The RAM Opportunistic Value Portfolio

Finding Value through Out of Favor, Overlooked and Misunderstood Securities

Presented by Roumell Asset Management, LLC

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Executive Summary

Roumell Asset Management, LLC ("RAM") pursues long-term capital growth through opportunistic value investing. We seek to own a basket of deeply researched, conservatively financed securities that are **out of favor, overlooked or misunderstood** by Wall Street and thus able to be bought at a significant discount to our calculation of intrinsic value. We describe our investment discipline as "price per pound" by which we mean that our portfolio is comprised of securities that "weigh" a lot more today than is implied by the price we paid, as opposed to being highly dependent on future events to increase weight.

Defining Characteristics:

Opportunistic Capital Allocator - willing to allocate to equities and special situation fixed income; in the absence of compelling risk/reward opportunities, we hold cash.

True Multi-Capitalization Approach - with an emphasis on small and micro capitalization securities.

Focus on High Conviction Ideas - the portfolio is comprised of 15 to 20 holdings with our best ideas representing the largest percentage of capital.

Operating Where the Herd is Not - focus on areas of the market that have little Wall Street coverage, and are thus less competitive, and typically invest at a time of deep investor disdain.

Primary Consideration for Each Holding - although we do not take companies private, we ask ourselves if we are willing to take the company private in a heartbeat at today's price.

Comfortable Being a Significant Shareholder - willing to own more than 5% of a company's outstanding shares and become active, if necessary, to enhance shareholder value.

Key Influencers

Martin Whitman

- Value companies independent of the overall stock market.
- View companies not only as having pure going-concern attributes but, more importantly, as being engaged in resource conversion activities.
- Conventional security analysis overemphasizes the primacy of the income account to the exclusion of the balance sheet. Issuers lacking a good earnings record frequently are highly attractive.

Walter Schloss

- Buy assets at a discount instead of buying earnings. Earnings can change quickly, but assets don't. And, invest in companies with little or no debt because debt complicates things.
- Be comfortable with who you are because managing people's money is a heavy responsibility.
- Never focus too much on market news and economic data. They always worry investors.

Irving Kahn

- Favor companies that have near-term weak earnings or even no earnings but still have good corporate health because these types of companies offer better value.
- Talk to management, assess their abilities and personalities, and look them in the eye and get a good sense of their character.
- Investing is about finding opportunities that grow your capital, not necessarily finding companies that will grow.

Seth Klarman

- A margin of safety is achieved when securities are purchased at prices sufficiently below underlying value to allow for human error, bad luck, or extreme volatility in a complex, unpredictable and rapidly changing world.
- Mistakes have boiled down to two varieties: leverage and getting in bed with bad people.
- High uncertainty is frequently accompanied by low price.

The Roumell Investment Philosophy:

Analysis Independent of Market + Focus on Assets + Strong Balance Sheets + Significant Margin of Safety

Idea Generation

Roumell Network of Industry Contacts: We have built up what we believe is an enviable network of industry contacts developed over many years. We value and honor long-held relationships and continually seek to build new ones.

- We typically do not get involved in situations where we do not have solid industry and/or company contacts.
- We have often hired individuals who are well-positioned in their respective industries or have deep technical knowledge to conduct independent research projects.
- Research costs are always paid directly by RAM and not by its clients.

Industries in Bear Markets: Industry bear markets provide a regular, persistent source of idea generation. Generally speaking, overall bear markets are rare, but the cyclicality of specific industries creates unique pricing opportunities.

- We invest in the best business models with exceptionally strong balance sheets.
- We look for staying power and efficient cost structures.
- We are willing to invest in select debt securities that offer equity-like return potential.

Dramatic Changes in Investor Sentiment: In our experience, specific securities can have periods of dramatic sentiment change that often provide attractive pricing.

Security Analysis

Once an investment idea has been identified, our rigorous and relentless analytical process commences.

Assets: Our initial consideration includes identifying, valuing and determining the defensible nature of a company's assets. This asset assessment step is the most critical for our "price per pound" investment process. The flexibility of our process allows us to define an asset in the following ways: real estate, oil/gas reserves, sticky/recurring software contracts, research and development investments, patents, asset scarcity and high replacement costs. Our goal is to purchase assets that have value to strategic buyers in addition to the probability of going-concern success.

Balance Sheet Strength: Our focus is on conservative capital structures. In a perfect world, we look for companies with no debt and a net cash position. However, some opportunities may come from securities encumbered by debt; each situation is viewed in light of price and risk/reward dynamics.

Investment Redundancy: We want to possess multiple shots on goal, i.e., multiple ways to win. We focus our attention on companies with multiple businesses. Additionally, our goal is to have further redundancy from owning assets that have value to strategic buyers.

Management: We search for disciplined capital allocators, whose incentives are in alignment with the company's shareholders, and who we believe operate their businesses with honesty and integrity.

Discount of Current Price/Share to Asset Value/Share: Our goal is to purchase a dollar's worth of assets for 50-70 cents.

Portfolio Construction & Oversight

When an investment idea has successfully passed through our research process:

1. We tend to initiate a position at 2% to 3% of assets with the idea of accumulating a larger position over time, particularly if the price of the security falls.
2. A full position would typically be 5% to 7% after the accumulating phase, largely dependent on the discount of our asset value calculation, but can also reach 10%.

Policies for adding to existing positions:

1. A key attribute of our equity investments is that the businesses and capital structures must be sound, such that declines in market value of the equities *increases* the investment's expected return. We want to avoid securities that do not become better investments at lower prices.
2. With the above being a key parameter of our investment philosophy, we are highly likely to add to existing positions if prices fall. By using volatility to our advantage, it is common for us to reduce our cost basis in particular stocks by 10-30% from initial purchase price.

Sell Discipline:

1. Investment approaches our estimate of intrinsic value
2. Resource conversion event (e.g. acquisition)
3. Loss of confidence in our original investment thesis and/or management team
4. Weighting approaches a maximum limit

Trading Liquidity for Opportunity

We are comfortable allocating capital to less liquid securities. In fact, a 2011 study conducted by Ibbotson, Chen, and Wu determined that the combination of a value approach with low liquidity investments results in significantly higher return potential (over five times greater than a growth approach with highly liquid securities: 20.82% annualized versus 3.88% from 1972 to 2010).

With that said, we are mindful of the adverse implications that an illiquid portfolio can exhibit during times of market stress.

Value and Liquidity Both Predict Returns

U.S. Equity Annual Return Quartiles (1972-2010)

Style		Liquidity: Low → High 1	2	3	4
Value	1	20.82%	17.96%	17.02%	12.63%
↓	2	15.74%	14.93%	13.54%	12.45%
	3	13.97%	12.46%	10.69%	8.04%
Growth	4	11.93%	11.85%	7.66%	3.88%

Source: "Liquidity as an Investment Style," Ibbotson, Chen, and Wu, April 2011.

Enhancing the Total Portfolio

We believe that including the Roumell Opportunistic Value Strategy will benefit overall portfolios in the following ways:

Return Pattern Diversifier: Our strategy is a non-traditional, multi-asset portfolio combining liquid & illiquid securities and cash in a single account. Thus, offering a return pattern that is different than a 100% equity approach.

Opportunistic Capital Allocator: Exposure to equities or fixed income is driven by valuation-based opportunities of specific securities within each asset class. As a result, our exposure to any one asset class has varied over our firm's history.

Risk of Capital Loss Diversifier: Our approach has the flexibility to hold cash when appropriate discounts to assets cannot be identified. This offers the strategy a level of protection and the opportunity to capitalize on significant market sell-offs.

Provider of Small to Micro Capitalization Exposure: Over our strategy's history, 70% of investments have been in the small to micro capitalization of the marketplace, which is considered one of the most inefficient areas of the capital markets. Additionally, we search for low analyst coverage securities that provide another opportunity for mispricing.

The Firm

Firm Characteristics:

- Founded by Jim Roumell in 1998
- Based in Chevy Chase, Maryland
- 100% employee-owned
- Two total employees
- ≈$100 million in assets under management
- Roumell Opportunistic Value Fund (RAMSX) incepted on January 1, 2011
- RAM will implement a soft close at $300 million of total firm assets

“I grew up in a working-class neighborhood in Detroit. My friends’ fathers often worked in Detroit’s auto plants. My parents divorced when I was eight years old. Personal history matters and mine provided me with full knowledge that loss occurs and can hurt. Thus, avoiding loss is a natural instinct for me and why ***buying at a discount*** *is in my bones. We invest in equity securities of well-capitalized businesses when we believe they are on sale. If a security is not available at what we think is a bargain price, we're simply not interested.”*

– Jim Roumell

Our Team

Investment Team:

Jim Roumell, Portfolio Manager

- Over thirty years in the securities industry, including 18 years managing the Roumell Opportunistic Value strategy
- Won two consecutive *Wall Street Journal* stock picking contests (2001, 2002) before the contest was discontinued
- Graduate of Wayne State University
- Included in *The Art of Value Investing: How the World's Best Investors Beat the Market*

Craig Lukin, Research Analyst

- Nearly twenty years in the securities industry, including 14 years with RAM
- Prior to joining RAM, analyst at a private equity firm and manager in the Corporate Value Consulting group of PricewaterhouseCoopers
- MBA from University of Chicago, BA from Cornell
- CFA Charterholder

Service Providers - Firm and Mutual Fund - to include:

- Securities Counsel - *Cooley LLP*
- Counsel – *Holland & Knight LLP*
- Accountant - *Dembo, Jones, Healy, Pennington & Marshall, PC*
- Fund Custodian - *UMB Bank*
- Fund Administration - *Nottingham Investment Administration*
- Performance Verifier - *Ashland Partners & Company LLP*
- Portfolio Management Systems - *Portfolio Center/Tamarac*
- Technology Consultant - *Envescent, LLC*

The Wisdom of Experience

Business:

- Allocate meaningful capital to high-conviction investments - trade increased volatility in the short-term for improved long-term performance
- Pay attention to overall market valuation; remain obsessed about specific securities and industries
- Do not feel pressured to put cash to work simply to please outside investors

Investment:

- Focus on process
- Continually ask, “What is our investment edge?” “Would we take the company private in a heartbeat?”
- Have a highly specific investment rationale
- Stick with strong balance sheets
- A poor business model will burn through a good capital structure - balance sheets do not represent safety if the businesses are in material decline and/or their assets are not desirable
- Temperamental steadiness is key to managing money over time

Alignment of Incentives:

- Need to have a view of the people in the room - is management competent and shareholder friendly or entrenched with poor incentives?
- Partners have majority of investable net worth in Roumell Opportunistic Value strategy