

October 27, 2014

Dear Friends:

It was a volatile third quarter for the U.S. stock market. While the S&P 500 hit a new high in mid-September, concerns about sluggish global growth and the economic repercussions of the Ebola virus brought a halt to investor enthusiasm, leaving the S&P 500 to end the quarter up 1.1%. For the first nine months of the year, the S&P is up 8.3%.¹

For the third quarter our Diversified Equity Composite was up 0.2%, net of fees. The Concentrated Equity Composite was also up 0.2%, net of fees. For the first nine months of the year they have risen 6.8%, and 4.6%, respectively, net of fees.²

Reversing last year's trend of smaller companies outperforming larger ones, smaller companies have underperformed larger ones for the first nine months of 2014. The Russell 2000 index is down 7.3% for the quarter, and has declined 4.4% for the first nine months of the year. Our Domestic Small-Cap Composite is down 9.5% for the quarter, and 6.3% for the year, net of fees.³

Long-term, slow global growth does not surprise us. Many developed nations are barely growing their G.D.P. as their populations age, and China's high rate of economic growth has been declining for years. In the short-term, sanctions put on Russia in the wake of its incursion into Ukraine have hurt both U.S. and European exporters, as well as Russia itself.

All that said, as long as yields in the stock market continue to be attractive relative to that of bonds, slow growth need not stop stock market gains. Mixed in with the fears of European deflation and growing anxiety over Ebola has been some good news for consumers -- a significant decrease in the price of oil, which declined 13.5% just in the third quarter. We believe that the price of oil is unlikely to rebound quickly as U.S. production continues to rise, and Saudi Arabia shows no sign of reducing their production to support higher prices. As lower gasoline prices begin to help the U.S. consumer who represents 70% of the U.S. economy, we believe the stock market should stabilize and recover.

^{1,2,3,4} See full disclosure on the last page.

In our Diversified and Concentrated Equity products our strategy for dealing with slower-growth has been to invest primarily in three different kinds of companies: companies that have high free-cash flow yield and a willingness to use that cash for the benefit of shareholders through dividends or share repurchases; companies with exposure to consumer growth in the emerging markets where such growth is still available, in places like Brazil, India and China; and mid-cap companies that are exposed to faster growing segments of the economy.

Recently, we added a global fast food chain to our Diversified and Concentrated portfolios after one of the company's meat suppliers was the subject of a negative news story. With over 50% of its revenue coming from China and India, the company is well positioned to benefit from the growing middle class in these emerging markets.

In the small-cap market we have, at times, been seeing share price declines even as companies' underlying fundamentals improve. To us this kind of irrational disconnect is a sign that the stock declines we are experiencing may be liquidity driven. In a world worried about the European economy and a disease originating in West Africa, U.S. small-cap stocks should theoretically be more attractive than those of U.S. large-caps as a higher percentage of small-cap companies' sales come from within the U.S. as opposed to those of the larger, multi-national companies. We believe that over time the irrational pricing of small-caps should dissipate, and expect that in retrospect the current market environment will prove itself to have been an investing opportunity.

Recently we have been upgrading our small-cap portfolios, selling companies with relatively high debt-levels and replacing them with less levered companies. In particular, we have found a number of opportunities in so-called old-economy industrial firms and "new-economy" biotech companies. These companies have franchises that we have followed for many years but not invested in because they were priced too rich for our appetite. With the recent declines in the market, they are finally at a price where we believe we can earn the returns that we seek.

On the corporate front, back home in New York, we are getting ready to move to the GM Building at 767 Fifth Avenue. As many of you know, for the past eleven years we have been sub-leasing office space from Continental Grain, a private, family-owned conglomerate that operates and invests in protein-based businesses. They have been great neighbors and supporters of our firm, and we look forward to moving with them to our new home.

^{1,2,3,4} See full disclosure on the last page.

With change afoot, we have decided the time is right to adjust our name to more specifically communicate what we do. As of November 7th, Integre Advisors will officially change its name to Integre Asset Management. As Integre Advisors we are proud to have achieved top decile results in the universe of all-cap-value portfolio managers in the PSN database⁴, results which earned us the PSN Top Guns Manager of the Decade for 2013. As Integre Asset Management we look forward to continuing this tradition of excellence.

Looking forward to welcoming you to our new offices--

Sincerely,

Manny Weintraub, CFA

^{1,2,3} **Disclosure:** 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, concentrated equity and domestic small-cap composites represent the asset-weighted returns of those accounts sharing the objective of the respective diversified equity, concentrated equity and domestic small-cap strategies. As of 1/1/13, portfolios are included in a composite at the beginning of the first full month under management and stay in the composite until the end of the last full month under management. Prior to that, the composites included portfolios with a minimum of \$250,000 that were managed for a full calendar quarter before inclusion and stayed above the minimum during any quarter. 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 is available upon request.

⁴ Source: Informa Investment Solutions. As of 12/31/2013, the PSN All Cap Value Universe contained 116 firms and 141 products. Integre Advisors did not pay a fee to participate in the survey. The information and statistical data contained in this material were obtained from third party sources believed to be reliable; however, Integre Advisors does not guarantee the accuracy of the information and data may differ from information provided by Integre Advisors. Performance numbers may differ due to rounding differences.

The rating may not be representative of any one client's experience. Past performance does not guarantee future results. This information cannot be shown without the fully-compliant presentation for the Diversified Equity composite, which contains net of fees performance and is located in these materials. FOR SEPARATELY MANAGED ACCOUNT INVESTOR OR PROFESSIONAL ADVISOR USE ONLY.