders of Greek debt will ultimately receive par. Debt burdens are simply too high versus the size of the Greek economy. It is possible that the Greek populace simply says "no" to additional funds, thus forcing the losses back on the creditors who made the original (foolish) credit decisions. This would not be so unusual. Carmen Reinhart notes in a recent WSJ interview, "Since independence in the 1830s, Greece has been in a state of default about 50% of the time."

It seems likely that markets would suffer sizeable volatility in the event of a Greek restructuring, so it is puzzling that valuations remain so optimistic. As we have noted in previous letters, there are more risks facing this market than just Greece. As a result, we remain positioned with a notable short position as a hedge.

In May our longs added 0.8% to our capital, while our shorts added 1.1%. The fund is 98% long equities and 63% short for a net equity exposure of 35%, or minus 11% on a volatility adjusted basis.

Please call with questions or comments.

Sincerely,

Scott E. Brown, CFA