

THE INSIDE-OUTSIDE REPORT.

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MARKET AT LOFTY LEVELS BUT SPIKE IN VOLATILITY IS BULLISH FOR MORE GAINS.

Outside:

The market has defied the pundits and cautious investors and has been on a tear since its early June low. These fearful investors have been measuring the progress of the markets during this period for evidence that their bearish outlook is justified. The problem is, as it has been since the 2009 bear-market lows, the market keeps consolidating and getting oversold without much damage to prices.

We believe this is due to the combination of the stellar recovery for corporate earnings since the financial crisis and the reduction of competition from the fixed income markets thanks to the Fed's unprecedented pressure on short-term rates.

We start this week with a con-

tinuation of this pattern. The stock-market's 7% rally since June has spent the last

10 days digesting this move (chart #1). During these days the bears have pressed their

bet for a decline. As a result they have driven the volatility index (chart #2) to a level that makes buying downside protection for portfolios expensive. As a contrarian indicator this implies we have had the correction without the markets having to go down.

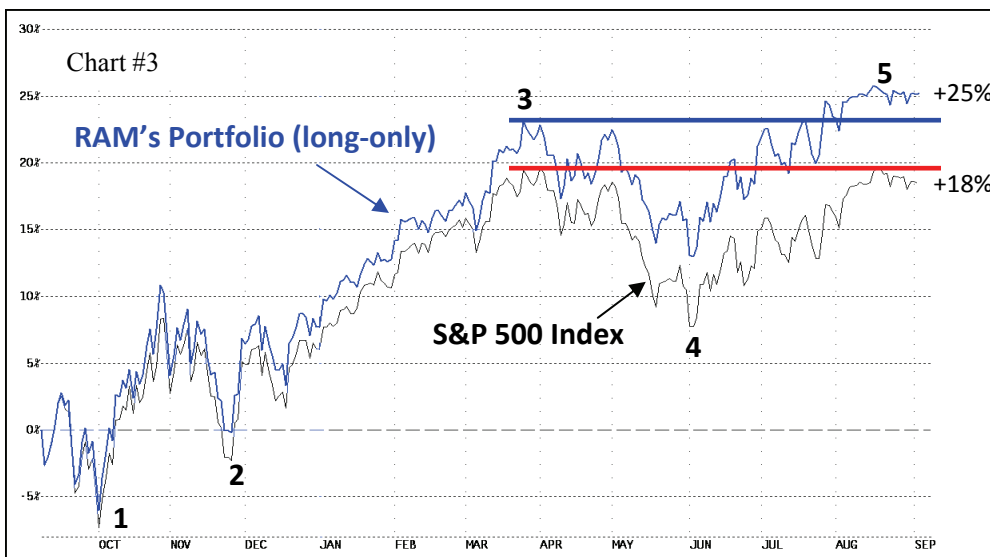
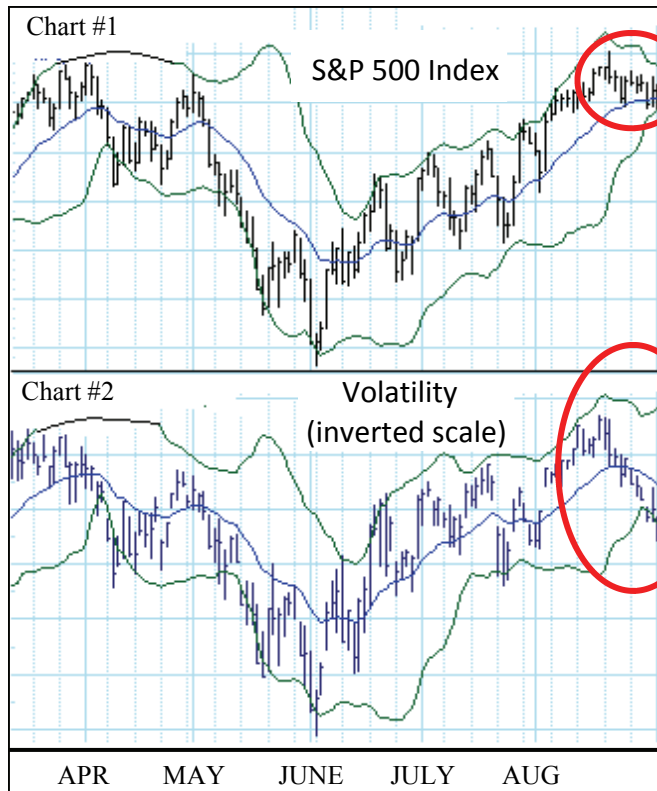
Look for the summer rally we have been using as our short-term strategy to continue.

Inside:

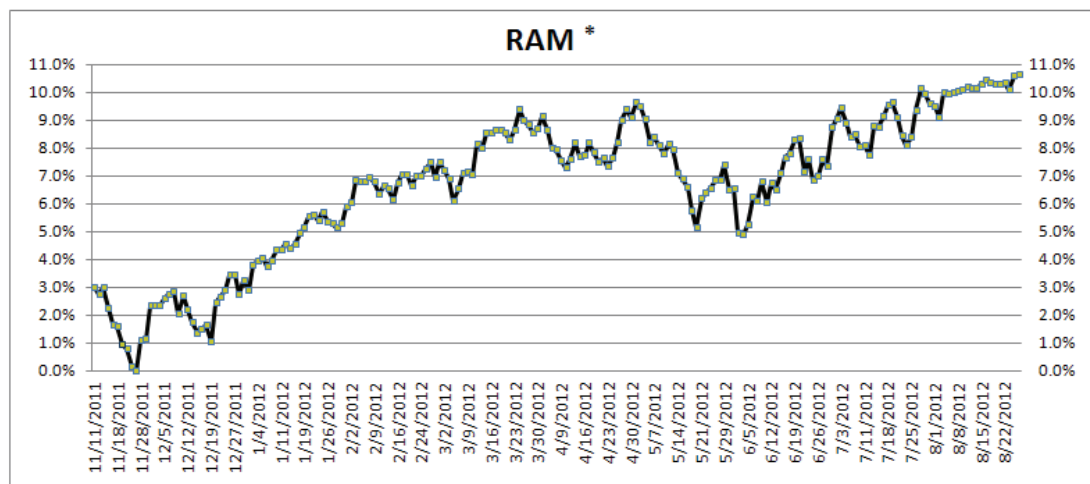
We continue to see the "long" portion of our portfolio show the relative strength versus the market we believe our *ROI Stock-Selection Model* is designed to accomplish. Chart #3 is the past year's performance of the equity portion of our portfolio plotted against the market. These stocks are the growth part of our *protect & grow* investment style. In addition to outperforming the market (point 5) because our 27 stocks have a higher and, we believe, a repeatable 15+% ROE, this portfolio has separated itself at an increasing rate from the market during corrections (points 1, 2 & 4).

Furthermore, this portion of the portfolio is separating itself from the market on rallies (point 3), and now consolidating at a new high (point 5) while the market remains below its April top.

This positive divergence gives us confidence in the potential for continued appreciation from the growth-ingredient of our portfolio.



RAM taxable SMA account. *see disclosure for details.



* DISCLOSURE

Past performance is not indicative of future results.

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The past performance for January 1, 1996 to September 30, 2010 is for the RAM Capital L.P fund. The prior performance is net of management fees (1% per annum), and net of other expenses. Also prior performance does not include the effect of the LP's performance fee, which does not apply to SMA's. On October 1, 2010 the partnership was converted to, and it's performance ported to, a mutual fund adhering to the Investment Companies Act of 1940 and regulated by the SEC. Past performance since the conversion are net of management fees (1%) and expenses (0.25%). The latter does not apply to SMA's although all commission and other charges, fees and expenses are the responsibility of the SMA owner. The LP and the mutual fund were managed in the same style and by the same portfolio manager and advisor, RAM Capital Management LLC, since the fund's inception on January 1, 1996. **The past performance is not necessarily an indication of how an SMA will perform in the future.**

The S&P 500 Index is an unmanaged composite of 500 large capitalization companies. This index is widely used by professional investors as a performance benchmark for large-cap stocks. You cannot invest directly in an index.

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