

# Diversified Risk Parity Portfolio

August-31-2011

Multi-strategy, multi-manager, diversified exposure to global financial markets

## Investment Highlights

- » The DRP<sup>1</sup> strategy offers exposure to the alternative investment space with lower risk and less volatility than most traditional equity investment returns.
- » Over time, alternative investments have produced returns that are significantly less correlated to traditional investments. This is particularly beneficial in down markets.
- » The goal of the Diversified Risk Parity Portfolio is to seek to compound returns as frequently as possible.

Statistics (US \$)	DRP <sup>1</sup>	S&P 500 <sup>3</sup>	HFRI <sup>2</sup>
August 2011 <sup>†</sup>	-2.47%	-5.43%	-2.72%
Average Monthly Return <sup>†</sup>	0.25%	0.46%	0.05%
Standard Deviation <sup>†</sup>	4.86%	16.97%	5.16%
Sharpe Ratio <sup>†</sup>	0.39	0.19	-0.10
Beta to S&P 500 <sup>†</sup>	0.19	1.00	0.26

<sup>†</sup>Based on past 16 monthly returns, net of fees and is unaudited

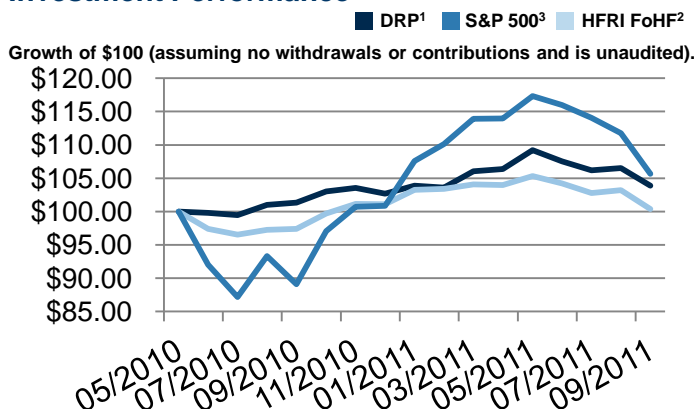
### Standard Deviation:

A measurement of risk, also known as the historical volatility of an investment. The lower the ratio, the less risk.

### Sharpe Ratio:

A measure of risk-adjusted returns. The higher the ratio, the better returns per unit of risk.

## Investment Performance



## General Information

**Inception Date:** 5/1/2010  
**Inv. Manager:** Risk Paradigm Group  
**Subscription:** Daily  
**Redemption:** Daily  
**Min. Investment:** \$25,000  
**Addl. Investment :** \$1,000  
**Comparative Indices:** HFRI Fund of Hedge Fund Index  
 Standard & Poor's 500 DRI Index  
**Management Fee:** 2.0%  
**Performance Fee:** None  
**Lock-up Period:** None  
**Eligible Investors:** Non-IRA and IRA eligible

## Performance

### DRP - Monthly Historical Performance (Unaudited)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual (Net)
2011(YTD)	-0.24%	2.36%	0.32%	2.64%	-1.53%	-1.25%	0.31%	-2.47%					0.02%
2010					-0.21%	-0.32%	1.52%	0.36%	1.66%	0.51%	-0.85%	1.16%	3.87%

### HFRI Fund of Funds Index - Monthly Historical Performance (Unaudited)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual (Net)
2011(YTD)	0.15%	0.83%	-0.10%	1.22%	-1.07%	-1.28%	0.41%	-2.72%					-2.59%
2010					-2.60%	-0.89%	0.77%	0.13%	2.35%	1.48%	-0.10%	2.20%	3.29%

### S & P 500 - Monthly Historical Performance (Unaudited)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual (Net)
2011(YTD)	2.37%	3.43%	0.04%	2.96%	-1.13%	-1.67%	-2.03%	-5.43%					-1.77%
2010					-7.99%	-5.23%	7.01%	-4.51%	8.92%	3.80%	0.10%	6.68%	7.57%

\*YTD performance numbers are not annualized

1. Diversified Risk Parity Portfolio
2. HFRI Fund of Funds Index
3. Standard & Poor's 500 DRI Index

(Past performance is not a guide to future results. Performance is net of fees. Please see Important Information (following page) for more details regarding performance.)

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## Manager's Commentary

Hedge funds experienced their largest monthly declines since May 2010 in August as sovereign debt tensions in Europe and economic data suggesting a slowdown persisted. Most strategies were negative with the majority of our losses coming in the event driven, credit and relative value strategies. Our global macro allocation – which had taken on a more defensive posture since June – was a positive contributor with gains primarily coming from long fixed income and short equity positions.

DRP was -2.45% in August vs -2.72% for the HFRI Fond of Funds index and -5.43% for the S&P 500. While readers of our commentary have heard about our defensive positioning because of our fears of the realities of an economy that is in deleveraging mode and what we feel the reality of the Eurozone is, a month like August is even tough for us. Realized equity correlation on the S&P 100 hit 82%, which is higher than the 72% peak reached in 2008. And while we continue to have high conviction in many of our individual positions, the market extremes made for a difficult environment. With correlations this high, stocks essentially moved in tandem minimizing the potential for alpha production with the exception of the global macro trend following strategies.

Looking forward we are seeing an opportunity in the MBS arena, high yield is compelling again (although it may get more compelling in the short-run), and merger arbitrage spreads widened significantly which has opened our eyes to certain positions we follow in that space. Our risk exposure hasn't been large throughout the beta run, but we believe our opportunity set to take risk will improve as the sovereign debt crisis in Europe will continue to weigh on the markets and general investor risk appetite until there is some credible resolution. While our slow and steady posture has been boring to watch over the massive beta run, we feel the market is facing the reality of a deleveraging global economy and our diversity is paying off during these turbulent times. Despite these trying times, we will continue to be patient, and continue to look for opportunities that meet our criteria. As always, please do not hesitate to call. (512) 327-6000

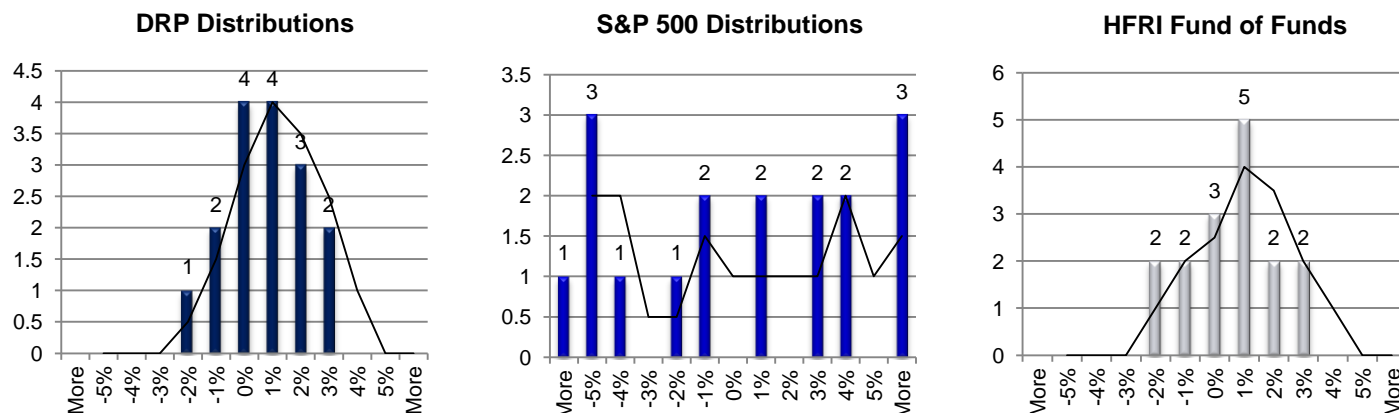
## DRP Strategy Development

Diversified Risk Parity Portfolio, (DRP), ("the Fund") seeks to achieve superior risk adjusted returns by replicating the return streams found within a global hedge fund strategy. Within that framework DRP seeks risk factor neutrality within three major risk factors: Economic Growth, Inflation, and Risk.

In an effort to move the hedge fund allocation toward risk factor balance, we feel it is important to shift the risk exposure of the portfolio from those areas where the general hedge fund allocation creates an outsized exposure to certain economic factors. This risk can then be reallocated into those environments where the portfolio lacks material exposure.

For example, the HFRI Fund of Funds index's largest sensitivity is to rising growth and risk seeking environments with less protection during the opposite conditions or to rising inflation. In an effort to gain meaningful exposure to these factors, we believe that an investment in the Diversified Risk Parity Portfolio can make a material change in a portfolio's overall risk profile. In addition to providing a compelling risk reward profile, the Fund maintains a highly liquid portfolio, offering daily liquidity.

## Return Distributions



### Important Information

Past performance is not a guide to future results. Performance reflects the reinvestment of dividends, is net of portfolio-level fees/expenses but not sales charges which will reduce returns and reflects deduction of performance allocation as if payable monthly not quarterly. Performance may be volatile and the portfolio will fluctuate. Investors may not receive the full amount invested upon redemption. Indexes listed do not represent benchmarks for DRP, but allow for comparison of DRP's performance to an index. An investor cannot invest directly in an index. Index performance does not reflect fees and expenses. Investments are speculative and involve Risk. Portfolio risks include: dependence on the performance of underlying managers; DRP's ability to allocate assets; expenses at DRP and underlying fund; limited transparency with respect to the holdings in portfolio funds; and portfolio funds are generally not subject to any comprehensive regulatory scheme. Risks of underlying funds include, among others, leverage, options, derivatives, distressed securities, futures, and short sales, and investments in small, mid cap, fixed income, illiquid, emerging and developed market securities or specific sectors. Exchange rate fluctuations may affect returns. Allocations and holdings are subject to change. There is no assurance that DRP's investment objective will be attained. Incentive fees/allocations could encourage parties to make investments that are riskier or more speculative. This material is not an offer or a solicitation to subscribe for any DRP, and is not investment advice. Sales of shares are made on the basis of the offering circular only and cannot be offered in any jurisdiction in which such offer is not authorized. There is no secondary market for the investor's interest in DRP, liquidity may be limited and there are restrictions on transferring shares. Investment in DRP may not be suitable for all investors; investors should consider risks and other information in the offering circular and consult their professional advisers regarding suitability, legal, tax and economic consequences of an investment. Securities and advisory services offered through Centaurus Financial, Inc. a registered broker/dealer and a member FINRA and SIPC. This is not an offer to sell securities, which may be done only after proper delivery of a prospectus and client suitability is reviewed and determined. Information relating to securities is intended for use by individuals residing in TX. RAM Financial Group is independent of Centaurus Financial, Inc.