



## PRESIDIO MULTI-STRATEGY FUND (PMSFX) PERFORMANCE UPDATE

### AUGUST 2011

The Presidio Multi-Strategy Fund (PMSFX) was up +0.46% for the month of August, bringing net annualized inception-to-date performance to +10.18% (+5.57% calendar year-to-date). Inception-to-date portfolio volatility (annualized) was 7.00%, with correlation to the equity markets (S&P 500) of 0.62, and a portfolio equity beta of 0.24.

With the exception of U.S. Treasuries and gold, risk aversion was evident across nearly all asset classes for the month of August. Within the equity markets, the S&P 500, MSCI EAFE and MSCI Emerging Market indices were down -5.43%, -9.03% and -8.94%, respectively. Credit exposures also took a hit, with the Barclay's Capital High Yield index down 4% for the month, and convertible bonds, CMBS' and other lower-rated bonds (single A and lower) also in the red.

For several months, the insurance exposures in our portfolio (VIX, deep out-of-the-money puts, short book, etc.) were detractors to our absolute and relative performance. It wasn't much of a surprise to us, as our safety exposures (like most other insurance products) are expected to only kick in under specific outcomes (in our case, extreme market fluctuations that produce higher volatility and correlation levels). The market volatility in August kick started several of our hedges, which resulted in profits on those positions at multiples of our cost and was ultimately the largest contributor to our portfolio performance for the month.

As we mentioned in our mid-month commentary, our insurance (safety portfolio) helped preserve significant capital during this massive decline, and has provided us with an attractive opportunity to trim a number of our defensive positions (e.g. hedges, Treasuries, etc.), and shift towards a slightly more pro-risk posture. Our belief has always been that by preserving capital in down markets, we can ultimately deploy that capital into much "cheaper" and attractive assets that can help us participate meaningfully when risk-aversion subsides. And, as prices in some segments have fallen dramatically (e.g. credit spreads widening out 200 - 300 basis points), we have been gradually building smaller (1-2%) positions in those areas as they have become cheaper and priced to deliver attractive risk-adjusted returns.

The contributor(s) and detractor(s) to the Fund's performance, by magnitude, were:

Description	MTD Performance Contribution
▪ Safety Portfolio	+1.6%
▪ Duration Portfolio (e.g. deflation hedges)	+0.9%
▪ Commodities Portfolio (e.g. inflation hedges)	+0.8%
▪ Opportunistic Portfolio	+0.0%
▪ Stylistic (Tactical) Portfolio	+0.0%
▪ Hedged Credit Portfolio	-0.5%
▪ Relative Value Portfolio	-0.9%
▪ Global Equity Portfolio	-1.4%

Performance Information as of:	1 Year (no load)	1 Year (with load)	Since Inception* (no load)	Since Inception* (with load)	Expense Ratio (Gross)**	Expense Ratio (Net)***
August 31, 2011	10.74%	6.04%	10.18%	6.08%	2.13%	1.75%
June 30, 2011	N/A	N/A	8.10%	3.51%	2.13%	1.75%

**Performance shown is for the periods ended August 31, 2011 and June 30, 2011. The performance data quoted above represents past performance, which is not a guarantee of future results. Investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Shares of the Fund have a maximum sales load of 4.25%. The sales load may be reduced or eliminated under certain conditions described in the prospectus. To obtain more current performance data regarding the Fund, including performance data current to the Funds' most recent month-end, please visit [www.ncfunds.com](http://www.ncfunds.com).**

\*The Funds' inception date is July 7, 2010.

\*\*Gross expense ratio is from the Funds' prospectus dated February 28, 2011.

\*\*\* The Advisor has entered into an Operating Plan Agreement with the Administrator that runs through October 1, 2012 where it has agreed to assume certain expenses of the Administrator to the extent the operating expenses of the Fund exceed 1.75%.

An investor should consider the investment objectives, risks, and charges and expenses of the Fund before investing. The prospectus contains this and other information about the Fund. A copy of the prospectus is available by clicking here or calling the fund directly at 800-773-3863. The prospectus should be read carefully before investing.

*An investment in the Fund is subject to investment risks, including the possible loss of some or the entire principal amount invested. There can be no assurance that the Fund will be successful in meeting its investment objective. Investment in the Fund is also subject to the following risks: market risk, sector risk, portfolio turnover risk, investment advisor risk, new fund risk, foreign securities and emerging markets risk, currency risk, political/economic risk, derivative risk, currency option transactions risk, currency futures risk, leverage risk, counterparty risk, short sales risk, risks related to investing in other investment companies, etn risk, small cap and mid cap securities risk, interest rate and credit risk, maturity risk, inflation risk, investment grade securities risk, lower rated securities or junk bonds risk, risks of investing in corporate debt securities. More information about these risks and other risks can be found in the Fund's prospectus.*

The Presidio Multi-Strategy Fund is distributed by **Capital Investment Group, Inc., Member FINRA/SIPC, 17 Glenwood Ave., Raleigh, NC 27603**. There is no affiliation between Presidio Capital Investments, LLC, including its principals, and Capital Investment Group, Inc.

### **Explanation of Statistics**

#### **Volatility:**

Volatility is measured as annualized standard deviation and is considered a measure of risk. Annualized standard deviation is calculated using standard methodology of taking the standard deviation of realized daily returns multiplied by the square root of the number of trading days in a year (assumed at 250). Volatility is a statistical measure that provides an estimate of the dispersion (or range) of potential returns.

When used in conjunction with the assumption of a normal distribution, investors may use standard deviation to make probability statements about potential return outcomes. For example, a portfolio with an expected annual return of 5%, and an annualized volatility of 10%, can be interpreted as the following: There is 68% chance that the return of this portfolio, in any given year, may be in the range of -5% to +15%, with a 32% chance that the return will be outside of this range.

Taking it one step further, it can also be interpreted as: There is a 95% chance that the return of this portfolio, in any given year, may be in the range of -14.6% to +24.6%, with a 5% chance that the return will be outside of this range.

Investors should be aware that volatility estimates, like any other “statistics”, are not constant, and that they may change as the capital markets change and as the composition of the underlying portfolio changes.

**Correlation:**

Correlation is a measure of tendency for two assets to move together, and is bound between -1 to 1. For example, a correlation of +1 indicates perfect correlation between two assets and their tendency to move in a certain direction. Conversely, a correlation of -1 between two assets indicate perfect negative correlation and the tendency to move in opposite direction. A correlation of 0 between two assets indicate no relationship or tendency to move together.

**Beta:**

Beta is a measure of the price sensitivity of an asset (or portfolio) to the broader market, and is also considered a risk statistic. Beta was calculated by regressing the daily returns of the fund and daily returns of the S&P 500 (for the time period from fund inception through noted month end).

Investors may use beta estimates to gauge the relative risk of an asset or portfolio. For example, an asset (or portfolio) with a beta of 1.5 suggests that that asset (or portfolio) may move 1.5 times that of the movement of the broader market. If, for example, the S&P is down 10%, this asset (portfolio) with a beta of 1.5 is expected to be down 15% ( $= -10\% \times 1.5$ ).

Conversely, if an asset (portfolio) has a beta of 0.5, it is expected to move 0.5 times that of the broader market. If, for example, the S&P is down 10%, this asset (portfolio) with a beta of 0.5 is expected to be down 5% ( $= -10\% \times 0.5$ ).

Investors should be aware that beta estimates, like any other “statistics”, are not constant, and that they may change as the capital markets change and as the composition of the underlying portfolio changes.