

Curbstone Group is a Houston-based money manager with an office in Boston. The firm manages private individual accounts (custodied at Goldman Sachs) on behalf of its clients, based on a unique firm-wide investment strategy.

**Summary of Investment Strategy**

In a cyclical world with growing questions, Curbstone believes there are secular certainties for an investor in the United States and each requires a proactive strategy to match up against.

- **Increased Taxes** – As the role of government expands, so will their tax bill
- **Declining US Dollar** – As the supply of US Dollars and “IOU’s” called Treasury Bonds are being printed at a rate never seen before (or anything even close), US Dollars will decline in value (no different than any other product with limited demand)
- **Hard Assets over Paper Assets** – Hard assets and natural resources, on the other hand, sit in the middle of the exact opposite tilting imbalance
  - Limited, or shrinking supply of many hard assets is being bid on by swelling demand (but will now be chased by more U.S. dollars in circulation)
- **Flat Market** – As everyone tries to speculate on which way the broad financial markets are going, they will likely go neither up or down in the next few years

Curbstone’s strategy is positioned around proactively answering each of the above positively for investors. While the majority of Wall Street is invested for a deflationary environment, Curbstone has a strategy for investors who believe the seeds have already been planted for future re-flation. While we wait, Curbstone is set up to extract as much value as possible from the sideways market through MLP dividends and collecting expensive premiums for options.

**Summary of Investment Strategy**

Curbstone invests and trades around energy, natural resources, and agriculture along with the innovative businesses growing around each. The portfolio consists of investments in hard asset-related companies capable of producing profitable and tax-friendly income to Curbstone investors.

- 50% MLP Strategy (Manager: Hinds Howard, Boston Office)
  - Focused entirely on energy Master Limited Partnerships (MLPs)
    - MLPs are companies that own and operate energy transportation and infrastructure assets (pipelines, storage facilities, refining / processing facilities)
  - Under-followed and un-crowded asset class that has historically produced high tax-shielded income for investors
  - Hands-on research by a manager with deep relationships in a niche industry
- 50% Active Trading Strategy (Managers: Mike Catalano and Ryan Krueger, Houston Office)
  - Buying: long hard asset backed investments and related equities we believe are under-priced
    - Primarily in energy, materials, agriculture and natural resource sectors
  - Selling: options (puts and calls) around them to collect premiums we believe are expensive
  - Underlying Defensive Strategy: sector and broader market put spreads to further reduce market risk

This targeted group of investment opportunities defines the Curbstone principals’ own expertise and track record, and even their personal heritage before becoming money managers.

**Returns to Date**

The table to the right highlights the results from an actual investor account that’s been with Curbstone since the firm’s inception in April 2009. The results highlighted include the quarterly net returns of that account as well as the actual distributions paid to that client. The account started with \$1,000,000.

Results from Actual Curbstone Client		
Initial Account Value	\$1,000,000	
	Net Returns	Distributions
<b>2Q 2009</b>	5.1%	\$25,503
<b>3Q 2009</b>	6.5%	\$27,842
<b>4Q 2009</b>	8.6%	\$148,604
<b>1Q 2010</b>	4.3%	\$21,589
<b>2Q 2010</b>	0.6%	-
<b>3Q 2010</b>	9.4%	\$46,141
<b>Total</b>	<b>34.5%</b>	<b>\$269,679</b>

**Key Points About Curbstone’s Unique Structure**

At a time when layers of structure and fees are covering up too many investors’ portfolios in hedge funds, or funds of funds, Curbstone was built on the exact opposite foundation. Each portfolio is built in a private account, completely accessible and transparent to each investor individually. Curbstone investors maintain complete ownership of the securities in their individual accounts. Curbstone pays 100% of all the transaction costs for every trade.

Curbstone portfolio managers believe success is measured by how much in profits their investors are holding in their hands. Therefore, Curbstone makes distributions each quarter where profits are made. Other key aspects of their individual account structure include:

- Complete transparency in separate accounts
  - Wins and losses clear to see on a daily basis
  - Allows maximum flexibility for individual investor’s tax situations
- No trading costs – Curbstone covers commissions
- No “involuntary” indirect trading costs
  - Investors are not be affected by decisions of any other investor, such as the dilution from additions or forced liquidations from redemptions that affect investors in hedge funds
- No lock-ups or gates
  - Should investors ever wish to change their minds that should be just as easy as opening the account in the first place, so there are no lock-up provision, and no penalty or surrender charge of any kind
- Simple fee structure that rewards performance and aligns us with investors
- Curbstone distributes net profits during each year to investors (there is no guessing as to returns from investor accounts)

Terms for Investors	
<b>Investment Manager:</b>	Curbstone Group, LLC
<b>Minimum Initial Investment:</b>	\$300,000
<b>Investor Qualification:</b>	Minimum Net Worth of \$1.5 million
<b>New Investors:</b>	Accepted Quarterly
<b>Capital Additions from Investors:</b>	Accepted Annually
<b>Exit Ability:</b>	Daily (no lockup or gates)
<b>Management Fee:</b>	1.25% of total assets
<b>Performance Allocation (Assessed / Paid Quarterly):</b>	15% of profits
<b>High Water Mark:</b>	Intra-year: yes, quarter-over-quarter Annual: no, resets each year
<b>Trading Costs / Commissions:</b>	None
<b>Prime Broker / Custodian:</b>	Goldman Sachs Execution and Clearing

**Origins**

The firm is named after the successful group of traders who made their mark on Wall Street more than 100 years ago (literally on curb outside the NYSE) by making un-crowded investments in an open architecture arrangement, eventually becoming the American Stock Exchange.

Curbstone Group’s portfolio managers built two different industry leading tracking records at Citigroup and Lehman Brothers, before joining forces at Curbstone. They chose to leave at the height of success (in 2006 and 2007) after concluding that Wall Street was too crowded around the same ideas (just as a century ago with the original Curbstone).

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