



# Absolute Return Strategy

Client Letter

4<sup>th</sup> Quarter 2010

Teewinot clients gained 2.7% in the fourth quarter, and 5.7% for 2010. We are pleased to have achieved new high water marks for your accounts.

While trailing the market return for the year 2010, your portfolios sit at their highest values ever. This leaves us in excellent position to further increase the value of your capital, while many portfolio managers are still recouping losses.

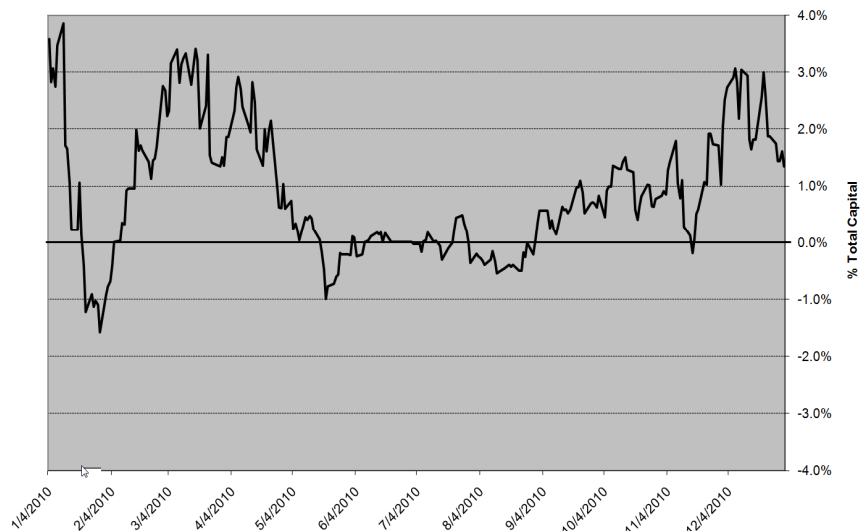
Since inception -- Teewinot clients have earned 25.2%. This compares to 6.8% for the S&P 500. The S&P's volatility measurement (monthly standard deviation) is 4.9. Ours is 1.7. To summarize: clients earned 3 times the market return, with 1/3 of the volatility.

During the quarter, we owned sizable positions in a variety of stocks that made large price gains. Lexington-based mattress innovator Tempur Pedic (TPX) and specialized semiconductor maker Entropic Communications (ENTR) were two of our notable winning trades. We partially offset our market risk during the quarter with ETF's that move inverse to the market. These hedges experienced net losses themselves, but allowed us to hold onto winners for a longer period of time while maintaining a low level of volatility. Along the ever-present spectrum of risk versus reward, we chose a meaningfully balanced approach.

Our favorite method of controlling risk is to prevent any unrealized losses from growing too large. This internally maintained chart tracks our results in that department. It shows total unrealized profits/losses as a percentage of the assets we manage. Readings are above zero when the portfolio is holding net gains, and negative when holding net losses. We were able to keep this metric positive for most of the year, even as we more fully invested your capital during the fourth quarter.

<u>Since Inception (June 2006)</u>		
Clients	S&P 500	Russell 2000
+25.2%	+6.8%	+13.3%
<u>Q4 2010</u>		
Clients	S&P 500	Russell 2000
+2.7%	+10.4%	+15.7%

2010  
Open P&L

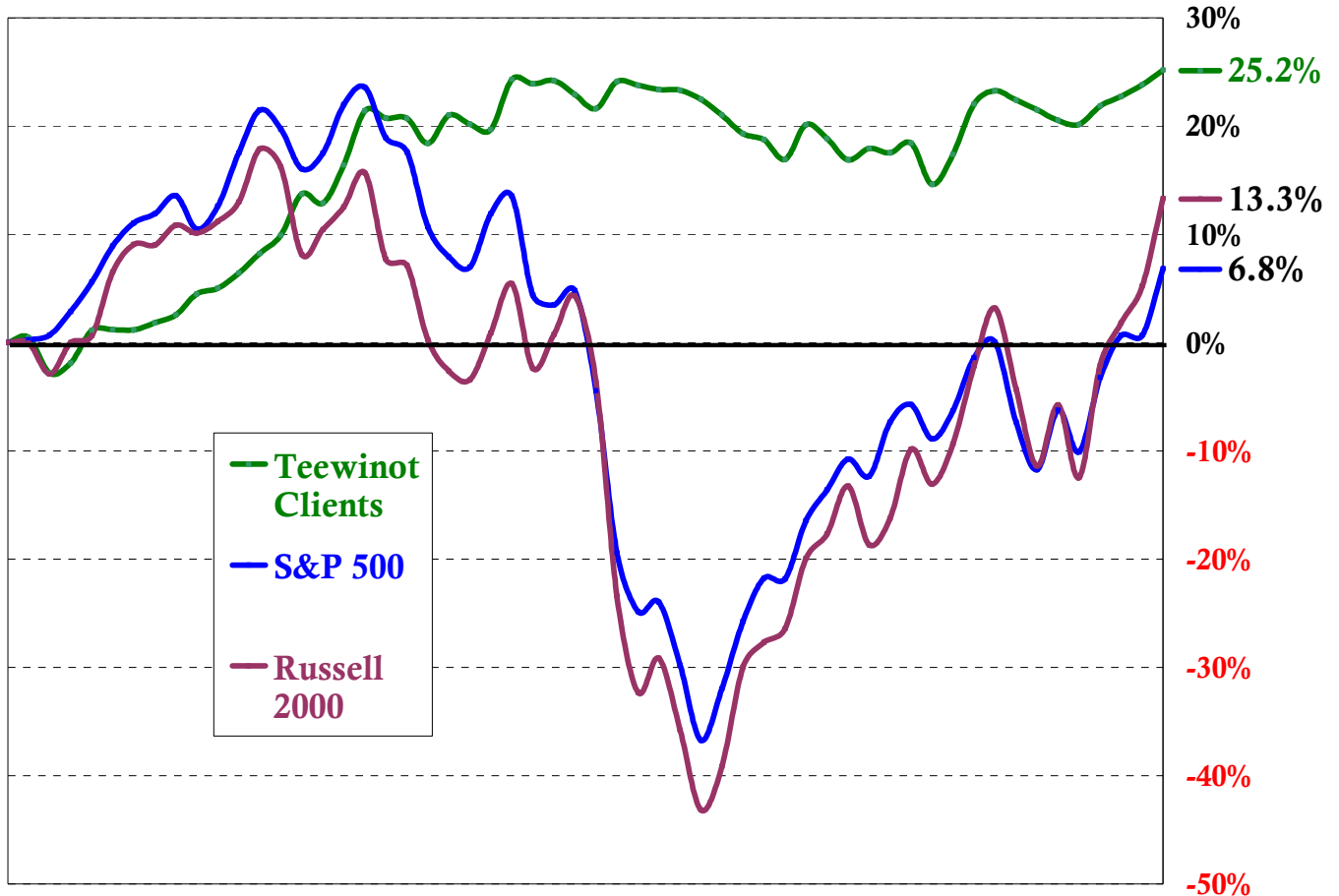


Our strategy is meant to produce solid returns with relatively lower risk over a long period of time. We will be working hard on both sides of that equation in 2011. We enjoy having you as a client, and I remain confident personally investing alongside you.

*Buckner Woodford*

Buckner Woodford V, CFA

**Returns Since Inception**



**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.