The *Prudent-Growth* Portfolio

October 2012 - Week 5

NASDAQ MARKET BREAKS LT TREND. RAM APPROACHING A BUY-SIGNAL.

The Investment Climate:

We all now know the issues. Earnings reports are coming in disappointing, revenues are weakening and companies lack any confidence to project optimism as we go into the election and the fiscal cliff. The market has now placed all its hope in Bernanke...and now there's conjecture he may not make it to his term's end.

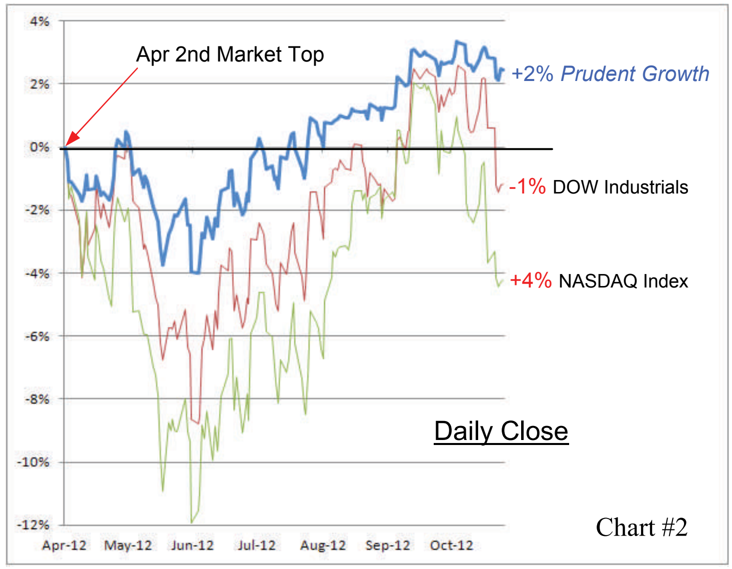
These issues are not new but they have been accumulating over the past year. Chart #1 plots the daily range of the NASDAQ 100 Index and individually these negatives were being rebuffed (green arrows) each time the market declined to its support drawn in green.

But now the accumulated weight of these negatives has finally won out with the break of this support-line (at the red arrow). This event always brings out the "wrong-way" traders executing stop-losses and causes "long-term" investors to become sellers.

This break has occurred just as the second quarter GDP is being reported to have been 2%, better than the 1.3% for the first quarter. Unfortunately this rate of growth only keeps jobs stagnate. But we believe, and the commentary accompanying the third quarter corporate-earnings reports would support it, that we are possibly already in a recession. The GDP report for the first quarter of a recession is always revised downward and in this case that would be a revision of about 3%. When added to the possible "lock-down" of activity ahead of the fiscal cliff, the next wave of European bank shocks, and the continued softening in China, Sandy may be the least of our worries.

This combination is not close to being factored into the earnings for the S&P 500 Index which remains over $100 for this year and about $110 next year. From a technical stand point, in addition to the break of the long-term support for the market, we are in the middle of the fourth year of this bull market, a period that is prone to correction.

Currently, with the market down 4% from its peak, *RAM's Stock-Market Risk Indicator* has now entered the neutral zone from bearish.



The Portfolio Strategy:

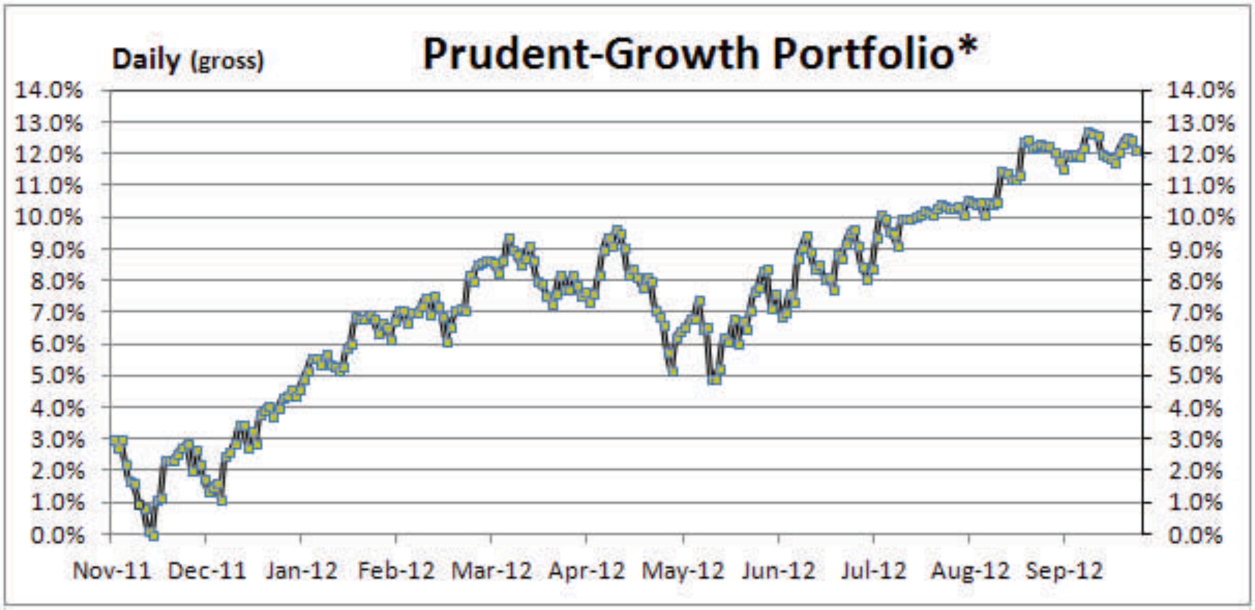
As we did significant pruning of our positions during the past month when our market-risk indicator gave a sell signal we have little additional activity to report. That said, chart #2 represents a good example of what the *Prudent-Growth* style attempts to achieve. Specifically we attempt to make higher-highs during market recoveries by selecting the best quality companies operated by the best of managers. This increases our odds of realizing the superior returns generated by these companies relative to the average company in the S&P 500 Index. Then, if we manage the portfolio risk appropriately, we increase the probability of keeping these gains during ensuing market declines. This has the effect of compounding the portfolio returns over the long term.

While we have been demonstrating this strategy for the past 17 years, chart #2 shows how this has been accomplished during the market's current decline to a level below its previous high. The market indices are now 4% to 6% below its high and, even worse, are now 1% to 4% below the April 2nd previous high. On the other hand, the *Prudent-Growth Portfolio** is down only 1% from its recent high and is actually up 2% since last April's market top. We point this out because investors who typically come late to bull markets can have an opportunity to experience less severe losses and possibly realize gains during ensuing bull moves by following our style.

We continue to hold 19 positions, 2 of which are gold stocks, a 10% short-index position, and amble cash.

Though our market-risk indicator is keeping us on hold, now that the support line has been broken we are preparing to, first, cover our short, and then start picking up stocks of great companies. These obvious and technical violations provide irrational reasons for traders to sell and for "investors" to panic. We hope to use their selling to buy investments having a history of providing shareholder's 15% annual returns over the long term.

*RAM taxable SMA account. *see disclosure for details.*



* DISCLOSURE

Past performance is not indicative of future results.

The performance shown in all charts for RAM's Prudent Growth Portfolio is for a single-managed account (SMA) managed on a fully-discretionary basis by RAM Capital Management LLC (RCM) and that adheres fully to RCM's Prudent-Growth investment process and portfolio execution. In some cases, due to the modest size of an account or if client restrictions are placed on the account, the SMA account's performance may vary.

Investors should carefully consider the investment objectives, risks, charges and expenses of an SMA account offered by RAM Capital Management LLC. Any performance data quoted here represents past performance. Current and future performance may be lower or higher than that experienced in the past. Investment return and principal value will fluctuate, so that SMA accounts, when closed, may be worth more or less than their original cost. Past performance is no guarantee of future results.

RAM Capital Management LLC does not guarantee the accuracy or completeness of information posted on its website or within its reports, nor does it assume any liability for any loss that may result from reliance by any person upon any such information or opinions. Such information and opinions are subject to change without notice and are for general information only.
A Single Managed Account (SMA) is an actively managed portfolio. There is no guarantee that any investment will achieve its objectives, generate positive returns, or avoid losses. The SMA will incur a loss as a result of a short position if the price of the short position instrument increases in value between the date of the short position sale and the date on which the SMA purchases an offsetting position. The SMA's losses are potentially unlimited in a short position transaction. A higher portfolio turnover will result in higher transactional and brokerage costs.

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 transaction expenses and net of management fees (0.50% per annum). 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 its performance ported to, the RAM Risk-Managed Growth Fund, a mutual fund adhering to the Investment Companies Act of 1940 and regulated by the SEC. Past performance since the conversion is net of management fees (1%) and expenses (0.25%), terms incorporated in the fund's prospectus. The latter expense does not apply to SMA's although all commissions and other charges, fees and expenses associated with an SMA 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. Effective September 30, 2011 all performance for the Prudent-Growth portfolio is based on a representative SMA and are net of expenses and net of management fees (0.50% per annum) except in daily-performance presentations. **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.