



DESCRIPTION OF STRATEGY

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 one to three 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, thirteen companies, representing approximately 25% of our investments, have been acquired by strategic or financial buyers.

CURRENT MONTH PERFORMANCE

In September, The Spitfire Fund L.P. was up +3.3% (net), which compares with the Russell 2000 and S&P 500 which were up +3.3% and +2.6%, respectively. Year to date, the Fund is up +25.4% (net), which compares with the Russell 2000 and S&P 500 which are up +14.2% and +16.4%, respectively. Since inception, the Fund is up +71.4% (net), ahead of the Russell 2000 and S&P 500 which are up +7.9% and 7.1%, respectively. Our gains were broad-based, with eight long positions gaining over 5%. The gainers were led by AZZ, Inc. (NYSE: AZZ), up 20%; Franklin Covey (NYSE: FC), up 16%; Simpson Manufacturing (NYSE: SSD), up 13%; and Libbey, Inc. (NYSE: LBY), up 7%. Markets have rallied in response to open ended quantitative easing and lower Eurozone tail risk. With the upcoming elections, looming fiscal cliff and deepening recession in Europe, we would not be surprised by increasing volatility in the fourth quarter, which should allow us to deploy incremental capital at attractive prices.

HISTORICAL PERFORMANCE METRICS, NET (UNAUDITED)

through 09/30/12

	The Spitfire Fund, L.P.	Russell 2000	S&P 500
Last 3 Months Return	5.6%	5.3%	6.3%
Last 12 Months Return	45.4%	31.9%	30.2%
Last 36 Months Return	105.0%	44.2%	45.1%
Last 60 Months Return	67.0%	11.4%	5.0%
Cumulative return since inception ¹	71.4%	7.9%	7.1%
Fund outperformance versus index ¹	-	63.5%	64.3%
Compound annual rate of return ¹	10.8%	1.5%	1.3%
% of Months where Fund beats index ¹	-	55.6%	58.7%
% of Months Positive ¹	65.1%	58.7%	58.7%

(1) Metrics based on net performance from 7/1/2007 through 9/30/2012.

RISK STATISTICS²

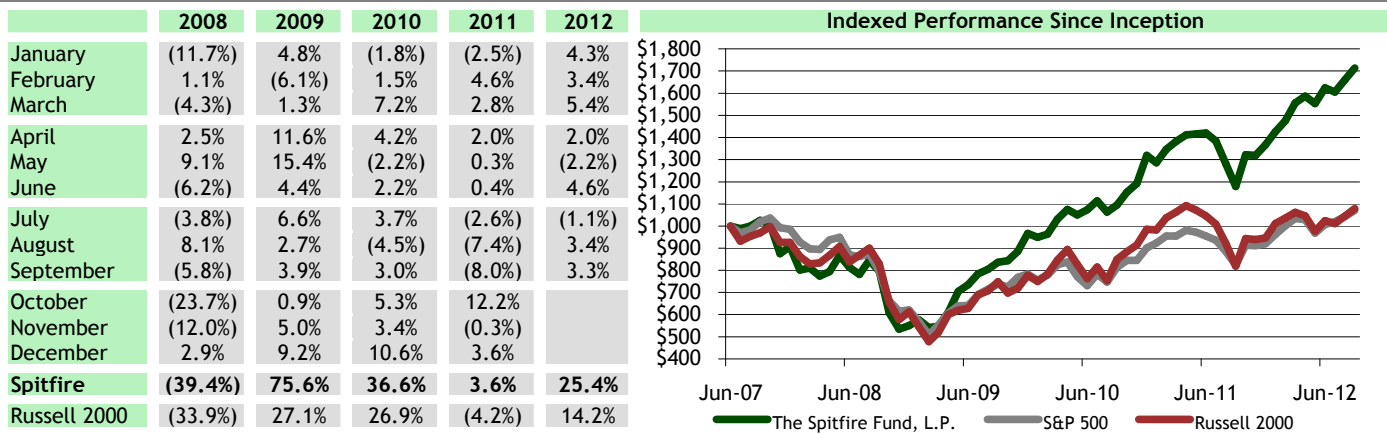
through 09/30/12

	The Spitfire Fund, L.P.	Russell 2000	S&P 500
Beta	1.0	1.3	1.0
Annualized Sharpe Ratio	2.0	0.5	0.7
Volatility	8.5%	12.9%	10.7%
Correlation Coefficient	0.9	1.0	1.0

(2) Metrics based on monthly performance over the trailing twelve month period, as calculated by Bloomberg LP (SPITFIR US).

HISTORICAL PERFORMANCE, NET (UNAUDITED)

through 09/30/12



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 18 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 General Partner and Managing Director of J.H. Whitney & Co., a private equity investor with over \$5 billion under management. Julian started investing at Patricof & Co. Ventures, Inc., now Apex 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 Services LLC
Auditor	KPMG LLP	Legal	Cole-Frieman LLP & Morrison Cohen LLP