

July 13, 2004

Dear Friend:

It was a volatile second quarter. Mideast tensions, a ten dollar spike in the price of oil and rising interest rates rattled the markets, but in the end the strong economy won out, driving the market up 1.7% for the quarter. Integre Advisors returned .8% net of fees; on top of our solid 1<sup>st</sup> quarter results we are now up 5.5% for the first half of 2004 versus 3.4% for the S&P 500.

Our decision to increase our holdings in healthcare last year paid off this quarter as defensive names performed well in an uncertain environment. Our best performing healthcare stock was Oxford Health Plans which was acquired by UnitedHealth Group at a 50% premium to our cost.

We bought Oxford last summer when the stock dropped 20% due to flat enrollment growth. We evaluated the business holistically however, and determined that this very profitable franchise could significantly increase in value when corporations resumed hiring, thereby adding employees to their health plans. Trading at eight times forward earnings when we bought it, the stock presented an attractive risk/reward.

This quarter we made some interesting investments in the technology sector. Like Oxford, these stocks have good long-term growth prospects, but are down due to short-term concerns. Their solid balance sheets and abundant free cash flow should provide good downside protection while we weather the volatility inherent in the sector.

Recently, at the request of a number of clients, we launched a concentrated portfolio product. This portfolio will invest in only 15 stocks rather than our usual 25 and, unlike our flagship product, will not be diversified by industry. The clients who made this request believe, as do we, that the increased volatility will not be significant within the context of their overall portfolios.

Going forward, we will report the results of both the Concentrated Portfolio and what we will now call our Diversified Portfolio every quarter. If you would like to learn more about the Concentrated Portfolio, or discuss the differences between the two, please call us anytime. With all best wishes for a terrific summer --

Sincerely,

Emanuel Weintraub, CFA  
Managing Director