

July 19, 2006

Dear Client:

In the second quarter the markets retreated due to concerns over slowing economic growth. Our diversified equity composite declined 3.6% net of fees for the second quarter, compared to the S&P 500's 1.4% decrease. Our concentrated equity composite declined 3.2% net of fees.

The S&P 500 is up 2.7% for the first six months of the year. During that period, the diversified index was down 0.1% and concentrated equity composite declined 1%.¹

Our performance this quarter was largely driven not by corporate results but rather by the market's current disdain for uncertainty. The market has been pricing many of our holdings as if worst-case scenarios have already materialized even though, in fact, they have not. We believe that the best way to make money over time is to invest in precisely these sorts of situations, stocks where the outcomes are uncertain, and which therefore trade at highly favorable, asymmetric risk-rewards. Today our portfolio has the highest number of stocks that represent compelling values since the inception of our firm in 2003. In the past such scenarios have presaged periods of strong returns.

This quarter we made five new investments: three in defensive stocks that, despite being defensive, are attractively priced due to company specific concerns, and two in "out-of-favor" technology companies with very attractive financial characteristics. We believe that the value in the defensive stocks - a medical device company, an HMO, and a supermarket chain - will be realized as new policies and new management correct past errors -- product recalls, inappropriate executive compensation practices, and poor merchandising.

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.

As for the out-of-favor technology companies – a PC manufacturer and a software developer – we believe that the market is overlooking the value of their strong free-cash flow and the net-cash positions on their respective balance sheets. In addition, it is our view that the need for the solutions these companies offer, the platform for the most important operating system upgrade in the last five years and digital content for the new high definition television format will trump the economic concerns prevailing in the marketplace.

BusinessWeek recently quoted Integre Advisors in an article about one of our holdings, an independent power provider which we bought when it emerged from bankruptcy last winter. A copy of which is enclosed

In other news we are pleased to announce that on May 5th Jeannie Woo gave birth to Andrew Tai, a beautiful, seven-pound baby boy. We wish her hearty congratulations and look forward to welcoming her back from maternity leave next week.

We wish you a pleasant summer.

Sincerely,

Emanuel Weintraub, CFA
Managing Director