



The Mangrove Partners Fund, L.P.

	The Mangrove Partners Fund, L.P. ¹	HFRX Global Hedge Fund Index ²	S&P 500 ² (dividends reinvested)
Prior Month (May 2011)	+1.9%	-1.4%	-1.1%
Quarter to Date (Q2 2011)	+4.8%	-0.9%	+1.8%
Year to Date (2011)	+6.7%	-0.5%	+7.8%
Trailing Twelve Months	+77.1%	+4.9%	+26.0%
Since Inception (April 2010)	+85.1%	+3.0%	+17.7%

June 3, 2011

Dear Partners:

We produced net performance for the month of May, 2011 of 1.9%. The fund has maintained its high gross and low net exposures with approximately 200% gross exposure and 0% net exposure at month end.³ We continue to be skeptical that asset prices reflect the presence of willing buyers and sellers and believe they may instead reflect yield chasing in an environment of abnormally low interest rates. As we believe that asset prices tend to regress to fair value over time, we remain well hedged against market moves. Despite some investments that saw significant adverse movements, we had more winners than losers and overall positive performance. We are pleased with the anecdotally-effective shock absorbers in the portfolio.

To our eyes, the economic data is clearly signaling a slowdown in activity, or possibly another contraction. Indeed, we would not be surprised if the U.S. went back into recession later this year. Over the course of the past month, the various statistics coming from purchasing manager surveys, consumer confidence, home prices, and the Fed's regional manufacturing surveys have all come in weaker than expected. Input cost inflation metrics, on the other hand, have repeatedly come in higher than expected. These outcomes are consistent with the expected results of a money printing campaign – it is hard to see the mere printing of money creating jobs or real output but it is not hard to see it creating demand for risk assets. With the stock market at month-end having pulled back only 1% from its interim highs, we continue to see a disconnect between the economic landscape and equity market prices. While it is true that corporate profits remain strong and multiples of operating earnings undemanding, there are compelling logical and empirical reasons to measure both profits and multiples based on long-term averages. In so doing, equities appear far less attractive and it is this analysis combined with the weak economic data that drive our low appetite for equity market risk.

During the month, we exited our long position in Gyrodyne (NASDAQ: GYRO). We purchased shares in the company following the ruling in its condemnation lawsuit against New York State. Based on the damages assessed, we believed that the company was worth nearly double its market price and that we

had a hard catalyst with a final ruling from the Court of Appeals. As part of our work, we hired specialized condemnation lawyers to help augment our research. While the lawyers' analysis initially supported our thesis, the basis for the state's appeal caused our analysis to shift dramatically. We moved from believing that the court had a relatively narrow and procedurally based window through which it needed to evaluate the state's appeal to believing that the court had a real ability to express its own perception of fairness in its ruling. Consequently, we came to believe that the case would be remanded to be retried and we exited the position based on the view that this was a serious setback for the company. While Gyrodyne was not profitable for us, it is a great example of one of the smaller capitalization, hard-catalyst situations with which we populate our arbitrage portfolio and on which we believe we can have a recurring edge.

We also exited our short position in Navistar (NYSE: NAV) during the month. We originally shorted Navistar based on our view that their new engine technology would not achieve widespread customer acceptance and that their military earnings will contract as the conflicts in Iraq and Afghanistan wind down. While we remain confident in our assessment of their military business, the stronger than expected truck cycle overwhelmed our thesis on the truck business. In the past several months, truck orders have returned to peak levels such that customer demand has obviated the ability of customers to get their desired product at their desired time – if you need a truck today, you are forced to take whatever is available. As the lowest quality producer, this benefit has disproportionately accrued to Navistar. Thus, while our dozen or so industry contacts remain adamant that Navistar's technology is worst in class and undesirable over the medium term, the overall strong demand for trucks has undermined our thesis that Navistar's earnings would need to be reset a great deal lower.

We are grateful for your trust in us and welcome any comments or questions you have.

Sincerely,



Nathaniel August

¹ Return figures reflect the performance of the fund as a whole, a partner's individual performance will vary based on a number of factors, including but not limited to, the timing of additions and withdrawals and participation in "Hot Issues" and "Side Pocket" investments. Historical performance is not indicative of future results and such differences may be material. Performance is reflected net of fees and expenses, paid or accrued. Returns and values for each calendar year are audited at year end; interim period results and values are unaudited.

² HFRX Global Hedge Fund Index ("HFRX GL") is an index designed to be representative of the overall composition of the hedge fund universe and is produced by Hedge Fund Research, Inc. S&P500 is an index designed to be representative of the large cap US equities market and is produced by Standard & Poors, Inc. This index is adjusted to reflect the reinvestment of dividends. HFRX GL and S&P500 are presented as two broad indices. While Mangrove Partners believes neither represents a benchmark for The Mangrove Partners Fund, L.P., each is being presented for informational purposes.

³ All net exposures measured on a beta and delta adjusted basis.

This letter shall not constitute an offer to sell or the solicitation of an offer to buy which may only be made at the time a qualified offeree receives a confidential private placement memorandum and limited partnership agreement (collectively, the "Constituent Documents"), which contain important information, including risk factors. In the event of any inconsistency between the descriptions or terms in this presentation and the Constituent Documents, the Constituent Documents shall control. These securities shall not be offered for sale in any jurisdiction in which such an offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied.