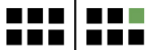

PRESIDIO capital investments

PRESIDIO GLOBAL OPPORTUNITIES FUND, L.P.

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Portfolio Review

1st Quarter 2010

The capital markets ended the first quarter of 2010 in positive territory, though it was a bumpy ride in the early days of the new year with the issues of Greece and the potential risk of sovereign default. Equities, as measured by the S&P 500, closed out the quarter up 5.4% and international stocks (measured by the MSCI EAFE) were up 1.2%

The Presidio Global Opportunities Fund ("PGO") was down 2.5% for the quarter. The last three months has proven to be a difficult (and surprising) quarter for our investment thesis, where we positioned our portfolio to be more defensive (and uncorrelated) in the face of what we believe are major headwinds in the equity markets. We increased our exposure to 'high-quality' relative value trades (e.g. long high-quality stocks, short low quality (junk) stocks) and increased our US Equity hedges (puts, VIX), which both had done poorly this quarter, as junk stocks continued to significantly outperform quality, and the rapidly rising markets in February and March brought our hedge values down. Our international equity, emerging market equity and commodities exposure didn't help either, with both relatively flat/negative against a positive S&P. Though we were disappointed with the performance of those strategies, positive contributors to our performance were our global theta decay and credit long/short portfolios. The portfolio ended the quarter with a correlation of zero to the S&P 500.

Table 1 below provides the year-to-date (YTD) and inception-to-date (ITD) performance of the Fund and, for comparative purposes, the returns of common indices during the same time periods

TABLE 1:

	Net Performance (Returns)					Risk (Volatility)
	Jan-10	Feb-10	Mar-10	YTD*	ITD** (cumulative)	ITD**
Presidio Global Opportunities Fund	-2.9%	0.3%	0.1%	-2.5%	7.0%	8%
Comparative Indices						
U.S. Stocks (S&P 500)	-3.6%	3.1%	6.0%	5.4%	33.3%	25%
International Stocks (MSCI EAFE)	-4.7%	-0.1%	6.2%	1.2%	33.4%	30%
U.S. Fixed Income (Barclays Aggregate)	1.5%	0.4%	0.1%	2.0%	8.1%	6%

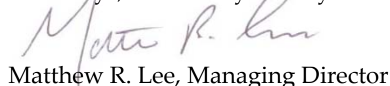
* Year to date
** Inception to date

Outlook

We continue to be surprised with the persistent uptrend in the equity markets, particularly with the risks and headwinds that the market faces ahead. Unemployment is still high and will continue to put pressures on consumer spending and deleveraging; consumer confidence is at recession levels; and the unsustainable fiscal stimulus and policy trends is pushing debt levels to critical levels that will have long lasting negative effects on economic growth and recovery. In fact, the IMF estimates that debt-to-GDP levels in the US will reach 100% by 2014 (currently approaching 90%), which further increases the threat of deflation (because excessive debt burdens will strain existing resources that will be spent used to pay down debt). The situation in Greece illustrates the impact of poor fiscal discipline – the market's punishment of Greek debt (and international markets generally) shows the market's low tolerance for fiscal recklessness. In addition to these headwinds, various market indicators like the volatility index (VIX) touching 15 (not seen since July 2007), expanding earnings multiples (P|E's), and declining momentum in the S&P suggest a more difficult road ahead. Lastly, if history is any guide, the bulk of equity market gains (since the 2009 bottom) have likely occurred. Looking at past recessions since 1926, equity markets have rallied well into 6 months **after** the technical end of a recession (due in large part to stimulus and pent up demand), with the average 6-month post-recession-end return of 14%. In our current cycle, the equity markets are up 21% (6-months post recession end), which is well above the historic average.

However, as dismal the picture is longer-term, we are aware that the markets may continue its pro-risk stance. The commitment of the Federal Reserve to keep rates low for "an extended period" means that 'easy money' may support the markets further upward (although at a tougher grind). Easy money can be a powerful enticement to take on risks, even if fundamentals that support those risks are on shaky ground (as we believe). Our challenge now is to balance short-term "supportive" conditions with longer-term risks, because short-term positive market sentiment can sour at anytime. That said, we will continue to build out a diversified portfolio with uncorrelated strategies that we anticipate can hold up in a broad range of market environments.

As always, we thank you for your continued support. Please don't hesitate to contact me with any questions or concerns.



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