

KALO CAPITAL MANAGEMENT, LP

January 7, 2014

Monthly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the month ended December 31, 2013, the Kalo Capital Management, LP fund gained approximately 3.4% on a gross basis (+2.7% net), versus a gain of 1.9% for the Russell 2000.

Historical Performance - Emerging Growth with Reduced Volatility

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2013	Gross	2.3%	2.7%	1.7%	1.3%	4.4%	3.1%	4.0%	1.1%	2.0%	1.8%	1.5%	3.4%	33.5%	44.0%
	Net	2.2%	2.4%	1.3%	1.0%	3.5%	2.5%	3.2%	0.8%	1.6%	1.4%	1.2%	2.7%	26.2%	29.6%
	Russ2000	6.2%	1.0%	4.4%	-0.4%	3.9%	-0.7%	6.9%	-3.3%	6.2%	2.5%	3.9%	1.8%	37.0%	67.7%
	S&P500	5.0%	1.1%	3.6%	1.8%	2.1%	-1.5%	4.9%	-3.1%	3.0%	4.5%	2.8%	2.4%	29.6%	58.6%
	EEM	-0.3%	-2.3%	-1.0%	1.2%	-4.8%	-5.3%	1.3%	-2.5%	7.2%	4.2%	-0.3%	-0.4%	-3.6%	-3.2%
	Russ Micro	6.0%	0.5%	5.4%	-0.1%	4.6%	0.7%	7.5%	-2.9%	6.8%	1.7%	6.1%	2.1%	45.2%	81.2%
	Alpha	-0.8%	2.1%	-0.8%	1.8%	2.3%	3.4%	0.9%	2.6%	-0.2%	1.1%	-0.5%	2.5%	15.5%	17.9%
	Beta (vs.R2000)	3.2%	0.5%	2.5%	-0.6%	2.0%	-0.3%	3.0%	-1.5%	2.2%	0.6%	2.0%	0.9%	15.5%	22.8%
	Net Exp	54%	56%	55%	53%	48%	34%	52%	46%	36%	39%	52%	53%	48%	42%
	Gross Long	80%	86%	79%	70%	67%	55%	65%	65%	53%	53%	68%	70%	68%	66%

The Fund gained approximately 460 bps from long positions and lost 120 bps from short exposed positions. Gains were led by Monster Worldwide (MWW), LivePerson (LPSN), and Quicklogic (QUIK). MWW and LPSN both represent names that had been fundamentally disappointing through most of 2013, but both appear to be improving fundamentally, while their valuations were low. The Fund believes that these situations create opportunity for significant gains when the market mentality shifts from negative to positive.

Losses were led by short positions, in particular one small cap wireless hardware company that is growing but the Fund believes is quite overvalued. Unfortunately it has continued to run up, albeit on no public news. The Fund is still short. The Fund did not suffer material losses from any long positions in the month.... but RealD (RLD) is an example of a long that had minor losses. RLD had a strong move in the prior month, and simply settled down a bit during December. The Fund is still long and we are hopeful that RLD will have a strong 2014.

As can be seen on the chart below, the Fund's longs and shorts were both more volatile than the Russell 2000. The Fund kept the overall short exposure relatively low during the month, which helped reduce the pain from the short side.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	459	70%	6.5%
Shorts	(117)	-17%	6.8%
Russell 2000			1.9%

Portfolio Exposure Control

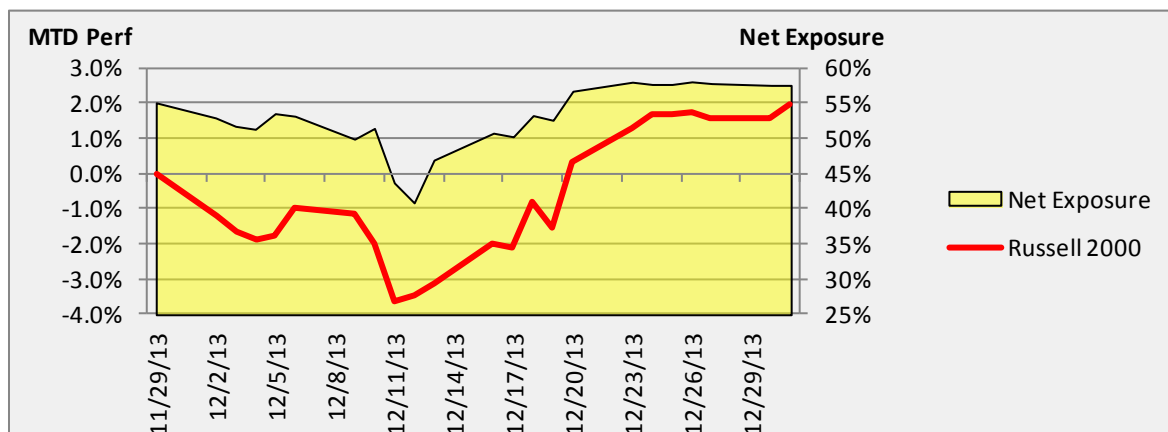
We would like to highlight one of the methods the Fund utilizes to try to protect downside in the portfolio. At times, the Fund will rein in both net and gross exposure when the stock market starts to slide, in an effort to protect the downside risk if the slide continues. This methodology has been very helpful in prolonged downturns, such as in 2008. However, more often than not, these downturns are short and the market rebounds. In such situations, the result of reining in the portfolio exposure is simply lower performance (since the exposure level is lower when the

KALO CAPITAL MANAGEMENT, LP

market first begins to rebound). Protecting the downside, while still capturing most of the upside when markets rebound, is the goal of this portfolio control.

It is important for investors to recognize that simply looking at monthly numbers will often not give them the visibility to see this portfolio manipulation, if the market bounces back intra-month. December proved to be an excellent example of this. In the first eleven days of December, the Russell 2000 fell 3.6% (the Fund was down 1.4%). While the Fund began the month with an adjusted net exposure of 55%, it was reduced to 41% by December 12. Had the market continued its downturn, this exposure reduction would have been quite helpful (and the Fund likely would have continued to reduce exposure). As it turned out, the market rebounded and ended up gaining more than 5% for the rest of the month. Importantly though, exposure was quickly added back to the Fund once we felt comfortable that the downturn was a short one, and believed the market would fully recover. By December 15, the Fund was back to 51% net exposure, and by the 20th it was up to 57% net exposure. This increase to exposure allowed the Fund to better capture the upturn in the market (Kalo was up 4.5% since December 11).

Had exposure never been reduced, performance likely would have been better this month....however the downside risk protection the exposure control brings is an integral part of the portfolio management process.



Macro Commentary

December did have a typical Santa Claus rally, as mentioned that we anticipated in last month's report. However, the weakness in the first two weeks of the month was not anticipated.

As we move in to 2014, we are optimistic that the market will continue to move higher. The economy continues to slowly improve, a view we have had for several months now. We feel that this improving economy may begin to gather momentum, as confidence brings more confidence, and leads to more economic growth. The strong stock market and rebounding housing market certainly contribute to this impact. Meanwhile, the concerns about Iran and the Congressional Budget seem a distant memory. We are concerned about the heightened valuation levels of the stock market, but do see many individual stocks that we believe are not expensive (the challenge comes in shorting the 'expensive' stocks, as they continue to march higher). We also expect new capital fund flows into the equity markets after the strong 2013 just experienced, which we expect to help January be a strong month. While expecting 2014 to be good year for the stock market, we do expect a pullback in the February/March time period.

KALO CAPITAL MANAGEMENT, LP

How Macro Effects the Portfolio

The Fund entered 2014 with slightly above average exposure levels, but anticipate reducing these later in the month.

Please feel free to call to discuss anything. we appreciate your continued support.

Sincerely,



Steven D. Friedman, CFA
Founder and Chief Investment Officer

Please note that Kalo's expectations and strategy can change regularly and the views expressed here may change.

KALO CAPITAL MANAGEMENT, LP

Historical Performance -Emerging Growth with Reduced Volatility

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2010	Gross Net										2.0%	1.7%	4.6%	8.5%	8.5%
											1.5%	1.3%	3.6%	6.5%	6.5%
	Russ2000										1.4%	3.4%	7.8%	12.9%	12.9%
	S&P500										1.6%	-0.2%	6.5%	7.9%	7.9%
	EEM										-0.2%	-2.9%	7.3%	3.9%	3.9%
	Russ Micro										2.2%	3.5%	9.5%	15.8%	15.8%
	Alpha										1.8%	-0.3%	1.3%	2.8%	2.8%
Beta (vs.R2000)										0.2%	2.0%	3.3%	5.5%	5.5%	
Net Exp										41%	57%	45%	48%	48%	
Gross Long										47%	71%	68%	62%	62%	
2011	Gross Net	0.8%	0.3%	0.7%	1.2%	-2.4%	-0.1%	-1.6%	-2.6%	-4.9%	2.3%	-2.1%	-0.8%	-9.1%	-1.4%
		0.5%	0.2%	0.4%	0.8%	-2.1%	-0.2%	-1.7%	-2.7%	-5.1%	2.1%	-2.2%	-1.0%	-10.5%	-4.7%
	Russ2000	-0.3%	5.4%	2.4%	2.6%	-2.0%	-2.5%	-3.7%	-8.8%	-11.4%	15.0%	-0.5%	0.5%	-5.5%	6.8%
	S&P500	2.3%	3.2%	-0.1%	2.8%	-1.4%	-1.8%	-2.1%	-5.7%	-7.2%	10.8%	-0.5%	0.9%	0.0%	7.9%
	EEM	-3.8%	0.0%	6.3%	2.7%	-3.0%	-0.9%	-1.0%	-9.3%	-17.9%	16.3%	-2.0%	-4.3%	-18.8%	-15.6%
	Russ Micro	-1.8%	5.4%	2.6%	1.6%	-2.1%	-3.1%	-2.7%	-10.6%	-11.2%	13.7%	-1.1%	1.4%	-9.8%	4.4%
	Alpha	1.0%	-1.4%	-0.1%	0.1%	-1.4%	1.1%	-0.4%	0.1%	-1.0%	-0.4%	-0.9%	-0.9%	-4.2%	-1.5%
Beta (vs.R2000)	-0.2%	1.8%	0.8%	1.0%	-1.0%	-1.1%	-1.0%	-2.6%	-3.9%	2.7%	-1.2%	0.1%	-4.8%	0.5%	
Net Exp	40%	39%	39%	40%	38%	31%	35%	28%	30%	29%	27%	32%	34%	37%	
Gross Long	68%	65%	71%	75%	74%	71%	67%	63%	66%	60%	55%	55%	66%	65%	
2012	Gross Net	5.3%	2.3%	0.8%	-2.5%	-2.8%	3.7%	-1.9%	3.6%	-0.2%	0.2%	0.4%	0.5%	9.4%	7.9%
		5.1%	2.2%	0.7%	-2.6%	-3.0%	3.6%	-2.0%	3.5%	-0.3%	0.1%	0.3%	0.4%	7.7%	2.7%
	Russ2000	7.0%	2.3%	2.4%	-1.6%	-6.7%	4.8%	-1.4%	3.2%	3.1%	-2.2%	0.4%	3.3%	14.6%	22.4%
	S&P500	4.4%	4.1%	3.1%	-0.7%	-6.3%	4.0%	1.3%	2.0%	2.4%	-2.0%	0.3%	0.7%	13.4%	22.4%
	EEM	11.0%	5.3%	-3.1%	-1.7%	-10.7%	5.0%	0.0%	0.4%	5.2%	-0.4%	1.6%	6.8%	19.0%	0.5%
	Russ Micro	8.7%	2.0%	4.1%	-1.7%	-6.6%	6.4%	-1.8%	2.7%	5.1%	-3.5%	0.2%	3.3%	19.5%	24.8%
	Alpha	2.5%	1.4%	0.0%	-1.9%	0.1%	2.2%	-1.6%	2.6%	-1.5%	1.4%	-0.3%	-1.2%	3.6%	2.1%
Beta (vs.R2000)	2.7%	0.9%	0.8%	-0.5%	-2.9%	1.4%	-0.3%	1.1%	1.3%	-1.1%	0.7%	1.7%	5.9%	6.3%	
Net Exp	44%	43%	40%	37%	39%	36%	35%	39%	43%	41%	45%	53%	41%	39%	
Gross Long	68%	71%	64%	55%	55%	57%	55%	59%	68%	72%	75%	83%	65%	65%	
2013	Gross Net	2.3%	2.7%	1.7%	1.3%	4.4%	3.1%	4.0%	1.1%	2.0%	1.8%	1.5%	3.4%	33.5%	44.0%
		2.2%	2.4%	1.3%	1.0%	3.5%	2.5%	3.2%	0.8%	1.6%	1.4%	1.2%	2.7%	26.2%	29.6%
	Russ2000	6.2%	1.0%	4.4%	-0.4%	3.9%	-0.7%	6.9%	-3.3%	6.2%	2.5%	3.9%	1.8%	37.0%	67.7%
	S&P500	5.0%	1.1%	3.6%	1.8%	2.1%	-1.5%	4.9%	-3.1%	3.0%	4.5%	2.8%	2.4%	29.6%	58.6%
	EEM	-0.3%	-2.3%	-1.0%	1.2%	-4.8%	-5.3%	1.3%	-2.5%	7.2%	4.2%	-0.3%	-0.4%	-3.6%	-3.2%
	Russ Micro	6.0%	0.5%	5.4%	-0.1%	4.6%	0.7%	7.5%	-2.9%	6.8%	1.7%	6.1%	2.1%	45.2%	81.2%
	Alpha	-0.8%	2.1%	-0.8%	1.8%	2.3%	3.4%	0.9%	2.6%	-0.2%	1.1%	-0.5%	2.5%	15.5%	17.9%
Beta (vs.R2000)	3.2%	0.5%	2.5%	-0.6%	2.0%	-0.3%	3.0%	-1.5%	2.2%	0.6%	2.0%	0.9%	15.5%	22.8%	
Net Exp	54%	56%	55%	53%	48%	34%	52%	46%	36%	39%	52%	53%	48%	42%	
Gross Long	80%	86%	79%	70%	67%	55%	65%	65%	53%	53%	68%	70%	68%	66%	

* Performance and other quantified metrics shown here are for the EGRV (Emerging Growth with Reduced Volatility) Strategy. Performance metrics start on October 11, 2010, when Kalo Capital Management, LLC started to manage assets for a separately managed account referred to as "the tracking managed account", where Net assumes a 1.5% management fee and 20% performance fee. Performance numbers represent the tracking managed account until March 1, 2011, when the Kalo Capital Management, LP fund was launched. 'Gross' represents the gross performance before management and performance fees, but after expensing audit and administrator fees for the hedge fund. 'Net' represents performance net of a 1.5% management fee and 20% performance fee. 'Net Exp' and 'Gross Exp' represent the average net and gross exposure over the time period, where inverse ETFs are calculated as short exposure and any ultra ETFs are adjusted to reflect the multiple of its exposure. 'Russ2000' represents the Russell 2000 index. 'EEM' is the MSCI Emerging Markets Index Fund. 'Russ Micro' is the IWC - Russell Microcap Index. 'Alpha' and 'Beta' represent the portion of monthly returns generated by net exposure to the market based on the Russell 2000 (beta), and the additional alpha return.

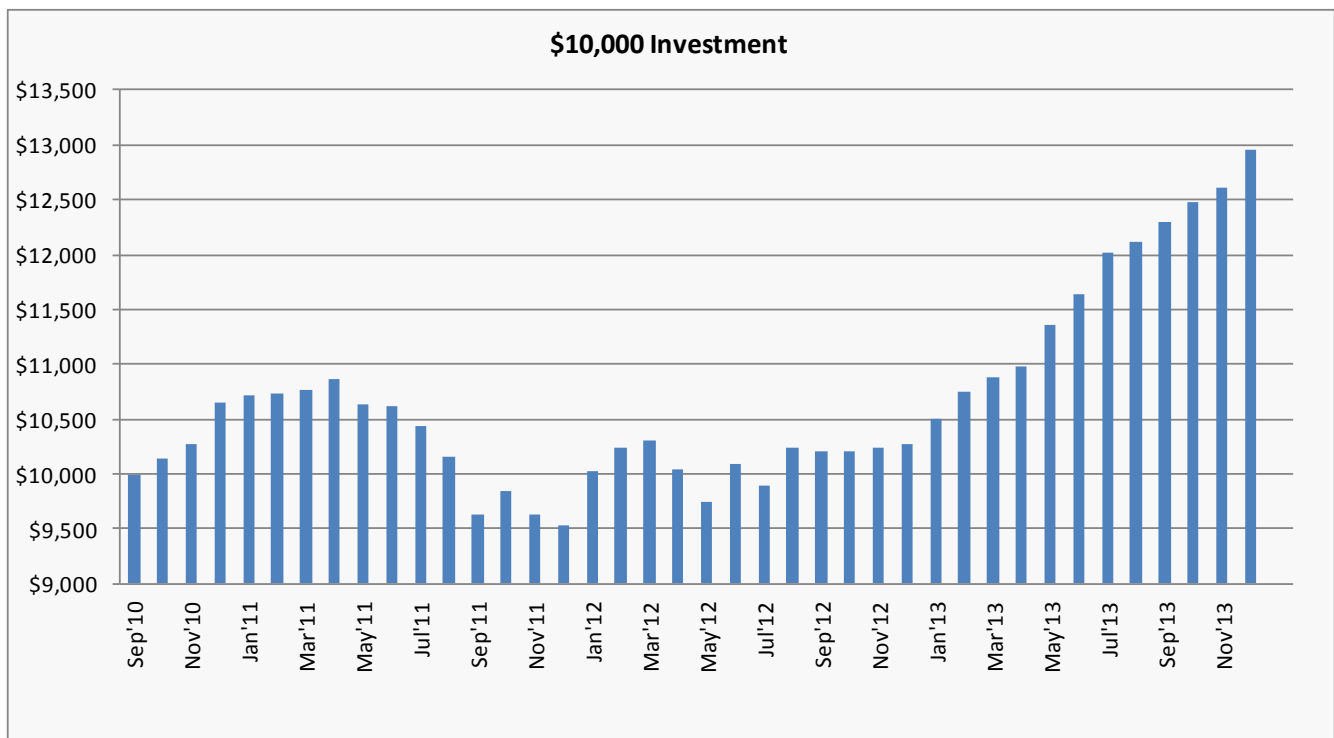
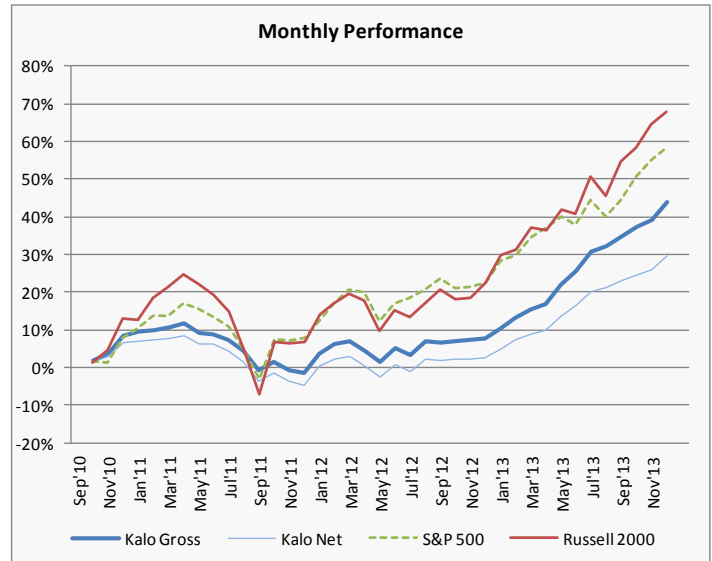
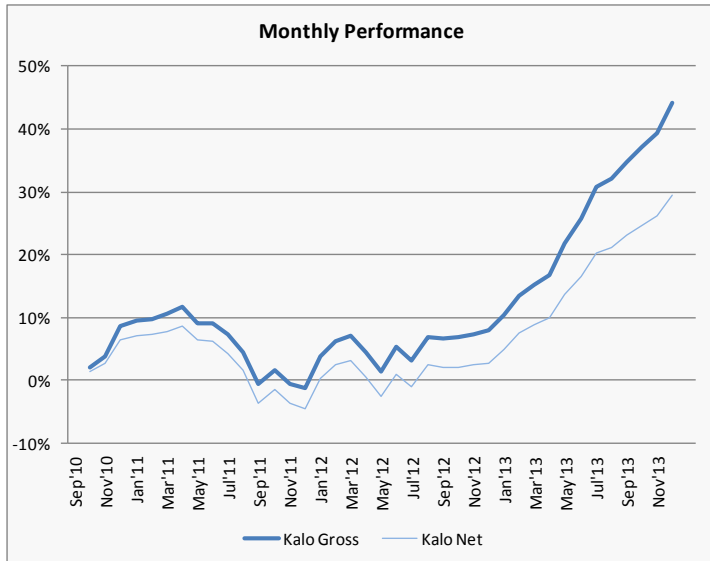
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Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$4.4
Separately Managed Accounts (EGRV)	\$4.3
Total AUM EGRV Strategy	\$8.7

Note: Kalo Capital Management, LLC also manages separately managed accounts using a Global Growth Strategy and a Trading Strategy. These strategies sometimes invest in the same positions as those held by EGRV strategy (Emerging Growth with Reduced Volatility) used by the Kalo Capital Management, LP fund. The Fund utilizes several methods to ensure all accounts are treated equally.

Historical Performance - Emerging Growth with Reduced Volatility



KALO CAPITAL MANAGEMENT, LP

OVERVIEW OF KALO CAPITAL MANAGEMENT

Background

Steven Friedman is the founder and Chief Investment Officer of Kalo Capital Management, LLC ("Kalo"), and manages a long/short equity strategy focused on emerging growth opportunities. Kalo manages the Kalo Capital Management, LP fund ("The Fund"), as well as separately managed accounts.

Strategy

The Fund utilizes an Emerging Growth with Reduced Volatility ("EGRV") strategy, developed by the Chief Investment Officer over the last decade. The EGRV strategy primarily focuses investments on US listed emerging growth companies characterized by large open-ended growth opportunities, disruptive technologies, disruptive business models, or changing industry dynamics. These investments may occur in any sector but are commonly in the following sectors: internet, technology, media, telecom, alternative energy, medical devices, and manufacturing. In addition, the Fund will opportunistically trade these and/or other stocks long and short that it believes are temporarily undervalued or overvalued. This trading overlay is intended to create additional alpha performance and help smooth returns. The Fund reduces portfolio volatility through a variety of means including: i) adhering to many investment criteria for positions to limit downside risk on an investment-specific and portfolio basis; and ii) combining the emerging growth investments with other less correlated long and short positions.

The Fund believes there is more potential for consistent, outsized returns in long positions over time as companies grow. Thus, the Fund favors having a net long exposure. However, the Fund also looks to hedge these long positions with index and company-specific short exposed positions to create additional alpha, smooth returns and limit drawdowns. This risk control enables the Portfolio Manager to take advantage of market contractions.

The majority of the Fund's positions will be in equities. Derivatives are used opportunistically in order to: make an investment with extremely high volatility, create a hedge to a specific position or portion of the portfolio, or to gain additional exposure to an idea.

Investment Philosophy

The Fund's objective is to produce relatively low volatility returns with consistent alpha primarily by identifying emerging growth opportunities that are fundamentally mispriced by the market. Throughout many industries, companies bring products/services to the market that have the opportunity for extremely fast-paced growth. Many of these opportunities are caused by the introduction of disruptive technologies, disruptive business models, and changing industry dynamics. When these transforming events occur, the Fund believes well managed companies positioned properly can achieve superior growth and offer the opportunity for attractive stock returns.

The Portfolio Manager believes that the market often misprices these emerging growth stories. This provides the Fund the opportunity to build positions when it believes that the general market is not appropriately valuing the stock. This opportunity is often caused by the following:

- **The market broadly values companies on near term results, disregarding longer term results.** The market focuses on valuation multiples looking out 1-2 years, initially disregarding the following years. However, many of these opportunities see accelerating EPS growth 2-4 years out, driven by operating leverage and economies of scale, which

KALO CAPITAL MANAGEMENT, LP

the market overlooks. By establishing an investment before the market focuses on these outer years, I believe that the Fund may earn consistent alpha .

- **The investor community often develops unrealistic financial expectations.** These inflated expectations can be caused by a lack of industry understanding, irrational exuberance, and management hype. This creates opportunities for short sale investments.
- **Sell-side analysts often don't recognize or acknowledge the sales growth and/or leverage impact that can occur during certain inflection points.** The Fund believes that sell-side analysts will generally only be comfortable forecasting a certain amount of fundamental growth, even when evidence points to more significant growth, in order to not be recognized as overly bullish. This situation often leads to companies significantly exceeding earnings expectations, despite the stock being known by the investment community.
- **The broader market often over-reacts to positive or negative events.** These over-reactions cause dramatic stock price movements, which may create opportunities with relatively low downside risk when a stock is overly depressed as well as short opportunities when a stock is inflated.
- **Many emerging growth companies are not well known by the broader market.** Many emerging growth companies are under followed by sell-side analysts, and thus are either unknown or not well understood by the investor community. Discovering these companies before the general market creates the opportunity to make an investment while it is undervalued.

The Fund believes that traditionally investments focused in this space have been characterized by attractive returns accompanied by very high volatility. The Portfolio Manager believes it is possible to capture most of these inherent returns with reduced volatility by using a balanced, diversified, and hedged portfolio approach, supported by rigorous fundamental and stock technical analysis. The Fund will also utilize options to control downside risk. The Fund targets absolute performance with low drawdowns, but expects better absolute performance in up or flat markets, than in down markets.

Investments

Fundamental Longs and Calls: Emerging Growth Opportunities

The Fund believes emerging companies with good business models create an excellent investment vehicle for outsized returns. The future earnings power of companies with certain key characteristics are often under-appreciated, creating the investment opportunity. The key characteristics the Fund looks for include:

- Large open-ended growth opportunity
- Markets with low, but growing penetration
- Demonstrated traction with their customer base
- Leading market share
- Significant barriers to entry
- Profitable business model with significant operating leverage
- Recurring revenues
- Sufficient capital
- Potential for above average returns based on future market multiples, combined with limited downside risk
- Good technical trading pattern

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Fundamental Shorts and Puts: Deteriorating or Flawed Fundamentals

The Fund primarily looks for two types of fundamental bearish positions: i) emerging growth companies that the Portfolio Manager feels are fundamentally flawed and likely to decline; and ii) companies impacted by industry changes such as increasing competition or shifting demand; . As industries change, many companies' products/services become inferior to ramping new technologies. When this momentum occurs, these companies often face significant challenges and suffer from dramatic reductions to their earnings power. The Fund looks to short these names when the investment community does not fully realize this market shift is occurring, or how significantly it may hurt the earnings power of the company.

Trading Opportunities

The Fund identifies and invests in opportunistic trading opportunities. Positions are typically made in equities, where a positive catalyst is expected, or it can benefit from the following two philosophies: 1) purchasing stocks that are in the early stages of a larger move upward, driven by fundamental good news, or 2) purchasing stocks that have been excessively sold off after disappointment or bad news where the Fund expects some of the losses to be recovered. This same strategy is used for shorting stocks, under the opposite circumstances. The Fund strongly consider the fundamental and technical downside risk to positions, the liquidity, and sizes positions accordingly in order to limit potential losses. The Fund generally avoid holding positions entering a quarterly earnings report when significant bad news can hit the stock and not provide an opportunity to exit a position before making a significant move, unless the stock is at strong support levels and large losses are highly unlikely. The Fund will also look to exit individual positions that are causing losses, in order to limit our losses in any one name. These opportunistic investments tend to be of shorter duration than the fundamental emerging growth positions and occur on both the long and short side.

Hedges

The Fund often hedges long positions with index and company specific short exposed positions, in order to limit drawdowns when the stock market contracts. A portion of these hedges typically consist of index ETFs.

Risk Management

The Fund uses a variety of methods to control risk. On an individual stock basis, the Fund sets a maximum position size, with lower limits for stocks that are more volatile and less liquid. The Fund will also utilize options to enter positions in cases of extreme short term volatility. The Fund utilizes soft stop loss controls to limit losses from money losing positions.

In addition to controlling risk on an individual stock basis, the Portfolio Manager further reduces volatility and downside risk through diversification and by running a balanced portfolio. The portfolio maintains a balance by spreading exposure across a wide breadth of geographies, industries, valuation levels, beta levels, and risk levels. The Portfolio Manager will also limit the Fund's aggregate exposure to investments that are more speculative and could have significant downside risks.

The Fund utilizes a variety of risk analyses created internally and in conjunction with the Prime Broker, and regularly monitors exposure levels in order to ensure portfolio downside risk stays at controlled levels.

KALO CAPITAL MANAGEMENT, LP

Steven D. Friedman, CFA Background

Steven D. Friedman is the founder and Chief Investment Officer of Kalo Capital Management, LLC and Kalo Capital Management, LP. Prior to founding Kalo in 2010, he spent ten years in the hedge fund industry as a Portfolio Manager and Senior Analyst, focused on the Emerging Growth space. Mr. Friedman was Portfolio Manager at Manalapan Oracle Advisers (2009-2010), Proprietary Trader at Madoff Securities (Aug-Dec 2008), Portfolio Manager at Pequot Capital Management within the Emerging Manager program (2006-2008), senior analyst at Feirstein Capital Management (2001-2006), and financial analyst at Lazard Frères & Co. (1996-1998). Steven is also an executive with Potomac Partners, LP, a family fund of funds within his family, and with ABF Enterprises Inc., the general partner of that fund of funds. Mr. Friedman earned a BBA from the University of Michigan (1996) and a MBA from Columbia Business School (2001). Steven has also been a CFA Charterholder since 2005 and is a Registered Investment Adviser in New Jersey.

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Performance and other quantified metrics shown here are estimates. Actual investor returns will differ. Past performance is not necessarily indicative of future results.

Any Fund or investment involves risk. Potential investors must familiarize themselves with the offering materials related to such investment and must meet certain investment sophistication levels in order to make such investments and must be able to fully absorb the risk associated with such investments. The Offering Memorandum for the Fund and related Subscription Agreement and Limited Partnership Agreement will be made available to those who demonstrate the capacity to evaluate the risks and merits of this investment.

The past performance of any Fund or investment discussed herein is no indication of future results that may be achieved by an investment in the Fund. The Benchmark indices presented in these materials may or may not hold substantially similar securities to those held by the funds referred to herein, and thus, little correlation may exist between the Funds' historic return and those such indices and there is no guarantee that any correlation which may have existed will continue to do so in the future.

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