



THE PEGASUS PORTFOLIO

Long Stocks with Improving Fundamental and Price Performance

Pegasus Investment Partners is a limited partnership fund specializing in U.S. equities, and focusing on liquid medium-to-large capitalization stocks. The primary goal of the Fund is to maximize risk adjusted returns over the long term.

The Fund acquires stock positions in a diverse array of attractive industries that appear undervalued relative to accelerating earnings prospects. We utilize a top down strategy to select the best industries, based on our view of the current and future economic climate. The general partner performs an analysis with input from research firms, investment services, and fellow investment professionals, to select undervalued companies in those industries with accelerating earnings growth.

Short Sales in Weak Industry Segments

Pegasus also employs short sales to generate profits and serve as a hedge against long positions. The Fund targets stocks in the weakest industry segments that appear overvalued relative to deteriorating fundamentals.

Financial Futures Reduce Risk

Pegasus uses stock index futures to help protect the portfolio against stock market declines. During declines, futures are sold short, and then bought back at lower levels to generate profits. Leverage employed through the use of futures is not excessive, and is limited to 10 percent of the total equity of the Fund. Because market fluctuations are generally a factor influencing stock performance, futures can be utilized to respond quickly to changing conditions.

STRATEGIC MANAGEMENT

Managed Risk

To reduce risk, the Fund accumulates long and short positions gradually, and only to the extent that a profit cushion develops. Positions are liquidated when they fail to produce results. This approach has the advantage of creating highly profitable, large positions when investment judgment is correct, and small losses when it is inaccurate.



MANAGEMENT

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 trading. Virtually all of Mr. Saksa's financial assets are invested in Pegasus Investment Partners.

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.

Peter Bortel

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 managed a global financial services sector fund.

Mr. Bortel received an MBA from Pacific Lutheran University in 1998, and a BA in Communications and Psychology from the University of Puget Sound in 1991. He possesses a broad background in the areas of economics, finance, 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.



ADMINISTRATION

Management Fees

Pegasus has an annual management fee of 1 percent. In addition, when partner accounts are at all time highs over at least a 12-month period, the General Partner earns an incentive allocation of 20 percent of the profits after deducting the management fee.

Early Withdrawal

The fund charges a 2% fee for funds withdrawn before the end of the first year.

Financial Audits

The financial statements of the Fund have been audited yearly since its inception in 1982. The Fund is audited by Moss-Adams LLP of Seattle.

PEGASUS INVESTMENT PARTNERS L.P.

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

Partner/Security Analyst: Peter Bortel

Net Asset Value: \$ 22 Million

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

QTR	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
1 st qtr	-9.17%	-1.10%	+2.90%	-2.92%	+4.5%	+4.45%	-2.6%	-26.13%	+16.25%	+12.1%	+23.67%
2 nd qtr	-2.05%	-0.30%	-1.67%	+3.46%	-4.42%	+22.61%	-0.4%	-0.48%	-3.48%	-15.73%	+9.69%
3 rd qtr	-6.47%	+7.75%	+1.02%	+4.35%	+3.40%	-0.73%	-1.99%	-6.46%	-10.94%	-9.22%	+1.22%
4 th qtr	-4.54%	+1.38%	+6.04%	+4.78%	+4.48%	+12.3%	4.82%	-4.07%	-25.63%	+68.92%	+29.9%
Annual YTD	-21.60%	+7.91%	+8.34%	+9.89%	+7.94%	+42.7%	-0.34%	-34.03%	-25.68%	+44.87%	+78.36%

<u>Year</u>	<u>Pegasus</u>	<u>S & P 500</u>
7/82 to 12/82	+ 37.42 %	+ 28.30 %
1983	- 3.13	+ 17.27
1984	- 18.13	+ 1.40
1985	+ 77.12	+ 26.33
1986	+ 8.3	+ 14.62
1987	+ 33.10	+ 2.03
1988	+ 3.31	+ 12.40
1989	+ 5.78	+ 27.24
1990	- 5.85	- 6.56
1991	+ 23.42	+ 26.30
1992	+ 7.90	+ 4.48
1993	+ 16.35	+ 7.04
1994	- 8.91	- 1.54
1995	+ 51.29	+ 34.11
1996	+ 27.32	+ 20.26
1997	+ 5.38	+ 31.01
1998	+ 78.36	+ 26.67
1999	+ 44.87	+ 19.53
2000	- 25.68	- 10.14
2001	- 34.03	- 13.04
2002	- 0.34	- 23.37
2003	+ 42.7	+ 26.40
2004	+ 7.94	+ 8.99
2005	+ 9.89	+ 3.00
2006	+ 8.34	+ 13.61
2007	+ 7.91	+ 3.53
2008	- 21.60	- 38.49

Compounded Annual Growth Rate

7/1/82 –12/31/08 (Since Inception)	+ 11.05	+ 8.28
------------------------------------	---------	--------

Note: Pegasus figures are audited and after all management and incentive fees. S & P figures are based on actual performance of the index and do not include dividends, transaction costs or management fees. Any discrepancy between quarterly and annual data results from timing of reallocations. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.