THE KINGFISHER REVIEW

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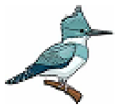

Market Update and Outlook

April 27, 2009

Dear Clients and Friends:

The fall of 2008 was a difficult period for investors of all stripes. Those who sought protection through diversity and allocation were not spared, as previously non-correlated investment classes moved sharply downward and in unison. Those who looked to individual investment selection as a way to manage risk were not rewarded either, as companies, industries and asset classes traded without regard to then unique fundamental qualities or catalysts.

As we prepared for 2009, our strategy was to preserve assets during the early part of the year, while moving up the capital structure to take advantage of dislocations in asset classes that offered greater protection to investors than common equity. Corporate bond spreads widened to historic levels in the fourth quarter of 2008. We saw this as one of several opportunities to enter new positions that might provide “equity-type” returns while providing more “senior” claims to the future profitability of the companies in which we were investing.

At the end of 2008 and into the beginning of 2009, we reduced our traditional equity holdings to approximately 60% and used the balance of our capital to invest in primarily two areas.

> 1) We hold 20%-25% worth of positions in what I call capital structure plays. These investments consist of individual corporate bonds purchased at what we think are very attractive entry points and closed-end funds, holding preferred, convertible, bank loan, and corporate bond securities.
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> 2) We have held a strategic cash position of 15%-20%.

As I mentioned in our December letter, unique opportunities availed themselves in markets we had not traditionally pursued. At the end of 2008, many closed-end funds in the fixed income, preferred and bank loan markets began trading at steep discounts to their net asset values. We saw this as an opportunity to access already discounted securities through vehicles that were themselves discounted.

In mid-March, we closed our short position on the S&P 500 and added four new common equity positions, two of a blue-chip variety and two of a more opportunistic variety. We continue to hold about 20% cash and the capital structure plays, which have performed well thus far.

Our belief is that asset classes will reconcile value before individual companies can do so. That is to say that in order for common stocks to enter a sustained recovery, the preferred and debt securities of comparable companies must recover and normalize first. We also believe that the economy will continue to worsen into the end of 2009. The last few weeks have produced a typical and sharp bear market rally. Further, I am reasonably certain we have seen a bottom in most asset markets.

Over the coming months, it is likely that we will see the market retrace to the downside on the order of 50%-60% of its recent gains, as weak economic data continues to lag the market's 2008 decline. Uncertainty around commercial real estate, bank balance sheets, and global demand will weigh on investors throughout the year. However, we do see the markets beginning to recover again in late 2009, as we begin discounting a late 2010 economic recovery.

As the future recovery becomes clearer later this year, we will look for opportunities to invest in the global reflation trade to include energy, agriculture, clean-technology and commodity stocks. These stocks will be the beneficiaries of gravitational supply/demand trends globally and a tremendous amount of government induced stimulus that is stockpiling around the world.

Thank you and as always please call, email or come by to speak with us in person.

Kind regards,

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