

April 27, 2005

Dear Client:

It was a great quarter for Integre Advisors. While the S&P 500 declined 2.2% due to increases in oil prices and interest rates, we achieved positive returns in both our portfolio composites. Our diversified equity composite increased 3.3% net of fees for the quarter, outperforming the S&P 500 by 5.5%. Our concentrated equity composite increased 5.5% net of fees, outperforming the S&P 500 by 7.7%.<sup>1</sup>

Three of our holdings in the healthcare industry delivered the bulk of our performance this quarter: an HMO, a specialty drug distributor, and a small pharmaceutical company. At the time we bought them, each company was out of favor due to short-term concerns: an acquisition that the Street didn't like, a protracted price negotiation with Medicare, and a one-time price rebate on a top selling generic drug. In each case, these short-term concerns proved to be overdone: the merger went better than expected, the government negotiations were favorably resolved, newly developed generic drugs more than made up for the shortfall, and ultimately, the long-term macro trend of increased spending on healthcare prevailed.

Given the recent decline in the S&P 500, our valuation models now indicate that growth stocks are more attractively priced than defensive stocks. As a result, we have made new investments in fast growing industries like for-profit education, nutritional supplements and security software. We believe that because we purchased these companies at low valuations their share prices will, over time, come to reflect the rapid growth in earnings that we foresee.

---

<sup>1</sup> 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 are removed from the composite after the last full calendar month of management. 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 and may have more or less volatility and risk than an investment in the S&P 500.

Our assets under management continues to grow, both organically and through referrals, and we are pleased to welcome a number of new clients to Integre this quarter. In order to meet the needs of the larger institution into which we are evolving, we continue to strengthen our capabilities. Most recently, we hired Ron Corwin as Senior Adviser, Business Development. Coming to us with more than thirty years of experience as a senior level manager at institutions like Citigroup, NatWest and The American Stock Exchange, we believe that Ron's expertise will prove invaluable to the firm. As always, please feel free to contact me at any time. With all best wishes for a great spring--

Sincerely,

Emanuel Weintraub  
Managing Director