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Dear Client:

It was a great second year for Integre Advisors. In 2005 our diversified equity composite was up 16.9%, net of fees, outperforming the S&P 500 by 12.0%. Our concentrated equity composite was up 19.9%, net of fees, outperforming the S&P 500 by 15.0%.¹

Our outperformance was a result of investing in companies in an eclectic mix of industries, many of which are not well represented in the S&P 500. Four of these investments – a copier company, a drug distributor, a generic drug manufacturer and a sneaker company – were trading at such deep discounts to their private market value when we bought them that they were ultimately taken over at double digit premiums to our purchase price.

At Integre, even when we are pleased with our results, we are always looking for ways to more effectively uncover attractive risk/rewards. This past year we created two new stock screens which further winnowed our potential pool of investments and, we believe, resulted in a higher percentage of our companies hitting our high price targets than in the past. Given that we invest in, at most, twenty-five stocks at a time, even one additional successful investment can be significant.

¹ 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 and may have more or less volatility and risk than an investment in the S&P 500.

Lately, we have been investing in more defensive industries. The fear of a weakening economy which gave us the opportunity to buy cyclicals at an attractive risk/reward last fall has now been replaced by the fear of missing out on a rally. As traders have been drawn to more aggressive stock ideas that are likely to move up and down quickly in price, we have found better risk/rewards in medical devices, a utility trading at a discount to its liquidation value, and a high-yielding real estate investment trust.

Over the past year there has been interest among the press about our firm and our process. Most recently, we have been featured in the Dow Jones News Service and TheStreet.com. We have enclosed copies of both articles as they provide perspective on our investment process that may be of interest.

As always, we spend our days with our noses buried in government filings and company call transcripts looking for the next great idea. When we do look up, however, we just have to say “wow.” Thanks to your continued support and many referrals, assets under management have grown from \$57 million to \$141 million in the past year. We feel so fortunate that we can do the work we want to do and for clients who make our job a pleasure.

We wish you the best in the New Year and look forward to talking with you soon.

Sincerely,

Emanuel Weintraub, CFA
Managing Director