



SPITFIRE CAPITAL LLC

DESCRIPTION OF STRATEGY

January 2014

Spitfire is a value-oriented investor in publicly-traded, smaller capitalization companies. We invest in market share leading businesses which generate excess cash, possess substantial financial flexibility and demonstrate increasing intrinsic value. Our investments offer the potential for significant upside over a multi-year holding period while benefitting from a substantial margin of safety. Most of our targets are underfollowed by sell side analysts and institutional investors and are often attractive acquisition candidates. Since inception, fifteen companies, representing approximately 25% of our investments, have been acquired by strategic or financial buyers.

CURRENT MONTH PERFORMANCE

In January, The Spitfire Fund L.P. was down -1.8% (net), which compares with the Russell 2000 and S&P 500 which were down -2.8% and -3.5%, respectively. Since inception, the Fund is up +127.6% (net), ahead of the Russell 2000 and S&P 500 which are up +48.7% and +36.3%, respectively. Our cash position helped buffer the portfolio during January's sell off, which was a reminder that it is perhaps too early to say goodbye to the macro-driven, risk on/risk off trading patterns of the last five years. As is typically the case during such periods, smaller capitalization and less liquid securities can be more volatile than the market, providing selective buying opportunities. While we initiated one new long position in the month, we would like to see prices fall by another 5-10% before buying aggressively.

HISTORICAL PERFORMANCE METRICS, NET (UNAUDITED)

through 01/31/14

	The Spitfire Fund L.P.	Russell 2000	S&P 500
Last 3 Months Return	4.6%	3.1%	2.0%
Last 12 Months Return	22.4%	27.0%	21.5%
Last 36 Months Return	76.9%	50.9%	47.9%
Last 60 Months Return	295.0%	173.2%	139.6%
Cumulative return since inception ¹	127.6%	48.7%	36.3%
Fund outperformance versus index ¹	-	78.9%	91.2%
Compound annual rate of return ¹	13.3%	6.2%	4.8%
% of Months where Fund beats index ¹	-	55.7%	59.5%
% of Months Positive ¹	69.6%	60.8%	62.0%

(1) Metrics based on net performance from 7/1/2007 through 1/31/2014.

RISK STATISTICS²

through 01/31/14

	The Spitfire Fund L.P.	Russell 2000	S&P 500
Beta	0.6	1.0	1.0
Annualized Sharpe Ratio	2.3	2.4	2.3
Annualized Standard Deviation	10.2%	11.5%	9.7%
Correlation Coefficient	0.6	0.9	1.0

(2) Metrics based on monthly performance over the trailing twelve month period. Beta and Correlation is relative to the S&P 500.

HISTORICAL PERFORMANCE, NET (UNAUDITED)

through 01/31/14

	2008	2009	2010	2011	2012	2013	2014	Indexed Performance Since Inception	
January	(11.7%)	4.8%	(1.8%)	(2.5%)	4.3%	3.4%	(1.8%)		
February	1.1%	(6.1%)	1.5%	4.6%	3.4%	1.6%			
March	(4.3%)	1.3%	7.2%	2.8%	5.4%	2.4%			
April	2.5%	11.6%	4.2%	2.0%	2.0%	(2.8%)			
May	9.1%	15.4%	(2.2%)	0.3%	(2.2%)	5.3%			
June	(6.2%)	4.4%	2.2%	0.4%	4.6%	1.7%			
July	(3.8%)	6.6%	3.7%	(2.6%)	(1.1%)	2.4%			
August	8.1%	2.7%	(4.5%)	(7.4%)	3.4%	(2.3%)			
September	(5.8%)	3.9%	3.0%	(8.0%)	3.3%	7.0%			
October	(23.7%)	0.9%	5.3%	12.2%	1.1%	1.0%			
November	(12.0%)	5.0%	3.4%	(0.3%)	1.2%	3.0%			
December	2.9%	9.1%	10.6%	3.6%	2.5%	3.4%			
Spitfire	(39.4%)	75.6%	36.6%	3.6%	31.5%	28.9%	(1.8%)		
Russell 2000	(33.8%)	27.2%	26.9%	(4.2%)	16.4%	38.8%	(2.8%)		

Performance is unaudited and net of fees and expenses. Indices assume dividend reinvestment.

PORTFOLIO MANAGER'S BIOGRAPHY

Julian Allen (julian@spitfirecap.com)

Julian has over 17 years' professional hedge fund and private equity investing experience. Before starting Spitfire, Julian was a Member of Cannell Capital LLC, a San Francisco-based hedge fund, where he invested in neglected small capitalization equities. Previously, Julian was a Managing Director of J.H. Whitney & Co. LLC, a private equity investor with over \$5 billion under management. Julian started investing at Patricof & Co. Ventures, Inc., now Apax Partners, and was a founding Principal of Capital Z Partners. Julian holds an MBA with High Distinction from the Harvard Business School, where he graduated as a George F. Baker Scholar, and a B.A. (Hons) from Cambridge University.

ADMINISTRATIVE

Prime Broker	UBS Securities LLC	Fund Administrator	Strata Fund Solutions LLC
Auditor	KPMG LLP	Legal	Cole-Frieman LLP & Morrison Cohen LLP

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This communication is not an offer to sell or a solicitation to buy interests in the Fund, which are made only pursuant to the Fund's Offering Memorandum. An investment in the Fund involves a high degree of risk and is suitable only for sophisticated and qualified investors. Please see the formal offering documents for full details regarding risks, minimum investment, fees, and expenses. Past performance is no guarantee of future results.

Performance calculations are based on an investment made in the fund on July 1, 2007. Performance is shown net of all fees and expenses and is unaudited. Returns may vary by limited partner depending on date of investment, high water mark if applicable, participation in new issues and differing management and incentive fees.

The Russell 2000 and S&P 500 are not directly comparable to the Fund's performance. The presentation of this index data does not reflect a belief by the Fund that the index is an investment alternative to the Fund or is comparable to the Fund in any way. The data is included only to provide some indication of equity securities markets generally during the periods for which the Fund's performance is presented. Index returns assume reinvestment of dividends.

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