



February 4, 2010

Dear Investors/Interested Parties

For the fourth quarter of 2010, the IronHorse Capital portfolio was up 8.89%, net of performance fees. For comparative purposes, our benchmark the MSCI World Index Total Return (inclusive of dividends) was up 9.08% over the same period. Please view the Net Return Summary below to view these and other returns over multiple periods.

Net Return Summary			
	Q4 2010	YTD 2010	Since 12-3-2009
IronHorse Capital (Net)	8.89%	15.95%	16.39%
MSCI World Total Return	9.08%	12.44%	12.05%
S&P 500 Total Return	10.76%	15.05%	15.83%

Economic Reflections – Why the Predictions?

Writing a letter to kick off the New Year is always an exercise fraught with peril. Of course, most letters received in January make bold predictions for the upcoming year, many of which never come true, but which nonetheless entertain and enlighten to a certain extent. Likewise, many investors hold the same question on the tip of their tongue: “What’s going to happen this year??” This begs several important questions. Is it possible to successfully predict a majority of major events consistently? When it comes to portfolio performance, is it even important to know? In light of the fact this letter is coming out a touch later than most, we’ve had the opportunity to reflect on the prediction letter phenomenon. We can therefore reflect on the subject of consensus thinking within the context of some extraordinary events that show just how difficult it is to get all those predictions correct. This, in turn, has allowed us to reflect on our investment process here at IronHorse and its relevance within a topsy-turvy world. Fortunately (or unfortunately depending on where one is invested), the events of January have proven better than any letter, lecture, textbook, or blog post as to how the expectations path for a calendar year can quickly run in unpredictable directions.

Europe vs. the Middle East...

Going into the New Year, near universal consensus hovered around a thesis that the refinancing needs of European sovereigns and businesses, to the tune of several hundred billion Euros, would represent the defining risk for the first quarter of 2011. Frankly, it makes logical sense. Last year, fiscal problems in Greece and Ireland wreaked psychological havoc on the global investment community between the spring and fall. Rumbblings (and market prices) began to reflect worries that Portugal’s economy might crack and that Spain’s and Belgium’s might be next. All other factors ignored, going into 2011 logic dictated that European financials would represent a poor investment. Discussion of Europe’s woes dominated most prognosticators “Top 10” lists of things to watch for in December and early January. Instead of chaos at the beginning of the year, bond auctions in the European southern cone countries have proceeded without incident. European auctions have been oversubscribed with interest rates coming in lower than expected in many cases. European financial stocks have witnessed the best January in over a decade, with many up double-digits. The recent bond issue for the European Financial Stability Facility (EFSF) was oversubscribed at a ratio that exceeded 8:1. European politicians continue to talk from the same playbook. They are beginning to promote novel solutions such as the allowance of Greece to perhaps repurchase its own debt at a discount, and possibly even be willing to expand the EFSF to



cover all potential exigencies in 2011 and beyond. What a turnaround in a month!

On the other hand, a story that started last month as a back page piece in many of the world's important newspapers may have the capacity to shake the world geopolitically, and perhaps economically. Beginning in December, citizens in Tunisia, a North African state with a population of 10 million, began protesting poor economic prospects and unemployment, exacerbated by food inflation. On December 17th, in the capital city of Tunis, an unemployed man who ran an illegal produce cart to make ends meet set himself on fire to protest his plight. His action provided a catalyst for massive demonstrations, which led to the dissolution of Ben Ali's autocratic rule of Tunisia in mid-January. These combustible forces have spread to Egypt. As we write this letter, Mubarak's 30-year reign is in serious peril. Perhaps the western world's longest standing Arab strategic ally in the region is in danger of collapsing. Western and Middle Eastern countries are pulling foreign nationals out of the country as quickly as possible. Egypt borders Israel and was the first Arab nation to strike a peace deal with the Israelis. Egypt controls the Suez Canal, through which upwards of 7.5% of total global sea trade passes, including a large amount of Middle Eastern oil. Diplomats and political scientists worry about the composition of a post-crisis government considering the Muslim Brotherhood is perhaps the most organized entity in Egypt outside of the formal governmental organizations. In reaction to the potential outcome, markets across the Middle East have fallen and the events have affected western equity markets negatively. Global energy prices are also being impacted as they face the prospect of additional volatility, inserting uncertainty into many global businesses' future input price planning. How many people out there in the global financial community had identified a North African political conflagration as a potential defining moment for 2011 (We never would have thought this would have been a big deal)? Remember, the Tunisian protests began gathering force in December. Besides the typical human interest pieces, very few ever connected the political events there with broader global forces such as rising food prices. If globe-shaking unrest was to come from any corner, most expected and continue to expect problems emanating from Iran and its proxies.

Why is this relevant to the way we do things at IronHorse?

We think it's very relevant. Certainly, the events in North Africa are extraordinary. Maybe the events will pass without causing any disruption whatsoever to the global economy. Or, the events could lead to other unforeseen events that have dramatic consequences as the year progresses. Similarly, Europe very well could face massive disruption over the course of the year. IronHorse will absolutely remain focused on trying to understand these events and the probabilities associated with potential consequences. These unexpected, eye-opening events help remind us, though, that global politics and the global investment environment more often than not unfold in completely unpredictable or even illogical ways. As such, it is important to maintain core principles when constructing and maintaining the portfolio so that we can make it through uncertain periods like these.

What are those principles?

First, we don't make outsized "bets" on sectors, countries, or regions that are based on can't miss theses or global investing themes. We don't believe in easily definable or identifiable outcomes. The overarching rule is to respect the fact that a myriad of unknowns exist on all levels, no matter how well we examine a company or a particular geopolitical situation. This core principle is manifested in our mandated diversification across sectors and regions/currencies. This prevents the investing "ego" from leading us into a poor risk posture. Trying to figure out what we don't know is often more important than executing on what we do know. We're not futurists. Ultimately, going into any investment period, short, medium, or long term, with certainty as to what will unfold can imperil a portfolio. Please understand, we're not averse to identifying what we see as



higher probability outcomes and attempting to take advantage of them, but we'll never over-allocate capital to a single idea or theme at the expense of prudence. This idea forms a basis for our mantra of "Performance in Control."

Second, and intertwined with the first principle, IronHorse uses a very objective set of metrics from both a micro and macro perspective to drive the evaluation of individual companies. Valuation will always remain the primary focus. Fads or super-exciting growth stories will never figure into our evaluation process, whether analyzing companies from the bottom up, or evaluating regional/global investment stories from the top-down. As discussed in prior letters, strict consideration of valuation is a natural brake against allowing emotion to get the better of us. It's a natural human tendency to internalize the predictions of global thought leaders, as seen above in the European example, and act on them. This often leads to poor decisions. Ironically, it's usually the companies or countries excoriated in the press or by consensus thinkers that provide the most fertile ground for further investigation. It's easy to turn against companies that have declined in price and ignore the compelling valuations. Similarly, it's easy to jump on bandwagon stocks. Who's going to criticize you for investing in a company that every newsletter and magazine and investment letter tells you is a "can't miss" prospect? There's an inherent contrarian bias in this way of thinking, which we believe is important to long-term success. There will always be hits and misses in any portfolio, but a disciplined process allows the portfolio *in toto* to perform solidly on a risk-adjusted return basis.

Finally, and again intertwined with the prior two points, IronHorse places just as much importance on the downside prospects for any individual investment as the upside potential. Formal risk management is important. Maintaining valuation discipline as described above helps, but can't remain the only criteria. This philosophy carries upward to evaluations of how the investments within the portfolio fit and interact with each other, and ultimately to the risk prospects for the portfolio as one entity. Risk discipline, both quantitative and qualitative, is key, even in a long-only portfolio. We are willing to sacrifice some upside if our macro and micro analysis indicates a higher than normal risk level in a sector, country, or region. A wide range of micro indicators, macro indicators, and risk management tools help us gauge whether things are too hot or too cold and whether an investment is warranted within the context of all the "known unknowns" in the portfolio or the global economic, political, and social arena.

While reading a reiteration of core principles to kick off the New Year isn't nearly as exciting or clever as reading a list of exciting predictions for global investment themes over the coming year. We think it's always important going into the New Year to remind investors, potential investors, and readers how we stay sane and solvent in a world constantly throwing curve balls. We'll leave you to the myriad of other letters and press articles out there still trying to decipher what comes next globally. As in past letters, we'll attempt to provide our little bit of insight into global economic patterns in future letters. But please be aware (and hopefully it provides some comfort), we don't pretend to know everything that will happen over the next 11 months to a "T." We play batting averages instead and try to take advantage of the larger opportunity set global investing allows us to dig into.

Speaking of the Portfolio...Q4:2010 Review:

First, please excuse a quick rehash of Q4 and full year 2010 performance for those without the quarterly performance sheet handy.

- IronHorse Capital posted +8.89% fourth quarter performance versus 9.08% for the MSCI World TR Index.
- For the year, the IronHorse portfolio was up 15.95% versus 12.44% for the MSCI World TR Index.



- Since inception of the portfolio on 12/3/2009, IronHorse was up 16.39% versus 12.05% for the MSCI World. Daily Upside/Downside capture, basically a reflection of how we compare to the index on up days versus how we compare on down days, came in at 99.11% upside capture, 81.8% downside capture.

Below, we'll quickly recount some of the individual names and sectors that out and underperformed during the quarter.

The Top-10 contributors to the Portfolio Performance during the Quarter:	
Intersil (US)	0.50%
Wesco International (US)	0.49%
Microsemi (US)	0.46%
Murata Manufacturing (Japan)	0.44%
UTI Worldwide (US)	0.44%
Nvidia (US)	0.43%
KBW Regional Banking ETF	0.40%
Foot Locker (US)	0.39%
OZ Materials (Australia)	0.39%
USG People (Netherlands)	0.38%

The Bottom-5 contributors to the Portfolio Performance during the Quarter:	
Regis Corporation (US)	-0.20%
Credit Agricole (France)	-0.17%
Focus Media (China)	-0.10%
Cap Gemini (France)	-0.10%
Michelin (France)	-0.08%

The Top 3 Sectors during the Quarter:	
Information Technology	3.52%
Industrials	1.89%
Financials	1.10%

The Bottom 3 Sectors during the Quarter:	
Utilities	-0.07%
Energy	0.13%
Telecommunication Services	0.22%

As seen above, Information Technology names made a substantial contribution to portfolio performance, and the top-10 individual performers list shows that US semiconductor names were the primary contributors. This reflects the outsized performance of the Philadelphia Semiconductor Index, which was up 18.23% during the quarter. On the flip side, the bottom contributors list is dominated by the French names in the portfolio, reflecting the fact that France's CAC-40 was among the weaker performers among global developed markets; the CAC was up 3.04% (total return) in Euros. The fact that the Euro was down 1.83% versus the Dollar during the quarter further constrained the performance of the European names in the IronHorse portfolio.

Notable Changes:

While trading activity will always remain on the lighter side reflecting IronHorse's predisposition towards long-term holding periods and returns, we did add and subtract a few positions of note.

The Subtractions:

Near the beginning of the quarter, IronHorse eliminated the MSCI Germany ETF position and the broader MSCI EAFE ETF position we had put on for quick global exposure during the summer market nadir. At the time we entered the position, we felt the Euro was significantly undervalued versus the US dollar, European equities were significantly undervalued fundamentally, and general European capital markets were fully discounting all dire scenarios as related to the potential for sovereign debt defaults and a potential European economic slowdown. By the middle of October, the Euro had rebounded substantially, as had European equity markets.



The ETFs served their purpose; we felt we could jettison these positions having captured a good portion of the swift equity market rebound off the summer lows. Therefore we could now spend more time evaluating individual companies in Western Europe and identify prospects holding the potential for long-term sustainable performance.

The Additions:

IronHorse added two positions to the portfolio near the end of the quarter: Public Power Corporation (PPC), the primary public utility in Greece, and ArcelorMittal South Africa (ACL), a part of the India-based ArcelorMittal Group, and the largest steel producer in Africa. As pertains to PPC, though forward prospects for overall Greek GDP remain constrained, we felt that the public utility was undervalued across a wide range of metrics and that investors were fully discounting present and future troubles in Greece. PPC currently trades at approximately 4x forward EBITDA, 0.41x book value, and generates solid free cash flow. PPC is also providing an 8.4% annual dividend yield. Since adding the position in December, PPC is up 7.4% in US dollar terms; this represents pure stock appreciation. ACL is also trading at a reasonable valuation relative to what we believe to be solid economic growth prospects on the African continent at-large. ACL has an expected P/E to growth ratio of 0.48, a price to book of approximately 1.3x, and maintains a healthy balance sheet. ACL has traded roughly flat since initiating the position in December.

The Rebalances:

IronHorse trimmed two positions during the quarter, JC Penney and ValueClick. Neither position was trimmed for fear of major fundamental issues. We felt each name had become technically overbought, had slightly outstripped our internal calculation on fair valuation, and that we could re-establish full positions upon a price pullback. This also fits within IronHorse's broader risk management discipline as we manage exposures and rebalance periodically to maintain the fundamental characteristics of the portfolio. JC Penney shares were driven sharply higher by news that activist hedge fund manager had acquired a substantial equity stake in the company. ValueClick moved higher on the back of strong financial guidance from the company and strong general performance in the internet-oriented technology space during the quarter. As of this writing, both companies are trading below the price levels at which we sold the partial positions. We are continuing to evaluate whether to add once again to the positions.

Since the turn of the New Year, IronHorse has trimmed, but not eliminated, several more positions for general risk management purposes as the market has continued to trade decidedly higher from the summer lows. Nvidia, UTI Worldwide, Marathon Oil, Dealertrack Holdings, and Wesco International have all been partially trimmed in January; all have or had demonstrated exceptional performance, but warrant a breather in our opinion. Furthermore, IronHorse has initiated a 5% position in a short Russell 2000 ETF to take further exposure off the table and reflect our perception that the valuation differential between US small-caps and large-caps has become excessively wide relative to historical precedent. As expressed in the past, IronHorse still believes the global economy remains on track for solid performance over coming quarters; historically, small-cap stocks have handed the proverbial baton to larger-cap stocks as the economic cycle matures.

While global prospects remain on track, we've recently become concerned that the risk-reward ratio in the markets has become slightly less favorable. In our estimation, general market valuations have pushed closer to historical medians, complacency has increased as expressed through equity market volatility indicators, and market participants have begun to forecast and/or price-in increasingly optimistic earnings forecasts, which could enhance the prospects for negative surprises. As such, the IronHorse portfolio is standing with a functional 25% cash position inclusive of the short ETF. This has not cost us any ground in the New Year owing to our stock selection. Again, we don't anticipate any major systemic problems in the global equity markets,



but we have allowed our contrarian philosophy to dictate a more conservative posture with a view towards increasing exposures if and when global equity markets temporarily pullback.

Looking Forward:

Finally, IronHorse enters the year with a bias towards developed market equities versus developing market equities. We've maintained a view that emerging market equities are fair to overvalued in many circumstances and have restrained our exposures over the past several quarters. We feel this has served us well to this point and will continue to serve us well. To this point in the year, the Shanghai Comp is down 0.62%, the Indian Sensex is down 10.62%, and the Brazilian Bovespa is down 3.94%. We'll continue to monitor broad emerging country valuations as well as the valuations and prospects for individual companies in these regions and countries. If valuations come in enough to meet our strict internal standards, we will certainly investigate adding positions in names meeting our market cap and trading volume criteria.

Below, we've included several key metrics pertaining to the portfolio at large that demonstrate how the IronHorse portfolio compares to the broader MSCI World Index. As the portfolio has outperformed, valuation has converged somewhat with the index compared to the differentials seen several months ago, helping drive the decisions mentioned above to trim several of the more overbought names.

The overall fundamental profile for the portfolio is still very strong relative to the index. Relevant metrics for the portfolio follow:

Valuation Metric	IH Portfolio	MSCI World
Median P/E to Growth	0.97x	1.18x
Median Enterprise Value to Free Cash Flow	14.47x	15.65x
Median Enterprise Value to EBITDA	6.35x	7.80x
Median Price to Book	1.78x	1.83x
Median Est. Ann. Operating Profit Growth, Next 3 Yrs	13.00%	11.00%

We certainly would like to extend our most heartfelt thanks to our investors and encourage anyone to call at anytime to discuss the portfolio and broader markets in further detail.

All the best,

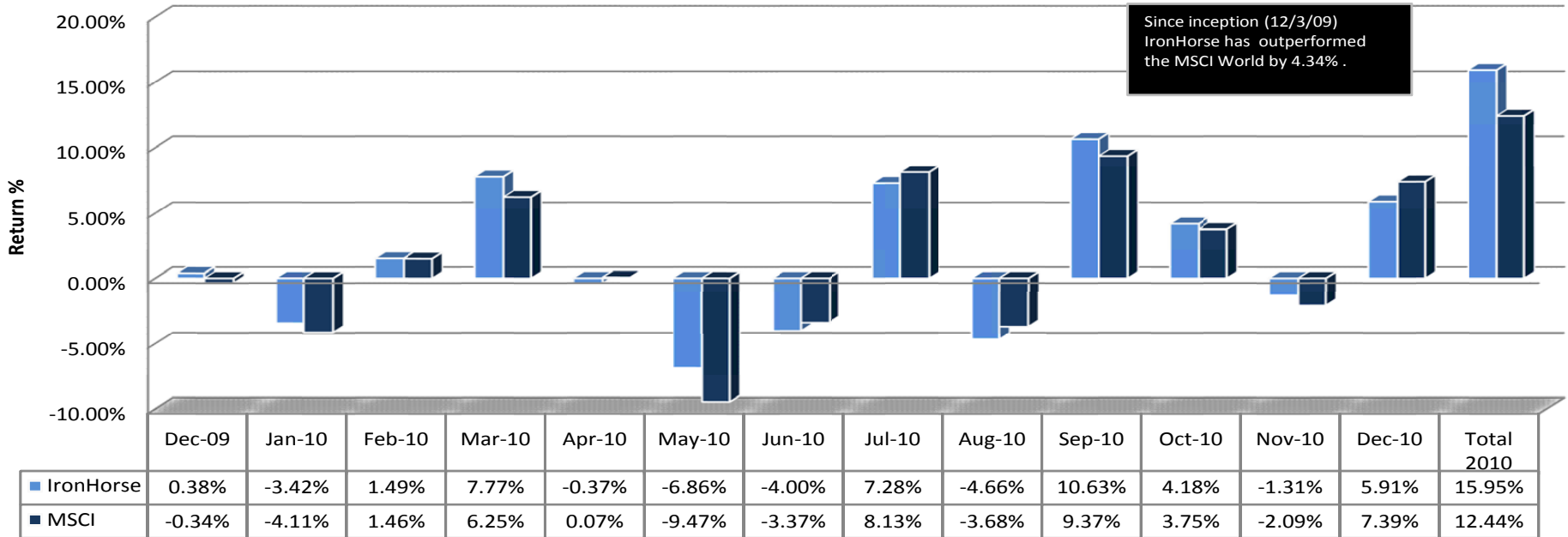
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Exhibit 1 - Performance of IronHorse vs MSCI World Index - Total Return Monthly Performance (Net of Fees)



Daily Upside Return Capture Daily Downside Return Capture

