



JANUARY 8, 2009

CIRCULAR NO. 01/09

TO MEMBERS OF THE ASSOCIATION

Dear Member:

COPING WITH ECONOMIC TURMOIL: AMERICAN CLUB'S IMPROVED INVESTMENT RESULTS AT DECEMBER 31, 2008

As was originally noted in Circular No. 28/08 of November 20, 2008, the challenges which continue to confront the global economy remain virtually without precedent in their severity and scope.

Nevertheless, as was also noted in that Circular, the American Club has been coping relatively well with the widespread economic turmoil. Specifically, the Circular pointed out that the year-to-date value of the Club's invested assets as of October 31, 2008 had declined by the comparatively modest margin of some 10%.

In the presentation which the Club made to the London market on December 10, 2008 (now on the Club's website at http://www.american-club.com/circulars/2008/cir_28_08_mp1.pdf), it was reported that its year-to-date investment performance remained broadly the same as of November 30, 2008, i.e. -10.5%.

The Club's most recent accounting year for both statutory and GAAP purposes ended on December 31, 2008. Given the importance of this date, and the industry concerns which continue to surround investment performance in general, Members will be pleased to hear that the American Club's results in this area actually improved at year end.

As of December 31, 2008, the year-to-date decline in the value of the Club's invested assets had improved from -10.5% to -8.5%. The table below highlights this performance by comparison with relevant market indices.

<i>Index</i>	<i>Year-to-date, as of December 31, 2008</i>
<i>Dow Jones</i>	<i>-31.9%</i>
<i>S&P 500</i>	<i>-37.0%</i>
<i>NASDAQ</i>	<i>-39.9%</i>
<i>Russell 2000</i>	<i>-33.8%</i>
<i>EAFE International</i>	<i>-43.1%</i>
<i>Municipal bonds</i>	<i>+5.9%</i>
<i>American Club</i>	<i>-8.5%</i>

Source: Merrill Lynch

The reasons for this outperformance (overweighting in fixed-income securities predominantly invested in tax-efficient municipal bonds, negligible exposure to downside currency risks etc.)



remain broadly the same as those described in the November Circular mentioned above, and as reiterated in the website presentation. The Club's long-held investment policy of placing paramount importance on capital preservation has served it well in these currently difficult conditions.

Moreover, there are grounds for cautious optimism that any upturn in the markets, faltering though it may be, will continue to generate benefits for the Club, the more so given its prudently defensive investment posture at this time.

While there are other factors, of course, which will affect the Club's final result for 2008 in both fiscal and policy year terms, most notably claims results, it is hoped that the foregoing will provide some comfort to Members in showing that, notwithstanding the widely-publicized stresses the recent economic crisis has produced for the P&I market at large, your Club continues to perform in an encouraging manner.

As always, your Managers will be pleased to answer any questions Members may have in regard to the above, or generally.

Yours faithfully,

Joseph E. M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for
THE AMERICAN CLUB