



Portfolio Review

4th Quarter 2009

The capital markets ended 2009 on another major quarterly rally. Equities, as measured by the S&P 500, closed out the quarter (and year) +6% and +26%, respectively. International stocks (MSCI EAFE) continued to fare better at +32% for the quarter (+2% for the quarter). The Presidio Global Opportunities Fund (“PGO”) was down 0.6% for the quarter and +10% for the year. Year-to-date, PGO’s realized (ex-post) volatility was 8%, less than a third (1/3) of the volatility of the S&P 500¹

At the start of the fourth quarter, our active decision to slowly “de-risk” the portfolio hurt us (performance-wise) in the quarter, as several of our hedges that we put on (puts, VIX) worked against us in the rapidly rising market. This decision, however, did reduce portfolio volatility down to below 6% annualized for the quarter.

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)													YTD*	ITD**
	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09			
Presidio Global Opportunities Fund	-0.4%	-3.8%	1.5%	3.5%	4.1%	-0.5%	3.5%	0.2%	2.1%	-0.2%	0.7%	-1.1%	9.8%	9.8%	
Comparative Indices															
U.S. Stocks (S&P 500)	-8.4%	-10.6%	8.8%	9.6%	5.6%	0.2%	7.6%	3.6%	3.7%	-1.9%	6.0%	1.9%	26.5%	26.5%	
International Stocks (MSCI EAFE)	-9.8%	-10.3%	6.3%	12.8%	11.8%	-0.5%	9.1%	5.4%	3.8%	-1.2%	2.0%	1.4%	31.8%	31.8%	
U.S. Fixed Income (Barclays Aggregate)	-0.9%	-0.4%	1.4%	0.5%	0.7%	0.6%	1.6%	1.0%	1.1%	0.5%	1.3%	-1.6%	5.9%	5.9%	

* Year to date

** Inception to date

Outlook

As we write this quarterly letter, the equity markets have continued (!) their rally from the lows of March '09. The S&P 500 is up 2.7% year-to-date through Jan. 8, 2010 (and for reference, the PGO fund is up approximately 1.7% through Jan. 8, 2010). Though this continued rally may be tempting to chase, it is important to take a step back and understand that the largest contributors to this extended rally have been lower quality, higher beta assets (which tend to do well ahead of a recovery (assuming the recovery actually holds)). In addition, sectors such as financials, consumer discretionary, industrials and technology have contributed to over 2/3 of the rally², providing additional evidence that the market is pricing in a strong recovery in the months ahead. Lastly, with the volatility index (VIX) below 20, the market is seemingly pricing in that the ‘good old times are here again’.

However, it continues to be our view that this rally over the last 9 months has mostly been on shaky ground, and we believe that further gains (if any) in the equity markets will be moderated by the many headwinds and uncertainties that lie ahead. There is substantial uncertainty in the markets in the near and intermediate term, especially with the durability and sustainability of economic growth. Continued high unemployment, inventory increases, declining consumer credit, continued consumer and corporate deleveraging and expanding public debt serve as a reminder of the fragility and vulnerability of the markets. As a result, we continue to emphasize relative value opportunities, quality and defense in the portfolio. In particular, we have increased our exposure to our globally diversified collar and theta decay strategies, as well as our best-ideas, market neutral portfolio in an effort to keep volatility and downside risk at comfortable levels.

As always, we thank you for your continued support and confidence in our team and investment process. Please don’t hesitate to contact me with any questions or concerns.

We hope you and your loved ones had a happy and restful Holidays. Happy New year!

Matthew R. Lee, Managing Director

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

² Performance contribution through December 2009



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