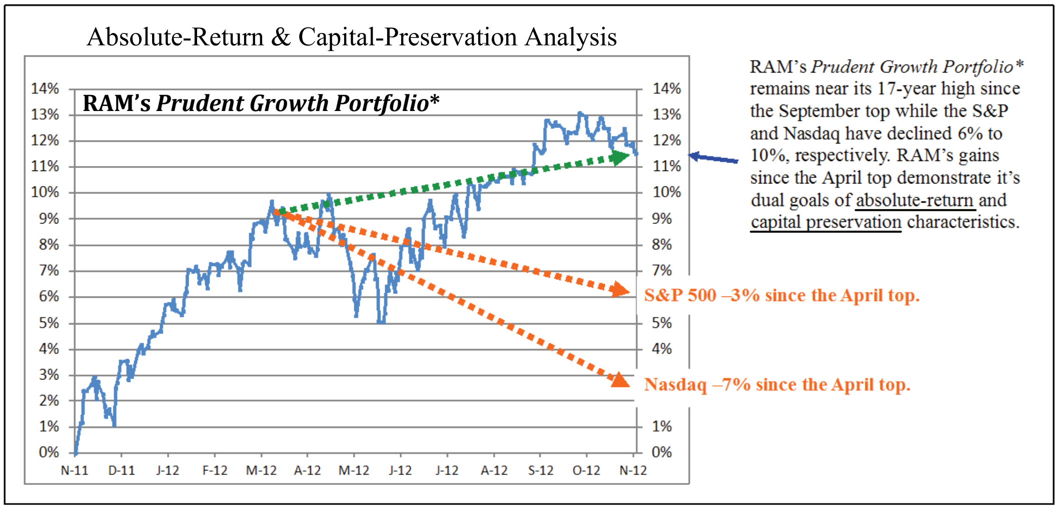
The *Prudent-Growth* Portfolio

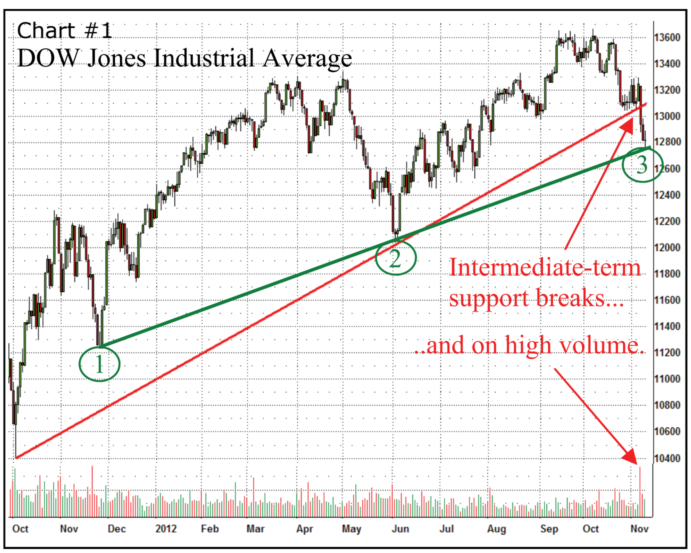
November 2012 - Week 2

3RD CORRECTION OR BROKEN MARKET? PRU-GROWTH PRESERVING CAPITAL & GAINS.



The Investment Climate:

The Dow Jones Industrial Average (chart #1 below), as has the other major indices, has now experienced its 3rd correction of the past year and closed at a point that reinforces its support line (the green line)



but, also like these other major indices, it broke its intermediate-term support line (the red line) and did so on high volume. Technically, and with the combustible fiscal-cliff issues front and center, we suspect the break of intermediate support trumps the support implied by this 3rd correction.

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 assess the post-election jousting and move toward the fiscal cliff.

While a 1% to 3% drag on the economy next year post-cliff is starting to be discounted, we believe the market will remain preoccupied with the Fed's efforts to hold interest rates low. Any loss of this battle is when the real bear market for stocks will occur.

Investors have become too optimistic toward stocks several times this year and have paid the price with the three sharp corrections. While the returns in the stock market this year have been in line with long-term annual returns it has not been high enough to justify any buy-and-hold risk taken by investors. We believe the noise that will be generated while addressing the above issues will limit stock returns over the next year.

While pundits often point to the underweighting of equities by investors, we believe, since it is a zero sum game, that it is the extreme bubble of US debt that has created this illusion. At some point over the next five years the trend will be toward rising interest rates and the spectacular decline in bond values will move equities back to a normal weighting but, unfortunately for these pundits, without outsized appreciation for equities versus the risk being taken at current levels.

Currently, with the market down 6% to 10% from its September peak, *RAM's Stock-Market Risk Indicator* has entered only the neutral zone from its previous bearish reading.

The Portfolio Strategy:

The chart to the left demonstrates our capital preservation objective. Note that since the April 2nd market top the S&P and Nasdaq indices are down 6% and 10% respectively while the *Prudent Growth Portfolio* added an additional 2% to returns.

Over the past year we have held to our stocks identified by *RAM's ROI Stock-Selection Model*. With the pruning of names such as Disney, IBM, Home Depot, and USBancorp we have room for names that have moved up the model's ROI ranking. These are companies that we liked but whose operations post the 2008 crisis represented too much uncertainty risk. Their backdrop is now less catastrophic, the fiscal cliff notwithstanding.

The *Prudent-Growth Portfolio** is currently structured conservatively with both cash and short positions to neutralize performance in either direction. That said we do expect our long positions to perform well given their superior business models and 15+% ROE history.

While the market is down a significant 6% from its top, that represents only a single p/e point of valuation decline. While p/e is not a major benchmark we use to determine valuation, investors find it useful and it serves as a convenient yardstick to explain our indifference to this level of stock-market decline.

We expect to find ample investment opportunities over the next six months from which to generate further absolute returns.

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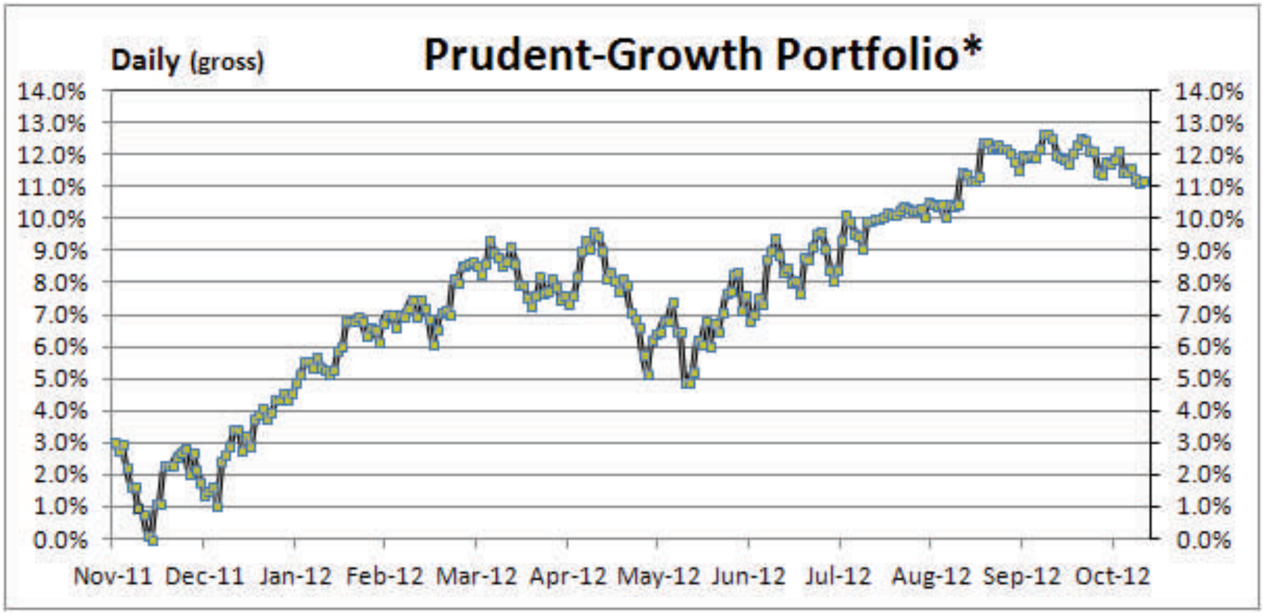
*RAM taxable SMA account. *see disclosure for details.*



* 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.

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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.

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