Commentary for the Prudent Investor* January 4, 2015 From: Robert Munsie

"It's a bear market! No, it's still a bull market!" part two.

Given the market's sharp decline to open the year, especially following last August's sharp decline and the media's obligatory noise, I thought I would weigh in with RAM's view again, which is not dissimilar to our August view and simply the byproduct of RAM's *Prudent-Growth* investment discipline as described on our website at www.ramlp.com.

The empirical evidence suggests that, while *"External-Factors"*…the market's technicals, the Federal Reserve, investor sentiment etc…can move markets either way in the short term, *"Market-Valuation",* as in the price you pay for stocks, dictates your long-term investment returns and your risk of experiencing losses in that term. There was no better example of this than in late 2008 when prices were low and offering significant long-term returns, with only a modest risk of interim losses. Recall that, having retreated from stocks in late 2007, RAM in late 2008 moved your *Prudent-Growth** portfolio to its most invested in its 20-year history at 98% long stocks as compared to its 0% weighting in late 2007.

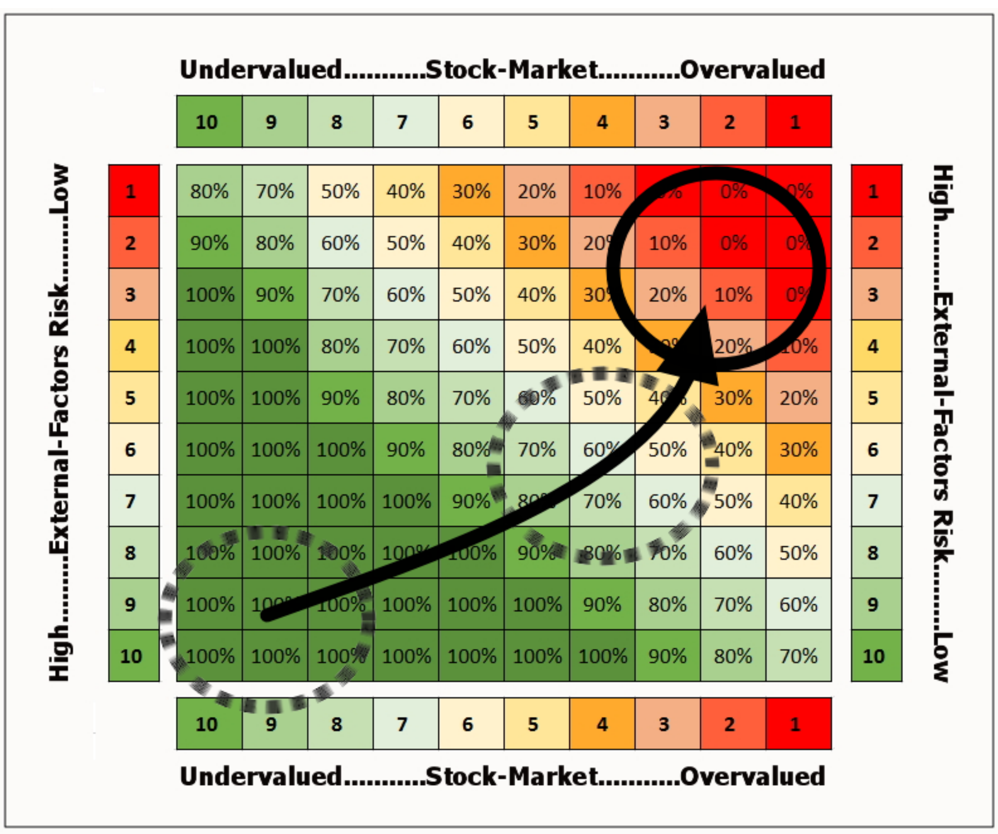
As you may have noticed in your *Prudent-Growth* portfolio that is not the case today as our disciplined *Prudent-Growth** investment-process has moved the portfolio to about **a 10% exposure to stocks**.

While those short-term *External-Factors* listed above will continue to push and pull the market around, they have become extreme as depicted in our meter below and, we believe, will no longer provide cover for high *Market-Valuations* that have persisted for some time.

Thanks, disproportionately, to the Fed's unprecedented stimulus that triggered the pulling forward of returns as investors chased yield, RAM's *Market-Valuation* meter moved from the 2008 bullish reading to one of caution about two years ago. At current valuation levels our in-house forecast for the stock-market's 10-year average annual return has declined to only 2%, about in line with the market's dividend yield implying no potential for capital appreciation over the next decade. Furthermore our estimate for interim stock-market declines during this ten-year holding period approaches 40%. Of course the unprecedented effort by central banks worldwide to pump money into the financial system we believe could impact our risk/reward model favorably and make the range of these probable outcomes less severe. Yet, in spite of our calculation, investors have chosen to continue to see lower rates as an opportunity to push valuations ever higher and, as a result, our *"Market-Valuation"* meter has now moved fully into the red zone.

While I do not possess a crystal ball as to where the market is going either short term or long term, I still believe the evidence for caution should be respected and is consistent with our *Prudent-Growth* investment process. At RAM we abide by the evidence that directs us to allocate capital toward attractively priced stocks in a stock market that offers favorable risk. Over the past seven years your *Prudent-Growth** portfolio has been moving gradually out of its late-2008 allocation of 98%, the lower left corner of the table below which is the intersection of undervalued stocks and favorable market-risk. It now resides at an under 30% allocation, the upper right corner of the table which is the intersection of overvalued stock valuations and unfavorable stock-market risk. As we have done for the past 20 years, we will let our *Prudent-Growth** investment-process dictate our positioning as the current volatile market unfolds.

Prudent-Growth Portfolio* positioning over time.



*** DISCLOSURE**

Past performance is not indicative of future results.

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 brokerage transactional costs.

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.

The performance shown in all charts and tables 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.

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. Also prior performance does not include the effect of the LP's performance fee, which does not apply to SMA accounts. On October 1, 2010 the partnership was converted to, and its performance was ported to, the RAM Risk-Managed Growth Fund, a mutual fund adhering to the Investment Companies Act of 1940 and regulated by the SEC. Performance as a mutual fund was net of management fees (1%) and expenses (0.25%), terms incorporated in the fund's Class I prospectus. Since the fund's inception on January 1, 1996 the LP and the mutual-fund investment vehicles were managed in the same style, the Prudent-Growth style, by the same portfolio manager, Mr. Robert Munsie, and by the same advisor, RAM Capital Management LLC. Effective September 30, 2011 all past net performance for the Prudent-Growth portfolio was adjusted for the SMA management-fee rate of 1.00%. Since October 1, 2011 performance is based on a representative taxable SMA account net of the 1.00% management fee. Typically charts and tables depicting performance for less than one year are gross of management fees. **The past performance is not necessarily an indication of how an SMA will perform in the future.**

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