



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 December, The Spitfire Fund L.P. was up +2.4% (net), which compares with the Russell 2000 and S&P 500 which were up +3.6% and +0.9%, respectively. For the year ending December 31, 2012, the Fund ended up +31.4% (net), which compares with the Russell 2000 and S&P 500 which ended up +16.3% and +16.0%, respectively. Since inception, the Fund is up +79.6% (net), ahead of the Russell 2000 and S&P 500 which are up +18.9% and +8.2%, respectively. We enjoyed a strong month as markets rallied in anticipation of a resolution of the fiscal cliff and as we benefitted from a number of special dividends paid before year end. We appreciate your support and interest and look forward to discussing our full year performance in our annual letter.

HISTORICAL PERFORMANCE METRICS, NET (UNAUDITED)

through 12/31/12

	The Spitfire Fund, L.P.	Russell 2000	S&P 500
Last 3 Months Return	4.8%	1.8%	(0.4%)
Last 12 Months Return	31.4%	16.3%	16.0%
Last 36 Months Return	86.0%	41.4%	36.3%
Last 60 Months Return	98.0%	18.9%	8.2%
Cumulative return since inception ¹	79.6%	9.9%	6.7%
Fund outperformance versus index ¹	-	69.7%	72.9%
Compound annual rate of return ¹	11.2%	1.7%	1.2%
% of Months where Fund beats index ¹	-	56.1%	60.6%
% of Months Positive ¹	66.7%	59.1%	59.1%

(1) Metrics based on net performance from 7/1/2007 through 12/31/2012.

RISK STATISTICS²

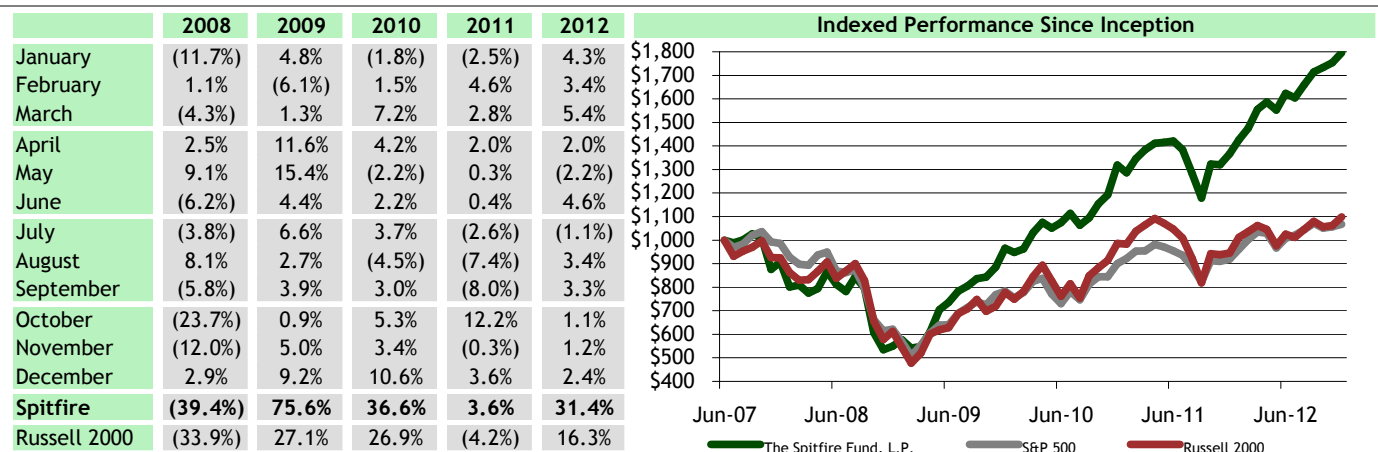
through 12/31/12

	The Spitfire Fund, L.P.	Russell 2000	S&P 500
Beta	0.6	1.1	1.0
Annualized Sharpe Ratio	4.0	0.7	0.8
Volatility	7.8%	11.9%	10.5%
Correlation Coefficient	0.8	0.9	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 12/31/12



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