

January 31, 2005

Dear Friend:

It was a great first year for Integre Advisors. While the market was in the doldrums for much of the year, the re-election of George Bush and previously unacknowledged strong earnings growth drove the market up significantly, resulting in a 10.8% annual return. We are pleased to report that we significantly outperformed the S&P 500 in both of our product lines. Our diversified equity composite was up 15.9% for the year, net of fees, outperforming the S&P 500 by 5.1%. Our concentrated equity composite, which we implemented last March, outperformed by 5.8%.

At Integre, our goal is not just to grow but also preserve capital and in 2004 the two were equally important. On the one hand, the market was overly optimistic about blue-chip technology and pharmaceutical companies, while on the other, the market was overly pessimistic about mid-cap companies encountering the stumbling blocks that growing companies often do. Because we use a disciplined process to create downside as well as upside price targets for potential investments we were able to avoid the blowups that occurred in such stocks as Intel, Cisco, Merck and Eli Lilly, as well as buy software companies and HMOs when they were inordinately cheap.

Coventry Health, a medium-sized HMO, was one of our best investments of the year. We bought the stock after it was knocked down from \$53 to \$39 following the announcement of its acquisition of First Health, a health benefits administrator. The Street was concerned the acquisition was an indication that the HMO cycle had peaked. Trading at only 9 times earnings, we calculated the potential return if Coventry's management could successfully integrate the deal and found the risk-reward quite compelling. The stock has since rallied 33%.

There now seems to be an excess of optimism in the market. As such, we have been investing in companies that are experiencing their own private bear markets -- a retailer that had a disappointing Christmas, a drug company that had to pay a one-time rebate -- as well as classic special situations -- a recently demutualized thrift, undervalued spin-offs. As always, I expect we will continue to find opportunities to buy good companies oversold due to short-term concerns.

We have recently surpassed \$70 million in assets under management. It's hard to believe that it was just over a year ago that we started this firm with the backing of a few key supporters. We work hard at Integre, but it is gratifying to work hard and deliver good results when one's clients are one's friends. With all best wishes for a happy and healthy new year--

Sincerely,

Emanuel Weintraub, CFA
Managing Director