



Portfolio Review

3<sup>rd</sup> Quarter 2009

The capital markets ended the third quarter of 2009 on a high note (again). Equities, as measured by the S&P 500, closed out the quarter (and year) up 16% and 19%, respectively. International stocks (MSCI EAFE) fared better, up 19% for the quarter (29% YTD), and the credit markets continued to show signs of improvement with tightening credit spreads, with the Barclay’s Aggregate and Barclay’s Corporate High Yield index up 3.7% and 14.2% for the quarter, respectively. The Presidio Global Opportunities Fund (“PGO”) was up 6% for the quarter and 10.4% YTD. Year-to-date, PGO’s realized (ex-post) volatility was just under 10%, continuing to be slightly less than a third (1/3) of the volatility of the S&P 500’s 30%<sup>1</sup>.

Table 1 below provides the monthly, 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)										
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	YTD*	ITD**
<b>Presidio Global Opportunities Fund</b>	-0.4%	-3.8%	1.5%	3.5%	4.1%	-0.5%	3.5%	0.2%	2.1%	10.4%	10.4%
<b>Comparative Indices</b>											
U.S. Stocks (S&P 500)	-8.4%	-10.6%	8.8%	9.6%	5.6%	0.2%	7.6%	3.6%	3.7%	19.3%	19.3%
International Stocks (MSCI EAFE)	-9.8%	-10.3%	6.3%	12.8%	11.8%	-0.5%	9.1%	5.4%	3.8%	29.0%	29.0%
U.S. Fixed Income (Barclays Aggregate)	-0.9%	-0.4%	1.4%	0.5%	0.7%	0.6%	1.6%	1.0%	1.1%	5.7%	5.7%

\* Year to date

\*\* Inception to date

Outlook

Though the economic contraction we’ve witnessed over the last two years seems to be abating, we continue to be cautiously optimistic, as market indicators continue to signal ongoing uncertainty. The rally in the equity markets (what we would call mostly a “junk rally”) and tighter credit spreads we’ve witnessed during the quarter suggest that economic improvement is on the horizon, but the recent rally in gold prices (which is at an all time nominal high) and 10-yr Treasury yields retesting the lower range of 3 percent suggests market fear and uncertainty. It is this economic uncertainty that continues to call for diversification, and we remain committed to our investment principles of maintaining a globally diversified portfolio across asset classes and strategies and taking on intelligent risks where we think worthwhile.

During the end of the third quarter (and beginning with the fourth quarter), we emphasized quality and defense in the portfolio – slowly taking risk off the table in our global equity and high yield exposures. We still maintain some risk exposure in the portfolio, but with a greater allocation (tilt) towards higher quality assets and uncorrelated strategies. The decision for such a move was not only due to technical factors (i.e. the huge run up in risk assets), but also with respect to our valuations and expected risk premiums that we expect to earn in the capital markets. At Presidio Capital, we monitor a wide range of global asset classes, and at every price level for each of these asset classes, we have an estimate of the risk premium (return) we expect to earn in the near-to-intermediate term. The recent rally in high-risk assets have caused the risk premiums for these assets to shrink (because the underlying fundamentals have not kept pace with the price rally), and thus, we believe the expected returns of these assets may be less than commensurate with the risks involved. Of course, risk assets may continue their upward trend and become more and more expensive (as they have been known to overshoot), and we may again underperform in such a risk rally, but we believe that sticking with our valuation discipline will reward our investors over the longer-term on a risk-adjusted basis.

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

Matthew R. Lee, Managing Director

<sup>1</sup> Realized volatility, or standard deviation, is annualized based on daily return data of the PGO fund and S&P 500 (from January 2009 through September 2009). Annualized standard deviation is calculated based on daily standard deviation multiplied by the square root of trading days in a year (approximately 250).



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