

July 22, 2016

Dear Investors,

It was a good quarter for U.S. equity markets with the U.S. economy showing strength throughout the quarter. Unemployment declined, U.S. retail sales increased and spot prices of West Texas Intermediate Crude Oil (WTI) rallied enough to help enough oil producers pay their debts, but not so much as to damage consumer confidence.

Notwithstanding domestic U.S. resiliency, it could have been even a better quarter for the U.S. equity markets had the citizens of Great Britain not voted to exit the European Union in a non-binding vote. This upheaval in the world order led to some volatility in U.S. markets leaving the S&P 500 about 1% below its 2<sup>nd</sup> quarter closing peak price.

Foreign markets and currencies fared worse for the quarter than their peers in the United States. In fact, the German DAX index declined by more than 12%, in U.S. dollar terms, and the Euro retreated about 2.1% versus the dollar. The MSCI UK index declined about 7.6% and the pound reached a low versus the dollar not seen in more than 30 years. While it is not clear what the magnitude of impact this vote will likely bring forth, financial markets responded to the uncertainty and many market participants rushed to exit investments; suspending assessment for a later date. Proceeds from global selling sought out relatively safer assets like U.S. government debt. As a result, the 10-year U.S. Treasury bonds were in high demand and increased pricing caused yield to decline to 1.49% at the end of the quarter, ***a near all-time low.***

As corporate bond and real estate prices rise with Treasury bonds, it is our observation that the stock market has generally been the last asset class to rally. With a 2.2% yield on the S&P 500 with dividends that have risen over time, we are optimistic about the outlook for many U.S. equities.

Despite the United States seemingly emerging from the nascent stages of the Brexit crisis relatively unscathed, we recognize that it is an uncertain time in the global economy. That said my team and I have seen a number of market cycles from the S&L crisis in the 1980's, the Asian currency meltdown of the 1990's, as well as the most recent financial crisis of 2008 – *to name a few*. It is precisely because of this experience that Integre has always sought to focus on “risk/reward” or how much an investment can gain versus how much risk is being taken on in that investment. We believe our strategies are well positioned at the intersection of that tradeoff.

On the corporate front, I am pleased to announce that we have launched a new and improved version of our corporate website; [www.integreAM.com](http://www.integreAM.com). The website is available in both desktop format and in a mobile-optimized format. In addition to information about the firm, quarterly composite overviews will be posted to the site for you to easily access.

At Integre we place such a high emphasis on risk because we understand that we have a tremendous responsibility. Whether a portfolio is a foundation serving a noble cause or an individual who has saved and invested for many years, we know that your trust is in the form of real dollars. When I look at the quality of the Integre Asset Management team today, I feel we are as well positioned today as we have ever been to fulfill that responsibility.

All best wishes,



Manny Weintraub, CFA  
Founder and Principal