

July 9, 2008

Dear Client:

In a difficult market environment it was a good solid second quarter for Integre Advisors. Rising oil prices and declining home prices sent the S&P 500 down 2.7%, while our diversified composite declined by a relatively modest 0.5% and our concentrated portfolio generated a positive return of 4.1%.

Although our first quarter was challenging, our recent portfolio adjustments shielded us from the sell-off in financials and consumer cyclicals while at the same time enabling us to participate in the rise in oil prices. As a result, our six months' performance has now surpassed that of the market. For the first six months of the year the market is down 11.9%; Integre's diversified portfolio is down 10.7% and our concentrated portfolio is down 10.0%¹

During the second quarter we continued to position the portfolio defensively. We bought companies in the economically insensitive medical technology sector; manufacturers of small-ticket items like food and beverages; and businesses that are uncorrelated to the US economy including a Canadian oil sands processor and a Chinese internet game manufacturer.

¹ Preliminary 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.

While recent economic news has not been good, we believe it is important to take the long view. The past twenty years have included quite a number of financial debacles: the 1987 crash, the S&L crisis, the first Iraqi war, the Asian currency crisis, the Nasdaq meltdown and the second Iraqi war. And yet during that twenty year period, the S&P 500 managed to generate a total return of more than 600%. Recently, we have been able to buy many of our holdings at 10 times forward earnings, the same valuation at which we bought many companies in 2002, presaging Integre's 2003 return of 34.5%.

On the corporate front, we are delighted to announce the addition of two of our former colleagues from Neuberger Berman, portfolio managers Dan McCarthy and Nels Wangenstein, who bring with them \$150 million in assets and a combined 60 years of investment experience. While they will not be involved in the management of your portfolios, their presence enables us to deepen our operational bench and broaden our network of research contacts. Integre's assets under management now exceeds \$330 million.

With all best wishes for a great summer.

Sincerely,

Emanuel Weintraub, CFA
Managing Director