



Absolute Return Strategy

Client Letter

4th Quarter 2008

Teewinot' client accounts gained 1.4% in the final quarter of 2008, and finished up 2.2% for the year. These gains came amidst arguably the most intense market volatility ever.

The S&P 500 lost 8.5% for the quarter, increasing its full year decline to over 35.4%. The venerable index had lost as much as half its value just before Thanksgiving, then staged a sharp rally off those lows. The Russell 2000 also completed one of its worst years in history.

Despite these headwinds, we were able to achieve two of our three objectives in 2008:

- ☑ 1. No down years
- 2. Double-digit returns
- ☑ 3. Outperform benchmarks

We are particularly pleased to have all client accounts sitting right at their all-time high water marks.

Our positive results and extreme index outperformance are primarily due to the disciplined decision to avoid equity exposure during much of the year. As investments fitting our criteria dried up, cash built up to levels that make good sense during such an environment.

This chart of the S&P 500 index further tells why we avoided stocks in the 4th Quarter. The market was in a strong downtrend and exceptionally volatile.

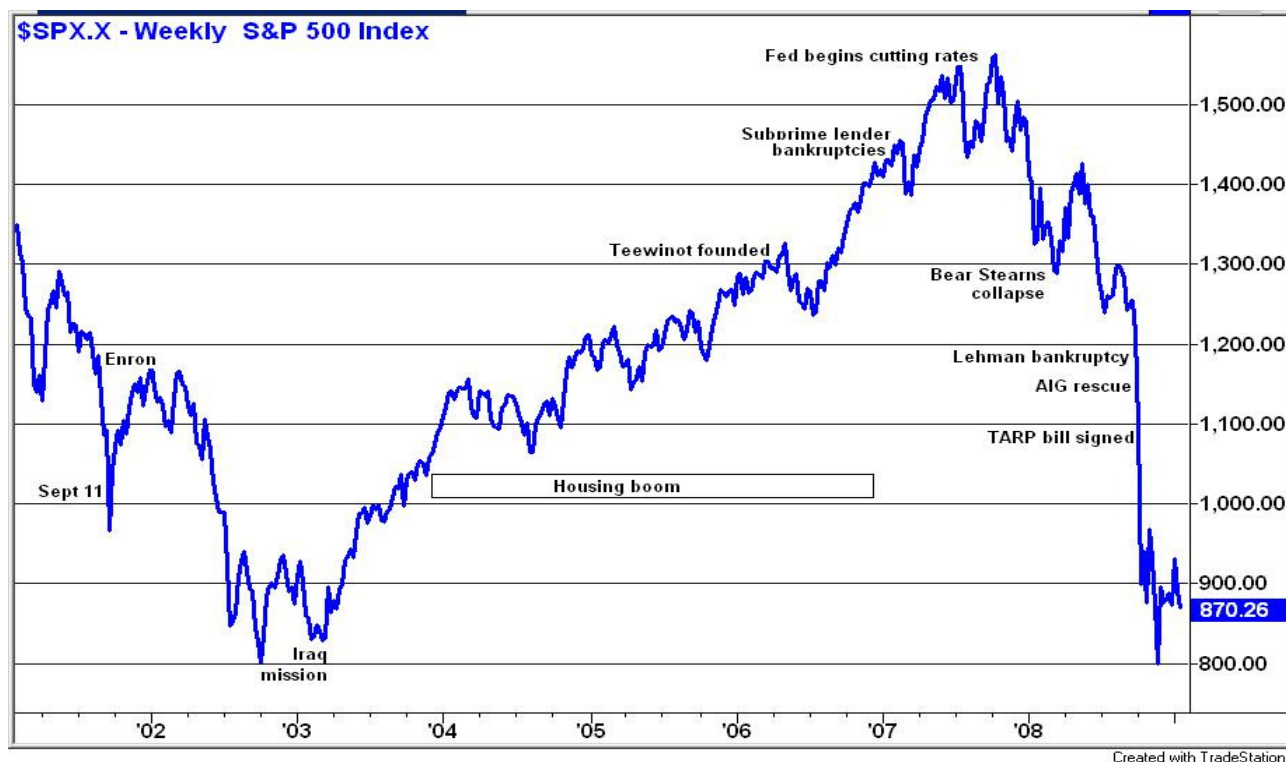
The blue top line depicts the index itself. The lower line is the percentage move in the index each day, averaged over the last ten. In mid-October the average move was over 9%.. *per day*.

<u>4th Quarter</u>		
Clients	S&P 500	Russell 2000
+1.4%	-8.5%	-1.3%
<u>Full Year 2008</u>		
Clients	S&P 500	Russell 2000
+2.2%	-35.4%	-33.9%
<u>Since Inception</u>		
Clients	S&P 500	Russell 2000
+23.4%	-24.0%	-29.2%



These violent moves were mainly based on very unpredictable news stories; most involved corporate bankruptcy, government intervention plans, or both. Those developments caused many “gaps” in the market – meaning that stocks open in the morning far higher or lower than where they closed the previous day. Gaps are a hallmark of extreme volatility, and they make diligent risk management more difficult than usual.

As you may know, market indices are back to 2003 levels. The chart below is annotated with widely-known events of recent years.



Absolute Return Strategy Quarterly Record	
2Q 2006	+0.5%
3Q 2006	+0.6%
4Q 2006	+0.7%
1Q 2007	+3.1%
2Q 2007	+4.7%
3Q 2007	+5.9%
4Q 2007	+3.7%
1Q 2008	-3.6%
2Q 2008	+3.1%
3Q 2008	-1.9%
4Q 2008	+1.4%

Teewinot’s start is also noted on the chart, to highlight the specific market environment which we have faced together.

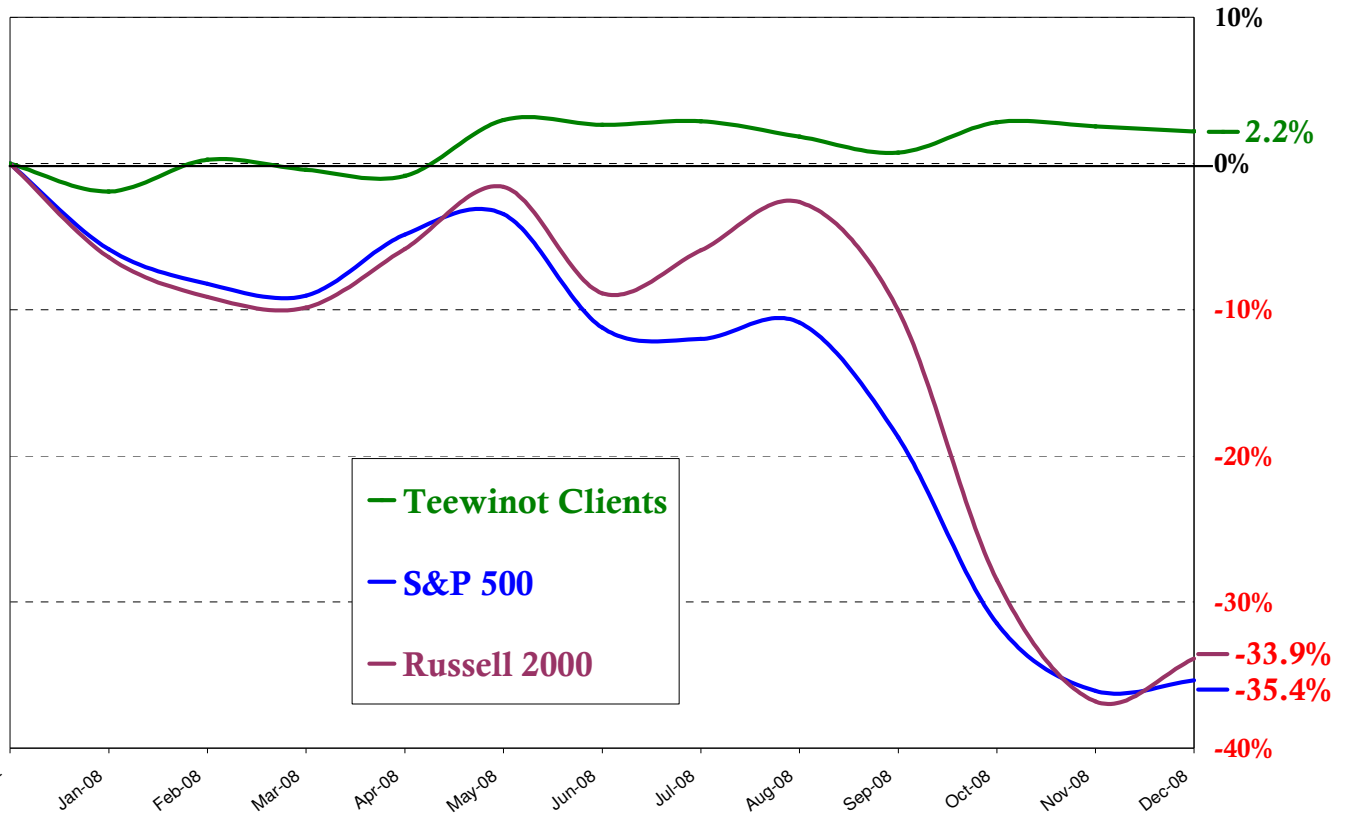
Our strategy served us well during the ongoing bear market, and those core values remain unchanged. Our top priority remains constant: to protect against downside risk while seeking investment opportunities that will produce new peaks in the value of your assets.

We continue to navigate the investment landscape with discipline, and with your best interests in mind. Thank you for your continued confidence.

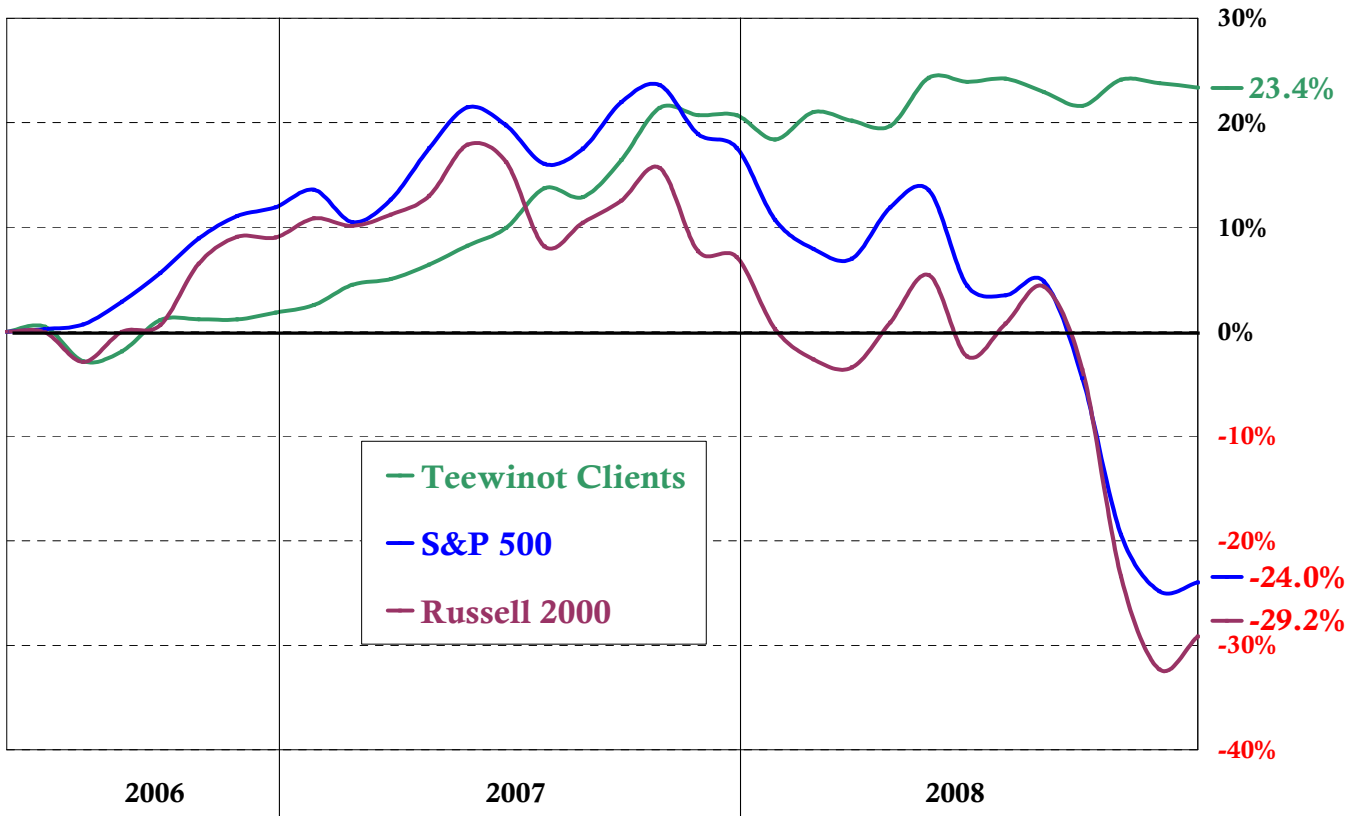
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2008 Returns



Cumulative Returns



Disclosures

1. Absolute Return Strategy calculations are derived from results of a single account following our Absolute Return Strategy. Because our block trades are allocated according to each account's Net Liquidation Value, we believe it closely represents the long-term performance that any account would have experienced over the given timeframe. We refer to this as a "Typical Account."
2. The specific account that represents our Typical Account was Teewinot's first under management.
3. Returns are time-weighted, measured monthly, and rounded to the nearest tenth of a percent for presentation.
4. Absolute Return Strategy performance is calculated **net of** Teewinot Asset Management's fees.
4. Index returns are derived from appropriate Exchange Traded Funds, and include all dividends. The indexes and ETF's used in calculations are: S&P 500 (SPY) and Russell 2000 (IWM).
5. Individual results may differ from the Typical Account for various reasons, including but not limited to: contributions or withdrawals of funds during reporting periods, the timing of such contributions or withdrawals, and imprecise share allocation of block trades across all accounts following Teewinot's Absolute Return Strategy.
6. Past performance is not necessarily indicative of future results.
7. The data herein is for informational purposes only, and gathered from sources deemed reliable; however, are not represented to be error free.