



Custodio Asset Management, LLC (CAM) is a long/short index funds management firm focused on the trends of the four major US-based indices. The company began operations in October 2005 by co-founders and brothers Ace and Almond Custodio. The Custodios combined their collective experience and education to create a proprietary model which focuses on delivering consistent and disciplined returns regardless of prevailing market conditions. CAM's proprietary investment models and formulas have been instrumental in accomplishing a third-party-audited, net-of-fees growth of +183.91% since the fund's inception in October 2005.

CAM seeks to identify opportunities in all market conditions to achieve its profit targets on a weekly basis using long and short index funds offered at Rydex Investments.

### Performance of Custodio Asset Management, LLC (Net of Fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	SI
2008	-13.8%	7.8%	6.2%	7.5%	2.3%	-6.4%	10.3%	5.2%	-5.2%	-0.4%	7.2%	3.9%	23.9%	180.0%
2007	0.4%	10.1%	6.3%	5.4%	7.3%	2.9%	4.3%	-8.5%	3.6%	5.2%	4.3%	1.6%	50.8%	125.8%
2006	2.1%	6.3%	-0.6%	-0.7%	-0.7%	0.0%	7.7%	-2.9%	2.5%	6.5%	2.8%	10.3%	37.7%	49.7%
2005	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.9%	-0.5%	2.2%	8.7%	8.7%

\*\*\*Past performance is not indicative of future results\*\*\*

### Objectives:

- To generate superior absolute returns in all market conditions through the long and short US-based index funds, with a volatility goal lower than that of the S&P 500 Index.
- To maximize returns and mitigate losses by determining an appropriate level of exposure, which provides disciplined reduced risk and volatility.
- To generate returns in its short-side transactions rather than merely “hedging” its portfolio. CAM's short-side transactions seek to take advantage of market volatility and decline to provide positive returns despite declining market conditions.
- To generate returns on its long-side transactions superior to those returned by the overall market index performance rates.

### CAM's Competitive Advantage:

- Identifying and recognizing market trends through technical analysis. Finding and acting on opportunities when they present themselves.
- The ability to assess true economic and/or business impacts and react accordingly. Depth of economic and business knowledge enables calculated long or short trading responses.
- Constant observation of historical trends, emerging trends, economic and political influences on the markets.

**Core Beliefs:**

- **Transparency** – As investors ourselves, we believe that each client should have the right to know where their investments are allocated at any time. CAM provides a superior level of communication with its clients and takes into account each individual’s investment goals and objectives.
- **Adaptive** – CAM believes that investment strategies should not conform to strategies based on the past performance, because no two market trends are alike. We acknowledge the changes in the market, and adjusting the strategy accordingly to accommodate current and future market conditions.
- **Value Added** - CAM recognizes that there are many investment management choices available to clients, but seeks to provide superior service and value for its clients. While CAM believes in a long-term view, it also believes that short-term trends should be taken into account to minimize losses and maximize returns.
- **Discipline** - CAM seeks to provide consistent and steady returns by implementing a disciplined investment strategy that adjusts to changing market conditions to determine the appropriate level of exposure and risk to undertake at any given time. CAM aims to earn returns of 1% per week, net of fees.

**Statistics (October 2005 – December 2008)**

Net Return	179.99%
Quarterly Return	8.5%
Overall Monthly Return	2.8%
Sharpe Ratio	1.12
Best Month/Worst Month	10.3% / -13.8%
Average Gain/Loss	5.3% / -3.6%
% Positive Months	72%
Maximum Drawdown	-13.8%

**Risk Management:**

CAM believes risk control ultimately defines the difference between long-term success and failure in investing.

- Long/short index strategy fosters reduced beta and sector risks.
- Capital exposure and limits in the various index funds are the first levels of risk control:
  - Equally allocated in the four major index funds (S&P 500, Nasdaq-100, Dow 30, Russell 2000).
  - The average core position weighting per index fund is 6% with a maximum position limit of 12.5% of portfolio in an average week. The remaining capital is placed in US

## Custodio Asset Management

GOVT Money Market, cash-equivalent funds. Positions are adjusted daily prior to achieving profit targets. Exposure is trimmed should it hit the stop loss.

- Once our weekly profit target is met, CAM seeks to reduce risk of loss by either reducing exposure or allocating funds to market neutral until the following week.
- No illiquid or non-marketable securities.
- No margin or additional leverage.
- CAM takes into account major news, political and economic events and often reduces exposure during times of unpredictable volatility.
- Past trading analysis is the second level of risk control.
  - Portfolio strategies, limits, price targets and controls are evaluated at least weekly to determine the overall applied success or failure and are adjusted accordingly.
  - Past trades contain important information. The goal is to identify common factors that can be applied to improve portfolio performance.

## Principals:

**Ace Custodio**, President and CEO, began investing in 1998 and has traded derivatives, mutual funds and equities, managing family and personal funds. Prior to co-founding CAM, from January 1998 through May 2000, Mr. Custodio was employed with Merrill Lynch assisting financial advisers with portfolio construction. Ace also has considerable managerial experience and worked as mid-level executive for 5 years prior to the founding of CAM. Ace is primarily responsible for the day-to-day operations of CAM. Ace also assists and provides support on the investment side of CAM's operations. Mr. Custodio has a B.S. in Business, with an emphasis in Finance, from Mount St. Mary's University in Emmitsburg, Maryland.

**Almond Custodio**, Chief Investment Strategist, has been investing in stocks, options, and mutual funds for personal and family accounts since 1998. He received his B.S. in Economics from Penn State University and was employed at Rydex Investments from 2005 to 2006 where the experience was instrumental to what CAM invests in today. Almond is primarily responsible with developing CAM's propriety investment strategies and methodologies.

## General Information:

**Fees:** 3% Annual Management Fee

**Additions:** Daily

**Redemptions:** Daily

**Lock-up:** The firm does not have a lock-up period.

**Minimum Investment Requirements:** None

Custodio Asset Management  
9510 Rommel Drive, Columbia, MD 21046  
<http://www.camtrading.com>  
Ph: 410.988.2511 Fx: 410.988.2417

Custodio Asset Management

**Types of Accounts Under Management:** IRAs (Roth, Traditional, SEP), Individual and Corporate accounts, Trusts, 401(k) Rollovers.

**Contact Information:**

Custodio Asset Management  
9510 Rommel Drive  
Columbia, MD 21046  
Phone: (410) 988-2511 / (410) 303-3451  
Fax: (410) 988-2417  
E-mail: [ace.custodio@camtrading.com](mailto:ace.custodio@camtrading.com)  
[almond.custodio@camtrading.com](mailto:almond.custodio@camtrading.com)

**Service Providers:**

Legal Counsel: Shulman Rogers Gandal  
Pordy & Ecker LLP  
Clearing/Custody: Rydex Investments  
Auditor: State of Maryland Division of  
Securities  
Accounting: Olsen and Associates, LLP

**For additional information, please see CAM's SEC Mandated Form ADV II.**