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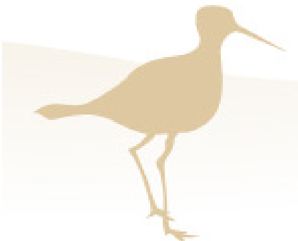
Sandpiper Capital

Gleanings



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Welcome

and thanks for signing on as a client of Sandpiper Capital. As this is our first formal quarterly letter, we thought that it would be a good opportunity to spell out exactly what Sandpiper is doing as your investment advisor and why. We are different from most advisers in ways that matter. We hope that outlining those distinctions will help you understand how they benefit you.

Market Returns through 12/31/08

Index	Oct	Nov	Dec	3 mo's
S&P 500	-16.8	-7.2	1.1	-22.0%
ML 1-10 yr Gov't/Corp	-1.9	3.2	2.6	4.0%
EAFE (Developed Foreign Mkts)	-20.2	-5.4	6.0	-20.0%
Emerging Markets	-27.4	-7.6	7.7	-27.7%

Our business is founded on three core beliefs:

1. **The adviser's principal responsibility to the client is risk management.**
2. **The adviser's primary tool for risk management is asset allocation.**
3. **Excess returns are a residual of well managed risk.**

In a nutshell, all that is to say: "If you can avoid losing money in the stock market, making money takes care of itself." Why the focus on risk? While it's true that over the last fifty years the S&P has finished higher over 90% of ten year periods, it's also true that most investors didn't stay around to see that result. The reason: risk. When the stock market drops 20% to 40% in a year, (something that's happened more times this decade than the four previous decades combined), *most* investors lose heart. When you do the math and it tells you that another couple of years like that and you're wiped out, it's easy to persuade yourself to sell at precisely the wrong time. "Buy and Hold" does work, but only if you never look at your statements.

Is there a solution?

We think several.

First, let's avoid the 20% drops.

There's a wealth of daily financial information to which we all have access. Most of it however is confusing, a lot of it is contradictory and almost all of it written to influence your behavior (read biased). We have found that one useful strategy to screen all of this data in a

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way that benefits our clients is to focus our attention on content that can be constructively used to avoid risk. Predicting the future is a challenging business. There are just so many possible iterations of how current trends may play out that successfully accounting for them all is an impossible task. Our preference, perhaps our predilection, is to concentrate on the worst likely case scenarios and then do the best we can to prepare for those. This consciously defensive posture is centered around anticipating risks before they are recognized by the market. We may not see every coming pitfall, but it's not for lack of attention.

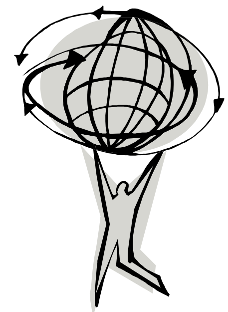
Second, know the value of the market.

Your investment results are not determined as much by the stocks you own but by whether the stock market went up or went down after you bought them. We believe that if you look through the noise, there is good, definitive information available to determine if the market is a bargain, fairly valued or overpriced. We use that data to form a view on the markets and then weight our allocations accordingly. Having an objective sense of the market's intrinsic value helps you stay in when fear tells you to sell and to get out when greed is telling you to buy.

Third, when you take risks, get paid for them. All companies face business risk. Competition, fixed costs, conflicts of interest, changing market trends, all are factors business managers must battle each day in order for their companies to survive and prosper. Most of these risks are given full and complete disclosure in the quarterly financial statements. It's good information. For many businesses, the odds against success are too great and you often can see that in their lack of substantive progress.

Worthwhile investment candidates are those where the current market price allows room to reward investors appropriately for the risk that they take on when they become shareholders. If you can't reasonably anticipate a substantially higher stock price in 3 to 5 years even if some challenges that the company faces remain unresolved, then you end up relying on luck or a good market to make you money, not our preferred strategy.

Finally, **let cash be your ally**. Money markets don't pay much in interest but they offer substantial benefits in flexibility. When the market is overpriced and good values are difficult to find, cash balances will build. Rather then compromise the decision making process buying investments that don't meet our return requirements, we will sit on our hands for a while. Having ready cash when circumstances improve is often the difference between action and inaction. Good investment opportunities are few and far between and are worth the wait.



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