SPITFIRE CAPITAL LLC

March 29, 2013

After the disaster of 2008, momentum trading and amateur economics came to rule. Portfolio churning based on market timing has replaced any focus on fundamentals. Institutional managers face pressure to herd into strategies that attempt to copy the previous "winners" because that is how they win clients.

Financial Times, December 21, 2012[1]

Fourth Quarter 2012

	4Q 2012	YTD 2012	Since inception[2]
The Spitfire Fund, L.P.[3]	**+4.8%**	**+31.4%**	**+79.6%**
Russell 2000 Index	**+1.8%**	**+16.3%**	**+9.9%**
S&P 500	**-0.4%**	**+16.0%**	**+6.7%**

For the fourth quarter, The Spitfire Fund L.P. (the "Fund") was up +4.8% (net), ahead of the Russell 2000 and S&P 500 which were up +1.8% and down -0.4%, respectively. For the full year, the Fund was up +31.4% (net), ahead of the Russell 2000 and S&P 500 which were up +16.3% and +16.0%, respectively. Since inception, the Fund has achieved a cumulative return of +79.6% (net). Over the same period, the Russell 2000 and S&P 500 have returned +9.9% and +6.7%, respectively.

Year	Spitfire Fund LP (1)	Russell 2000 with dividends (2)	Relative Performance (1) - (2)
2012	31.4%	16.3%	15.1%
2011	3.6%	-4.2%	7.8%
2010	36.6%	26.9%	9.7%
2009	75.6%	27.1%	48.6%
2008	-39.4%	-33.9%	-5.5%
2007 (partial year)	-9.3%	-7.5%	-1.8%
Total Return	79.6%	9.9%	69.7%
Annualized Return	11.2%	1.7%	9.5%

1 *Momentum trading part of a wider structural flaw*, Financial Times, December 21, 2012.
2 The Spitfire Fund, LP commenced operations on July 1, 2007. Performance data is through December 31, 2012.
3 The Fund's returns are shown net of all fees and expenses. Index performance assumes reinvestment of dividends.

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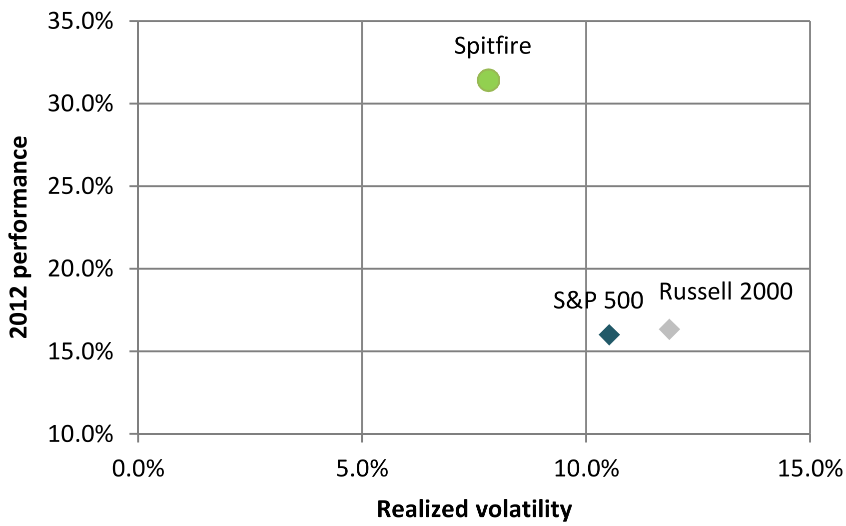
I am pleased to report that for the three year period ending December 31st, 2012, the Fund achieved a top 10 ranking from BarclayHedge, Ltd. With an annualized return of 23%, the Fund was ranked 10th out of over 200 funds in the Equity Long-Bias category.

In 2012, we outperformed the benchmarks and did so with lower realized volatility.



We started the year with 22 long positions and 2 index short positions. During the year, we exited five and entered four new positions, ending with 21 long positions and two index short positions. At various points during the year we held put options against certain index-based ETFs. We made money on all of our long positions and lost money on our index short and index put option positions, which subtracted about 120bps of performance. At year end, the portfolio mean and median market capitalizations were $814 million and $372 million, respectively.

Of the exits, three were due to company performance and/or management behavior which was not consistent with our investment thesis; one (DDi, Inc.) was purchased by a strategic acquirer and one, Healthstream, Inc. (Nasdaq: HSTM), we exited due to valuation[4]. The three positions sold due to poor company and/or management performance were relatively small, and while profitable in 2012, were small cumulative loss makers over their respective holding periods[5]. No matter how much work we do in advance of initiating a position, only the passage of time will validate our investment thesis as we observe company performance, management execution and the industry competitive dynamic. As we have improved our portfolio management processes, we

[4] Healthstream provided a 3.1x return and 111% IRR to the Fund.
[5] The three positions accounted for cumulative losses of $116,270.

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have been able to minimize losses from the laggards while increasing our winnings on the strong performers.

The winners exhibited a consistent pattern of moderate organic growth, leavened in some cases with small, low risk acquisitions; margin expansion; and significant free cash flow generation applied to debt pay down, dividends and/or special dividends and stock buybacks (and sometimes all three). As these companies demonstrate only modest growth in GAAP EPS and lack any obvious short term "catalyst," they are often ignored by mainstream investors. This pattern has proven very profitable for us, however. Consistent with our history, we are finding companies exhibiting this pattern across divergent industries including consumer products, healthcare services and niche industrial manufacturers and distributors. At year end, we had one telecommunication services and no technology investments.

Markets have clearly enjoyed a very strong start thus far in 2013. As we study what we own as well as new situations, it appears that stock prices are discounting moderately improving performance through 2014 and, in some cases, through 2015. Stock prices can move higher, provided companies perform in line with or better than these expectations and provided we avoid a flare up in Europe, a repeat of our own fiscal theatrics or other known or unknown risks. There also appears to be a wall of money waiting to be invested in stocks which will likely drive the market higher. On an absolute basis we will do fine in this environment, but will likely lag the indices on a relative basis as we have reduced our gross and net exposure and are choosing to carry a greater than normal cash position in order to take advantage of any temporary pull back. So far, however, markets have shrugged off every negative headline.

We have also been busy with some firm building activities. On April 1, Patrick Ryan is joining Spitfire as Chief Operating Officer, with responsibility for our non-research and portfolio management activities including accounting & finance, marketing and compliance. Patrick has over 20 years of experience in prime brokerage, securities lending and treasury management and was previously a Managing Director in Prime Finance at Citigroup. I have known Patrick as a friend for many years and look forward to working with him to build a high quality operating environment. Patrick can be reached at Patrick@spitfirecap.com or at (415) 878-1903.

In March, we also launched The Spitfire Qualified Fund, L.P., a 3(c)(7) fund for qualified purchasers, and The Spitfire Qualified Fund, Ltd., a parallel Cayman-registered offshore fund. These new funds, primarily for institutional investors, will be invested pari-passu with The Spitfire Fund L.P., our existing 3(c)(1) fund. Please contact us should you have an interest in either fund.

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We have distributed the Fund's 2012 audit and limited partners should have received their 2012 K-1s. If you have not received yours, please contact Patrick and we will send you another copy.

Please contact us should you have any questions or comments. I will be in Omaha for the Berkshire annual meeting in early May. Please let me know if you plan to be there and have time to catch up. As ever, I am grateful for your interest and support.

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Our performance is shown net of fees and expenses and is unaudited. Returns may vary by limited partner depending on investment date and high water mark, if applicable. Index returns assume reinvestment of dividends.

Past performance is no guarantee of future results. 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.