



Pegasus Market Neutral Fund

January 2006 Launch

Pegasus Market Neutral Investment Management

Douglas Saksa, CFA -- Portfolio Manager & Principal

Douglas Saksa

Douglas Saksa is a Chartered Financial Analyst and is registered in Washington State as an investment advisor. He has extensive experience in the areas of portfolio strategy, security analysis, and technical analysis.

Mr. Saksa has been Portfolio Manager and General Partner of Pegasus since 1982. He earned his MBA from Columbia University (1971) and, prior to founding Pegasus Investment Partners, spent 11 years managing funds in New York City.

Career Highlights

- Manager of Pension Investment for SCM Corporation.
- Vice-President and Portfolio Manager for Loomis, Sayles & Co.
- Investment associate with Julian Robertson of Tiger Management.

Pegasus Market Neutral Investment Management

Peter Bortel – Principal and Security Analyst

Peter Bortel joined Pegasus in March 1999 as principal Security Analyst and associate Portfolio Manager. Prior to joining Pegasus, Mr. Bortel served as Portfolio Manager for Inverness Partners in Mill Valley, California, where he helped manage a global financial services sector fund.

Mr. Bortel received an MBA from Pacific Lutheran University, and a BA in Communications and Psychology from the University of Puget Sound. He has a broad background in the areas of economics, finance, pharmaceutical research, sales and marketing.

Career Highlights

- Portfolio Manager for Inverness Partners. His duties included fundamental equity research, developing hedging strategies, raising capital and shorting stocks.
- President of Bartul Enterprises Limited, where he developed a multi-unit food and beverage operation.
- Executive Sales Manager at American-Canadian Property Corporation, where he facilitated the purchase and sale of commercial real estate investments.
- Study Coordinator at Metabolic Associates, where he worked with Pfizer Pharmaceuticals studying the effects of serotonin reuptake on metabolism.

Pegasus Market Neutral Summary

➤ **Fundamentally and Technically Based Hedge Fund**

- *Objective: consistent returns averaging 12% net to investors, irrespective of market conditions**
- *Research orientation is bottom-up and top down*
- *Technically traded to promote risk control*

➤ **Portfolio Composition**

- *30 – 70 U.S. traded companies and Exchange Traded Funds*
- *Long and short stocks balanced, with beta adjusted exposure within 20% of zero net exposure*
- *Maximum exposure: 100% long balanced by 100% short*
- *No leverage*
- *Long Stocks: improving fundamentals and price performance in attractive industries*
- *Short Stocks: deteriorating business fundamentals and cash flows, aggressive accounting, excessive leverage, trading at premium to intrinsic value with declining price performance*

➤ **Proven and Experienced Portfolio Managers**

- *Doug Saksa has over twenty years of hedge fund experience, running a hedge fund with a good long-term track record*
- *Peter Bortel has ten years of experience as a portfolio manager and has worked with Mr. Saksa for six years*
- *Portfolio managers have a proven track record of proprietary idea generation over a broad range of market cycles*

➤ **Principals have invested over \$700,000 in the fund**

➤ **Strict Adherence to Risk Management Discipline**

** Future returns are not guaranteed.*

How Pegasus Achieves Beta Market Neutral

➤ **What is Beta?**

- *Beta is a measure of the tendency of a stock to be more or less volatile than the market. For example, a stock with a beta of 1 will tend to perform in line with the market, whereas a beta of 1.5 means a stock will tend to both rise and fall 50% more than the market rises and falls.*

➤ **What is Beta Market Neutral?**

- *Beta market neutral means there is no tendency over time for a portfolio to be influenced by the direction of the market.*

➤ **How does Beta Market Neutral Make Money?**

- *In up market : when gains in the long portfolio exceed losses in short portfolio*
- *In down market : when gains in short portfolio exceed losses in long portfolio*

➤ **Why Beta Market Neutral?**

- *Reduce volatility of portfolio*
- *Reduce the impact of market movements on the portfolio*
- *Focus on “stock picking” long and short to generate alpha (non-market related investment returns)*

➤ **How Pegasus Calculates Beta Market Neutral**

- *Multiply the market value of each position by its beta to get the beta-weighted value of each position.*
- *Sum the beta-weighted values of the long and short positions to get the beta weighted value of the long and short portfolios.*
- *Subtract one result from the other and divide by the equity value of the total portfolio:*

- $$\frac{\text{Beta-Weighted Long Portfolio Value} - \text{Beta-Weighted Short Portfolio Value}}{\text{Equity Value of Total Portfolio}} = 0 \pm 20\%$$

Investment Values

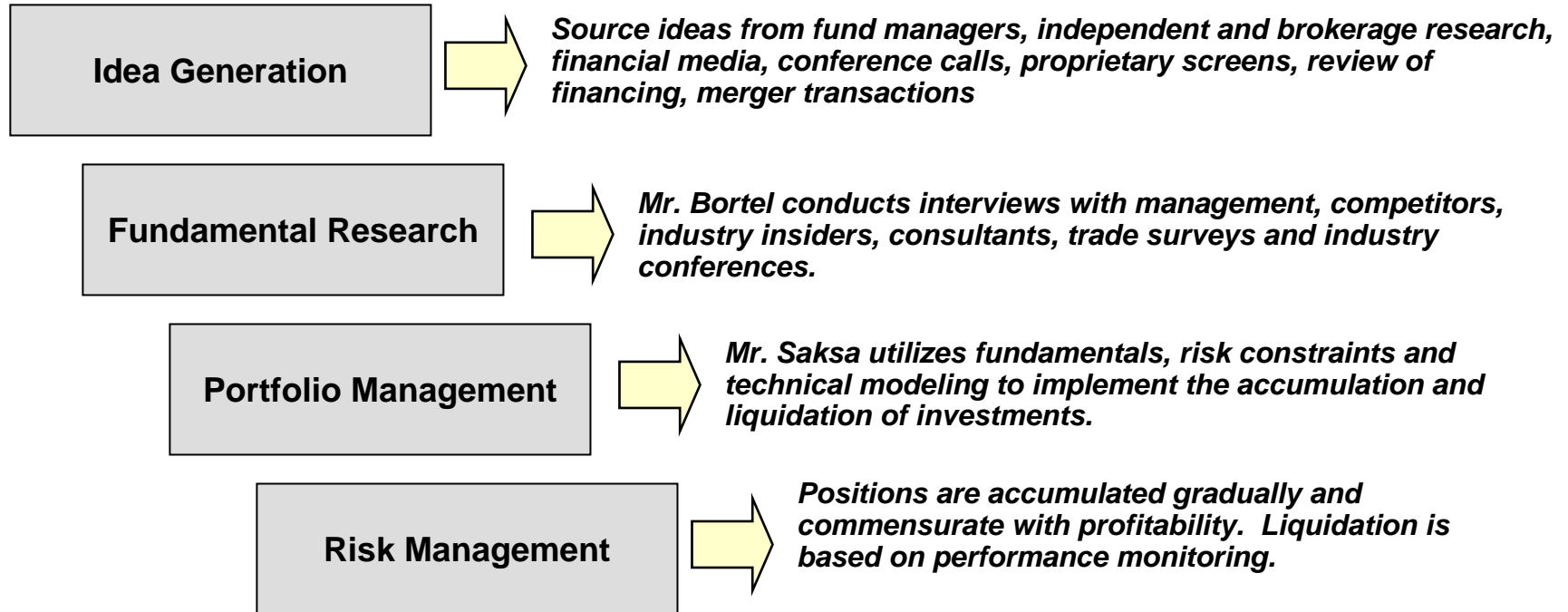
Objectives

- *Generate consistent, positive returns*
- *Limit correlation with S & P 500*
- *Maintain a hedged and diversified portfolio*
- *Identify and manage risk*

Principles

- *Focus first on preservation of capital*
- *Understand and manage implicit and hidden risks within the portfolio and individual securities*
- *Maintaining target of beta neutrality and limiting exposure*
- *Generate alpha by investing in fundamental ideas with technical buy and sell triggers*

Investment Process



Risk Management

Market Risk

- Beta neutral long and short portfolio balanced within 20% of having no market exposure.

Company-Specific & Portfolio Risk Analysis

- Analysis of macro economic environment
- Analysis of business model, value and drivers affecting performance
- Gradual accumulation of positions to develop profitability in a disciplined manner
- Disciplined use of technical model to promote risk control and capital preservation
- Average position size: 1 - 3%
- Maximum position size: 5%
- Maximum net industry exposure: 20%











Liquidity Analysis

- Concentration on liquid securities

Diversification

- Industry
- Capital structure
- Intra industry correlation

Investment Terms and Service Providers

Minimum Investment:		\$100,000
Additions & Redemptions:		Quarterly. Redemption fee 2% if prior to 1 year
Management Fee:		1% per annum
Performance Fee:		20%
High Water Mark:		Yes. Returns must keep going to new highs over 12 month periods to earn performance fee
Investment Periods:		Quarterly
Registration:		Registered Investment Advisor
Attorney:		Preston, Gates and Ellis LLP
Administrator:		Weiss Investment Management LLC
Prime Broker:		UBS Securities, LLC

Disclaimer

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PEGASUS MARKET NEUTRAL FUND L.P.

Managing Partner/Portfolio Manager: Douglas W. Saksa, CFA

Partner/Security Analyst: Peter Bortel

Net Asset Value: \$ 2 Million

Quarterly & Annual Percentage Rate of Return Net after Management and Incentive Fees

QTR	2008	2007	2006
1 st qtr	-8.19%	+2.95%	+ 1.86%
2 nd qtr	-2.83%	-3.30%	+ 0.80%
3 rd qtr	11.54%	+8.10%	+ 0.66%
4 th qtr	4.90%	+2.07%	+ 0.05
Annual YTD	3.86%	+9.89%	+ 2.98%

Note: Pegasus figures are audited and after all management and incentive fees. Any discrepancy between quarterly and annual data results from timing of reallocations. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.