

January 24, 2017

Dear Investors,

I hope that this letter finds you well. As we enter into a new year, it is increasingly apparent that the only thing we know for certain is that there is *no certainty in life*. Last year was marked by a number of surprises. From political upheaval to macroeconomic surprises, 2016 was one of the most eventful in my career as a portfolio manager. The 4th quarter of 2016 was a fitting end to a year of twists and turns as the market reacted in speculative optimism to a Trump presidential victory.

In the infancy of the 4th quarter, I watched with you as one of the most surprising presidential races came to a close. While my concern is heightened over the potential social impact of the Trump presidency, my thoughts in the wee hours of November 9th turned quickly to the impact of this unexpected win on the financial markets. From that date, my team and I have concluded that there are four major ways that a Trump presidency will differ from the theoretical Hillary Clinton presidency that was widely expected by market participants. **First**, we believe that there will be more volatility driven by renegotiation of trade deals. The concern about trade deals should have the most material impact to industrial exporters which are not a large part of our portfolio. **Second**, we believe that there will be more volatility in general as the President is likely to continue a pattern of aggressively criticizing the actions of companies and industries through social media. We believe that this will present opportunity as market fear is likely to drive companies to be out of favor on a temporary basis. **Third**, there will likely be a change in the tax structure of the United States that will benefit the U.S. consumer. We own a number of retailers that could benefit from a stronger U.S. consumer. **Finally**, there is a greater likelihood that the Trump administration will use a “free market” approach to expand access to healthcare. We believe that this will likely benefit many of our healthcare stocks which we initially bought in expectation of increased consumption as baby boomers age.

While an underweight to industrials and an overweight to healthcare presented the most material headwinds for the portfolio in the 4th quarter, a bright spot within the portfolios during the quarter was illuminated by a rate hike from the U.S. Federal Reserve (the Fed). Leading up to the rate hike, the portfolio was underweight to those sectors that generally contained fixed income surrogates, or those stocks that offer dividend yield. Over the last market cycle these companies gained outsized price appreciation driven by investor demand rather than intrinsic company growth. In the 4th quarter, the Fed’s rate hike signaled an increasing likelihood of subsequent rate hikes in 2017. As a result, REITs & Utilities sold off along with long duration bonds. The portfolios have long been underweight to such sectors as we believed the risk was outsized versus the upside potential.

We believe that in this period of increased uncertainty with the Dow Jones Industrial average flirting with an all-time high of 20,000 points, many companies are overbought with the reward insufficient relative to the downside risk. That said, we believe that our portfolio has many companies that are not overbought, have solid long-term outlooks and are trading at valuations that should provide support if the market were to pull back.

Our investment process is focused on scouring the universe of companies that are out of favor, conduct fundamental research to build bull and bear market price targets and then only investing if the reward justifies the risk. While this process does not outperform the benchmarks all the time, it has been our experience that in times of volatility this strategy is particularly appealing. As a result of the process, the portfolio has its largest exposure to Health Care, Technology, and Consumer companies. Included in this letter are some examples of new purchases within the portfolio.

Since Integre Asset Management's formation in 2004, index funds have continued to gain market share. They have grown from 13% of U.S. domestic equities to 28% as measured by the amount of investor capital allocated to investment strategies. When the market goes up for 8 years in a row, some do not see the need for a portfolio manager. Many in our industry fear this change, but at Integre we welcome it as we feel our concentrated portfolios that seek to exploit specific market inefficiencies pair very nicely with passive exposure. That said, the problem with being different than the market is that sometimes you may do better and sometimes you may do worse. I believe those differences represent a prudent allocation of capital over a market cycle.

I know that 2016 was a painful year with respect to relative returns. However, I believe that the portfolio is well positioned to benefit in 2017. In the uncertainty of 2017 and the future ahead of us, I look forward to being a good steward of your capital seeking out the best risk adjusted returns that our investment process can identify. We have already observed a shift in performance in the first 3 weeks of 2017. Included below is that preliminary performance through the end of last week.

Year-To-Date Performance - (Ending 1/20/2017)

GROSS OF FEES

Strategy	2017 YTD Return
All Cap Domestic Equity	2.21%
Russell 3000®	1.46%
Mid Cap Domestic Equity	2.43%
Russell Mid Cap®	1.74%
Small Cap Domestic Equity	1.48%
Russell 2000®	-0.35%

If you should have any questions please feel free to contact me directly. Thank you for your continued trust. I look forward to demonstrating my investment strategy's value to you in 2017.

With all best wishes,



Manny Weintraub, CFA
Founder and Principal