

October 4, 2007

Dear Client:

It was a volatile third quarter as defaults in securities backed by sub-prime mortgages caused a sharp reduction in the availability of credit. This decreased availability of mortgages further weakened the already faltering housing market, turning a Wall Street crisis into a Main Street crisis. Ultimately the Federal Reserve responded with a 50 basis point cut which pleased the equity markets, but stoked inflationary fears causing both bonds and the dollar to fall.

For the third quarter, the S&P 500 rose 2.1% and is now up 9.2% for the year. Our diversified equity composite decreased 5.83%, net of fees, for the quarter; it is now up 2.46% for the year.<sup>1</sup> Our concentrated equity composite declined 6.7%, net of fees, for the quarter; it is now up 3.2% for the year.

The current economic slowdown has been atypical in that, so far, it has affected the U.S. more than its trading partners. As a result, our portfolio suffered from our exposure to the U.S. economy – an exposure which is greater than that of the multinational corporations that make up the bulk of the S&P 500. Integre's U.S. exposure is a byproduct of our tendency to invest in young companies which, while they may have a relatively small percentage of overseas sales, have a greater potential for growth and, we believe, the possibility of being taken over at a premium. Historically these benefits have far outweighed the negatives.

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<sup>1</sup> Performance figures are un-audited. 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.

This quarter, as institutions indiscriminately dumped their holdings in the financial sector, we were buyers. Specifically, we added to our positions in financial processors and, in addition, increased our position in one of the United States' largest money center banks. We believe that financial companies which do not make loans are fundamentally growth businesses with good recurring revenue streams; buying them at these reduced prices, we believe, only makes them more attractive. As for the money center bank, it has a diverse international asset base and a break-up value well in excess of its current price; we believe its recent share price decline makes it an attractive investment in an uncertain environment.

With the U.S. economy weak at the same time that the global economy is strong, it is difficult to predict what the markets will do. Given that, we have increased our holdings, in cash, large capitalization stocks and economically insensitive industries. As a result, we believe, we are now well positioned in the event that U.S. weakness slows down the rest of the world, or whether the 6.3 billion consumers outside of the United States pull our economy out of its rough patch.

With all best wishes for a wonderful fall --

Sincerely,

Emanuel Weintraub, CFA  
Managing Director