INTEGRE ADVISORS
277 Park Avenue, 49th Fl., New York, NY 10172 - Phone 212.838.2300 Fax 212.207.5181

January 25, 2013

Dear Investor,

It was an exciting year for Integre Advisors. While the S&P 500 ultimately managed to close the year up 16%, the market was quite volatile due to concerns in Europe and China, declining by 10% from April 2nd through June 4th. Ever mindful that the best way to grow your capital is not to lose it in the first place, we took a defensive approach, trimming our cyclical holdings which had international exposure. As a result, we earned solid returns for our large-cap products, and outsized returns for our small-cap product, which is far more U.S.-focused.

In 2012 our Diversified Equity Composite returned 10.1%, net of fees; our Concentrated Equity Composite returned 8.7%, net of fees; and our Small-Cap Composite returned 25.2%, net of fees.[1]

Since the inception of our firm in 2004, we have always focused at least as much on potential downside risk as potential upside reward. Indeed it has been a lucrative strategy, enabling us to outperform the market over the past five years, a period which included the worst market downturn since the 1973-1974 bear market. From January 1st, 2008 through December 31st, 2012, the S&P 500 had annualized returns of 1.66% a year. Over that same period, our Diversified Equity Composite and Concentrated Equity Composite had annualized returns of 4.66% a year, and 5.38% a year, net of fees, respectively.

Our Small-Cap Composite, which we introduced on December 22nd, 2011, now has a strong one-year track record and is attracting a steady stream of new assets. There are few money managers who can make successful investments in out-of-favor small companies both because it is labor intensive to do so (many of these companies are not followed by Wall Street analysts), and because larger asset managers cannot reasonably invest in the space; the very act of establishing a meaningful position in a small company can easily drive up its stock price, thereby rendering it a less attractive investment. We view our Small-Cap product as a great complement to the more stable multinationals which we hold in our Diversified Equity product.

[1] Preliminary performance figures are unaudited. Past performance may not be indicative of future results and every investment program has the potential for loss as well as profit. The diversified equity composite is the dollar-weighted linked monthly return of those accounts sharing the objective of a diversified equity portfolio that are greater than $250,000 in size. The concentrated equity composite is the dollar-weighted linked monthly return of those accounts sharing the objective of a concentrated equity portfolio that are greater than $250,000 in size. Accounts must be managed for a full calendar quarter before inclusion. Portfolios are excluded from a quarter if the account falls below the composite minimum, or as Integre Advisors receives notice of termination. Individual account results will vary from that of the composite based on fee structures, investment restrictions, the timing of contributions and withdrawals and other factors. Comparisons to the S&P 500 Total Return and Russell 2000 are for informational purposes only, as the composites may hold securities not in the S&P 500 Total Return and Russell 2000 and may have more or less volatility and risk than an investment in the S&P 500 Total Return and Russell 2000. Management fee information available upon request.

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With expansion on the horizon, we are pleased to announce that we have hired François Coeytaux as Integre's new Chief Operating Officer and Chief Compliance Officer. Prior to joining Integre, François was Head of Institutional Operations at Security Global Investors, a $24 billion dollar registered investment advisor now owned by Guggenheim Partners. Prior to that, he was Director of Finance and Operations at Nationwide/Gartmore Separate Accounts, a $1 billion dollar registered investment advisor. François has fifteen years of experience in asset management operations and is a graduate of the Institut d'Etudes Politiques (Sciences Po) in Paris and the Paris I Panthéon-Sorbonne University. We believe that his knowledge, skill-set and experience, both in operating large asset management firms and in shepherding a smaller registered investment advisor through a major expansion, make him a valuable addition to the Integre team.

Looking ahead, we would be surprised if last year's double digit returns are repeated. Over the past two years the S&P has had an average annualized return of 8.8% which we think is a more realistic target. Currently, with the S&P 500 approaching 1500, we are making fewer investments in mid-cap companies than we have in the past because the majority of the kind that we like to buy -- those with strong balance sheets, good cash-flow and strong underlying businesses -- have already risen with the tide. Instead, we have been finding more opportunities in out-of-favor large companies which present attractive risk rewards consistent with our market outlook.

We believe that stocks are a better investment than bonds. Currently, the ten-year Treasury has a 1.9% yield-to-maturity. By contrast, the S&P 500 has a dividend yield of 2.1% plus unlimited potential for earnings' growth. As always, it is our duty, and our pleasure, to methodically search for those companies which might add meaningfully to your portfolios.

With all best wishes for a happy, a healthy and a prosperous new year,

Sincerely,

Manny Weintraub, CFA