

April 13, 2010

Dear Friends,

It was a great first quarter for Integre Advisors. Our Diversified Equity Composite increased by 8.1% vs. 5.4% for the S&P 500. Our Concentrated Equity Composite increased by 9.4%.¹

During the quarter the stock market rose due to a series of better-than-expected economic reports. The U.S. consumer continued to spend and industrial production continued to improve. As a result, equity strategists made upwards revisions to their estimates for S&P 500 earnings. For the first time in three years, employers hired more people than they fired. We are now in the midst of an economic recovery.

Because in a recovery more companies are likely to achieve their upside price targets rather than disappoint and further decline in price, our style of risk/reward investing seems particularly well-suited to such periods. In 2003, for example, when we were recovering from the 2002 recession, our Diversified Equity Composite increased by 34.5% vs 28.7% for the S&P 500. While we know better than to claim history as prologue, we believe it's worth pointing out that our Diversified Equity Composite outperformed the S&P 500 by 19.1% for the subsequent two-year period.

Since the market's peak on September 30th, 2007, our Diversified Equity Composite has increased by 5.6%, and our Concentrated Equity Composite has increased by 14.9%. By contrast, the S&P 500 has *decreased* by 18.8% over that same period. Currently, what we are seeing in the marketplace is investors who are still scarred, both financially and emotionally, from 2008. As a result, many are now gravitating away from individual stock selection and instead using Exchange Traded Funds (ETFs) to swap in and out of sectors under the belief that this is somehow a safer way to invest. With twenty-one years' experience investing in good markets and bad, we beg to differ, but are nonetheless happy with the trend as it has created a variety of inefficiencies in the market which we, who continue to conduct thorough company-by-company analysis, can seek to exploit for your benefit. The fact that we can do this as a Registered Investment Advisor, providing you total transparency and daily liquidity, is an added bonus.

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 are added to the composite on the first day of the month following our first 30 days of managing the account and must be in the composite for a full calendar quarter before inclusion. Portfolios are excluded as of the last full calendar month under management or at such prior date 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 are for informational purposes only, as the composites may hold securities not in the S&P 500 Total Return and may have more or less volatility and risk than an investment in the S&P 500 Total Return. Management fee information available upon request.

Recently, we found two growing companies with good prospects that had been sold off due to general industry problems that don't apply to them: a defense contractor specializing in cyber security, and a for-profit college. The defense industry has been out-of-favor due to concern over an expected decline in military spending as we begin the process of extricating ourselves from Iraq. But the company *we* bought specializes in keeping America's networks safe from foreign espionage. Unlike with a war, protecting our nation's proprietary intelligence and infrastructure is an ongoing need and never-ending concern. We bought the for-profit college when the industry was out-of-favor due to concern over potential government limits on student debt which could lead to a reduction in industry profits. However, the company *we* bought already charges tuition that is half that of the typical for-profit college. The way we see it, our company is part of the solution, not the problem.

In addition to these holdings, we recently purchased a semi-conductor company and a commercial bank, both of which we felt were undervalued as the market was not giving them sufficient credit for how well they could perform as the economy continues to improve.

Even though we are now in the midst of a recovery, we of course don't expect the market to go up every month or even every quarter. Maybe the Fed will raise rates prematurely or there will be some unexpected international event which will negatively impact the market. But overall, we expect the economy to continue to improve as the U.S. consumer gets back his sea legs. We have just had the first month where more people got hired than fired, and expect more such months to follow. Pessimists will argue that this should not help the stock market as gaining back one hundred and sixty two thousand jobs is not so meaningful considering the eight million jobs lost during the recession. True enough, but what these people forget is the age-old adage that the stock market is a barometer not a thermometer. The stock market began to turn around not when things got good, just less bad.

Currently things are continuing to get less bad. It's a supportive environment for investing in stocks, especially for those of us with the skills, experience and patience to sift through innumerable potential investments and determine which represent the best risk/rewards.

With all good wishes for a happy, productive spring.

Sincerely,

Manny Weintraub, CFA