

October 15, 2004

Dear Client:

It was a difficult third quarter. Commodity price inflation and the Federal Reserve's decision to raise short-term rates drove the market down 1.9%. We are pleased to report that Integre Advisors outperformed the indices in both of our product lines. Our diversified equity composite was down 0.8% net of fees outperforming the S&P 500 by 1.1%; we are now up 5.5% net of fees for 2004 vs. 1.5% for the S&P 500. Our concentrated equity composite was down 0.9%.

Our decision to buy Intuit last June, a creator of accounting software, paid off this quarter in spite of the fact that the technology sector was particularly weak, an example of how thoughtful and methodical stock selection can add value even in difficult times. We bought the stock after it declined 20% due to a reduction in revenue growth guidance. We determined, however, that the stock was oversold given how much it could increase in value if the company could just meet its new reduced targets. In August, the company reported solid earnings and even raised guidance for the coming year, news which sent the stock up 16% from where we bought it.

This quarter we bought four companies in three industries in order to position ourselves more defensively given the challenging economy. The stocks' forward valuations ranged from 10 to 13 times earnings versus 16 for the S&P 500 and all were unpopular at the time that we bought them. We believe that, once again, the market is focusing on short-term concerns rather than long-term growth prospects.

In July we bade a fond farewell to our portfolio administrator, Jonathan Powell. Our loss is Mali's gain, as Jonathan has joined the Peace Corps. Replacing Jonathan is none other than Jeannie Woo, the portfolio administrator who so ably assisted me at Neuberger Berman. As many of you know, Jeannie has just the right combination of organizational skills and sunny disposition to keep Integre humming along. Please feel free to contact Jeannie, Sourabh or myself at any time.

Sincerely,

Emanuel Weintraub, CFA
Managing Director