INTEGRE
ASSET MANAGEMENT

October 24, 2016

Dear Investors,

I hope that this letter finds you well. I am pleased to report that it was a good quarter for both your investment and more broadly equities around the world, all generally posting positive returns for the third quarter. We believe the broad based stock market rally marked a healthy change from the previous 6 month trend in which many market participants favored large cap, dividend paying stocks because of their need for yield in a low interest rate environment - *in many cases* driving these prospectively slow growing companies to their highest valuations in 10 years.

The advantage of our contrarian, concentrated portfolio is that we are able to focus our investments in those companies, industries and sectors where there is still growth. Despite the media driven narrative of the "new normal" and the "slow growth" economy, our investment process continues to identify compelling opportunities in companies that are growing earnings. Areas like scientific research, healthcare, healthy lifestyle and the transition from cash to credit card payments all seem to be areas where the future looks bright. While these sectors may have experienced headwinds given recent flows into high dividend yielding stocks, we began to see a shift in that dynamic over the course of the third quarter.

Investing in out-of-favor stocks is often interconnected with buying unpopular companies. Take healthcare companies, for example. The election cycle of 2016 has caused the average valuation of healthcare companies to decline as Hillary Clinton's success in the polls has raised concern over some form of price controls for pharmaceuticals in the United States. We believe concerns over the future of the industry are overdone for two reasons. The first is that most outrage seems to be directed at a small group of pharmaceutical companies that have enacted large price hikes and, we believe, our investments outside of this group will be successful at the current level of pricing given the outlook for demand. The second reason is that the baby boomers, a population of more than 70 million people in the United States, are between 52 and 70 years old and therefore have yet to enter their peak years of expenditures on health. As a result of that forthcoming tidal wave of medical expenditure, the Center for Medicare & Medicaid Services predicts that spending on health will grow 1.3% faster than GDP over the next 10 years. We believe purchasing these out-of-favor companies and weathering a few months of volatility in the short-term, is worth the upside potential as a likely abatement of fear will drive these healthcare companies to do well in the future.

Our portfolio has many other stocks that are also trading at low relative valuations which we believe positions the portfolio for a strong period of relative outperformance. Goldman Sachs' chief U.S. equity strategist inadvertently helped make our point when he recently reasoned that the S&P 500 is "expensive" because the S&P 500's forward Price-to-Earnings (P/E) ratio, or the price paid for every $1 of future earnings for a company, is at an 18% ***premium*** to its 10 year

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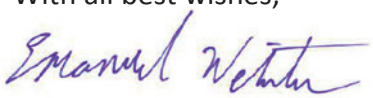
median valuation. In contrast, our All Cap Domestic Equity portfolio has a forward P/E that is at a 1% premium to its 10 year median valuation, far less than the broader market. As a result, we believe there is less risk if the broader market were to experience a reversion down to its average valuation. I believe that the current positioning of the portfolio is ideal as it has the potential to benefit from sentiment shifts in out-of-favor areas while maintaining valuation support if there were to be a market pull back.

On the corporate front, I am pleased to announce that the firm has undergone the extensive due diligence of a large investment platform and has been hired by that platform. While our primary focus is on managing your assets, we are pleased by the confidence placed in us by that manager selection committee. In addition to our quarterly letters, we are also working on a video portfolio update to enhance communications. Please be on the lookout for a link to that video when it debuts in the coming months.

While the 3rd quarter yielded strong investment results, we know that your trust is earned by the effort and results in the future. We thank you for your continued confidence. We know the assets you have entrusted to us are important and we take that responsibility seriously.

With all best wishes,



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