

January 25, 2007

Dear Client:

It was a solid third year for Integre Advisors. In 2006 our diversified equity composite rose 9.8%, net of fees, as compared to the S&P 500's 15.8% return. Our concentrated equity composite was up 11.6%, net of fees.¹

While we like to outperform the S&P 500 every year, we are proud to report that since the inception of our firm three years ago, our diversified equity composite has risen 48.8%, net of fees, outperforming the S&P 500 by 14.1%. Our concentrated equity composite, which we created in April 2004, has outperformed by an even greater margin. Over the past thirty three months, it has risen 49.8%, outperforming the S&P 500 by 17.5%.

In 2006 our performance was driven by investments in quirky companies disliked by most of Wall Street: a formerly bankrupt provider of all-you-can-talk cell phone service; an independent power producer that locked in its fuel costs at too high a rate; a manufacturer of high-end viscoelastic mattresses that was facing the threat of generic competition; and a printer manufacturer that had substantially lowered its long-term revenue and margin guidance. While the market valued each of these companies as if their problems were permanent, the problems were actually of short duration and in a few cases, more perception than reality.

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.

Recently we found two investment opportunities with a higher potential return than we typically encounter: a manufacturer of medical pumps and generic injectible drugs, and a car-rental company spun out of a conglomerate. When we bought the medical device company, it had missed analysts' expectations for the year and dropped thirty percent in value; nonetheless, it serves an economically insensitive area of the economy, trades at a discount to its industry and has already taken a number of steps to get earnings back on track. The car-rental company's main problem is the rising cost of cars; however, the stock trades very cheaply based on mid-cycle margins, and since the industry has begun shrinking its rental fleets in response to the price hikes, we believe supply/demand is now tipping back in its favor. Given the unusual economics of these investments, we have overweighted them in your portfolio, taking, in effect, a double position in each.

When I started this firm in the fall of 2003, I had one employee, \$20 million in assets under management and a vision of creating an organization dedicated to stock picking. Three years later, this vision is a reality: we are now a team of seven with \$178 million in assets under management. Due to this increase in our revenue base, we can now incorporate an additional hurdle rate into our fee structure. Going forward not only will we have to outperform the S&P 500 to charge incentive fees, but we must earn a positive absolute return as well.

As our firm grows, Integre's profile on Wall Street grows along with it. Over the past year we have been featured often in the media. Most recently, Integre was quoted in an article about our all-you-can-talk cell phone provider in the "Heard On the Street" column in the Wall Street Journal. We have included the article with this packet.

As always, we look forward to getting together for our annual review. We thank you for your support and wish you a healthy and prosperous new year.

Sincerely,

Emanuel Weintraub, CFA
Managing Director