

KALO CAPITAL MANAGEMENT, LP

June 6, 2014

Monthly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the month ended May 31, 2014, the Kalo Capital Management, LP fund gained approximately 1.2% net, versus a gain of 0.7% for the Russell 2000.

Historical Performance-Emerging Growth with Reduced Volatility (full performance on following pages)

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2014	Net Perf	2.0%	5.0%	1.7%	-1.4%	1.2%								8.8%	41.0%
	Russ2000	-2.8%	4.6%	-0.8%	-3.9%	0.7%								-2.5%	63.5%
	S&P500	-3.6%	4.3%	0.7%	0.6%	2.1%								4.1%	65.1%
	Alpha	4.1%	4.3%	2.5%	0.2%	1.9%								13.2%	30.0%
	Beta (vs.R2000)	-1.4%	1.9%	-0.3%	-1.8%	-0.3%								-1.7%	19.4%
	Net Exp	46%	44%	37%	42%	42%								42%	42%
	Gross Long	67%	73%	66%	61%	71%								68%	66%

Gain / Loss Breakdown

The Fund gained approximately 175 gross bps from long positions and lost 8 gross bps from short exposed positions. Gains were led by a short on a company that offers services for life sciences companies. We entered our short position because we felt the stock was overvalued and was showing signs of slowing down (we have since reduced our position). We also generated significant gains from PNI Digital Media, a microcap stock we've owned for quite some time that offers services in drug stores for online photos. The company announced they were being acquired by Staples during the month, at a premium of roughly 25% above its prior stock price. Losses were led by bearish hedges on the market (both the volatility index and Russell 2000).

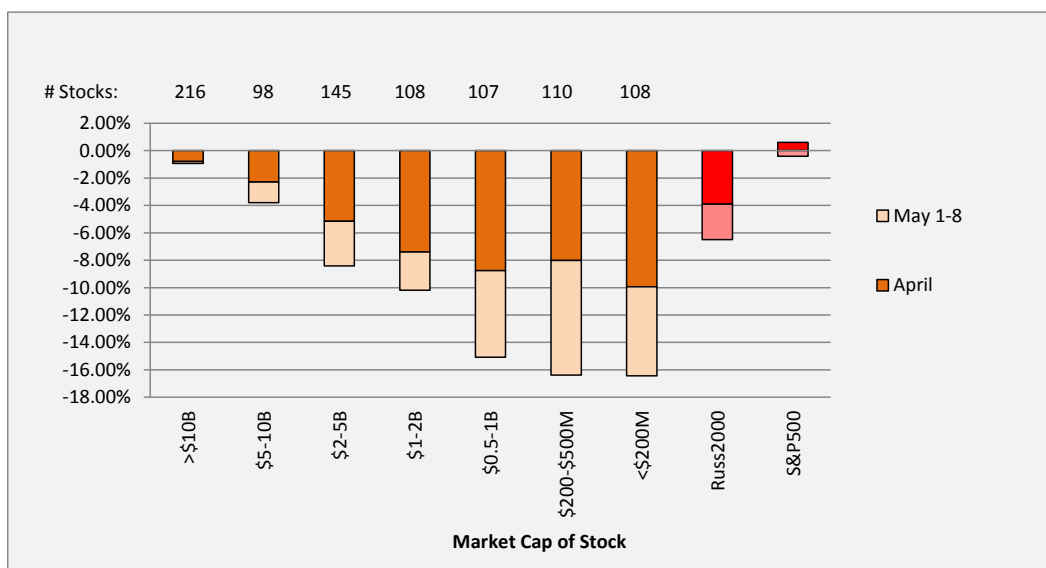
As can be seen on the chart below, the Fund's longs performed better than the Russell 2000, gaining 2.4% on average vs. the Russell's 0.7% rise. And, the shorts performed slightly worse than the Russell 2000, rising only 0.3% on average, contributing to positive alpha in the month. This combination resulted in 1.9% of total gross alpha generation during the month.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	174	71%	2.4%
Shorts	(8)	-29%	0.3%
Russell 2000			0.7%

KALO CAPITAL MANAGEMENT, LP

Macro / Market Commentary

Last month we discussed how small cap growth names were falling much more severely than the Russell 2000. This phenomena continued in the first part of May, before stabilizing and bouncing back some in the second half of May. The combined impact from April and early May resulted in significant stock price reductions for many small cap growth stocks, dramatically improving the risk/reward opportunities for many. The chart below breaks out 900 stocks on Kalo's radar screen, over 500 of which are in Kalo's sweet spot of focus with market caps below \$5 billion (names mostly exclude sectors Kalo typically does not invest such as real estate, oil & gas, commodities, and financials). As you can see, when focusing on these smaller cap weighted names, losses were far more severe than the market cap weighted Russell 2000, and continued into the first eight days of May. For example, of the 100 stocks in analysis with market caps ranging from \$200-500 million, performance was down over 16% from April 1 through May 8, while the Russell 2000 was down roughly 6%.



On the political front, we discussed last month that we were very concerned about the Russia/Ukraine situation escalating and significantly hurting the economy and stock market. Since then, our worries have softened as the situation has stabilized, although tensions still remain high. While still a concern, it looks less likely that the situation will intensify further. We will continue to keep a close eye on the situation, particularly if the U.S. and its allies choose to significantly enhance sanctions against Russia.

Looking Ahead - Impact to the Portfolio

While we had reduced our gross long and net exposure levels over April, we have since raised them. This decision was made as i) stocks started to stabilize and stop falling, ii) concern about escalation of the Ukraine/Russia situation softened, iii) seeing a much improved balance in the risk/reward analysis on many stocks in our coverage universe. In fact, now that many stocks have been reset to lower prices, we are growing a bit bullish on the coming months. We are/have gradually increased exposure to long investments in which we have higher conviction, as well as covered short positions that may be due to bounce back up....resulting in gross long and net

KALO CAPITAL MANAGEMENT, LP

exposure levels more typical for the us. As the political situation with Russia improves, we may look to further this movement and bring exposure levels higher than typical.

Please feel free to call to discuss anything. I 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	Net Perf										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%
	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%
Gross Long											47%	71%	68%	62%	62%
2011	Net Perf	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%
	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%	-1.4%
	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%	0.7%
	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	Net Perf	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%
	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%	3.7%	2.3%
	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%	5.8%	6.5%
	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	Net Perf	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%
	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%	14.6%	16.9%
	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%	14.6%	21.1%
	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%	
2014	Net Perf	2.0%	5.0%	1.7%	-1.4%	1.2%								8.8%	41.0%
	Russ2000	-2.8%	4.6%	-0.8%	-3.9%	0.7%								-2.5%	63.5%
	S&P500	-3.6%	4.3%	0.7%	0.6%	2.1%								4.1%	65.1%
	Alpha	4.1%	4.3%	2.5%	0.2%	1.9%								13.2%	30.0%
	Beta (vs.R2000)	-1.4%	1.9%	-0.3%	-1.8%	-0.3%								-1.7%	19.4%
	Net Exp	46%	44%	37%	42%	42%								42%	42%
Gross Long	67%	73%	66%	61%	71%								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. 'Net Perf' represents performance net of a 1.5% management fee and 20% performance fee. 'Net Exp' and 'Gross Long' represent the average net and gross long 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 gross monthly returns generated by net exposure to the market based on the Russell 2000 (beta), and the additional alpha return.

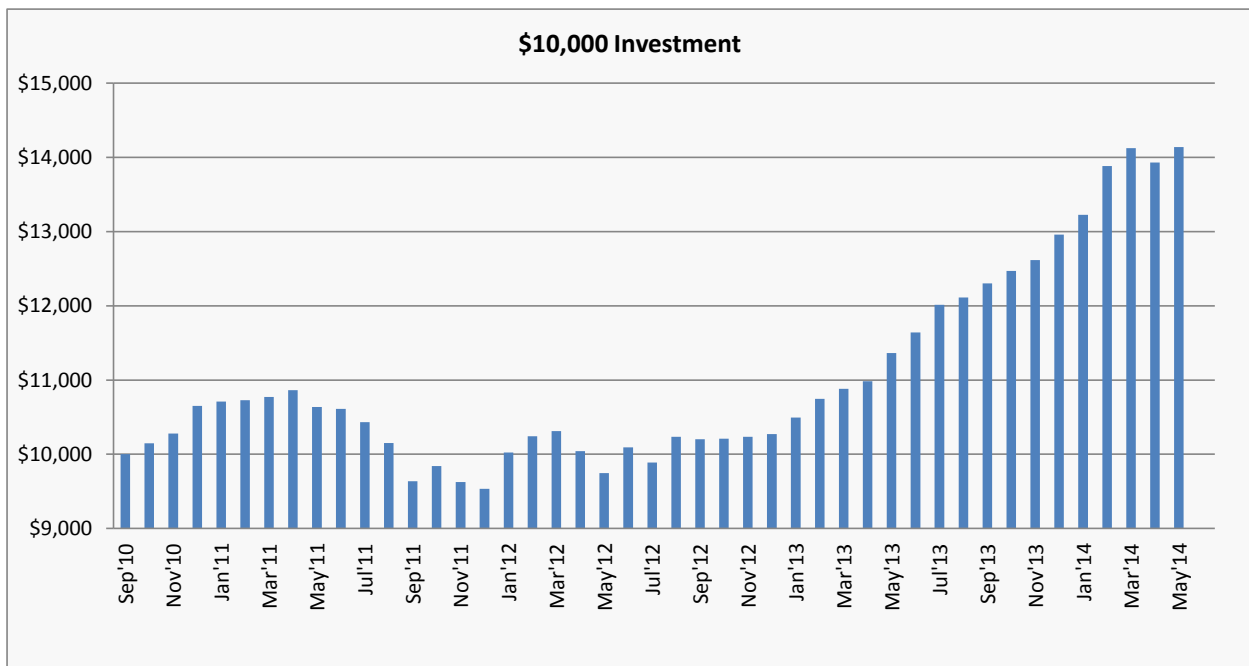
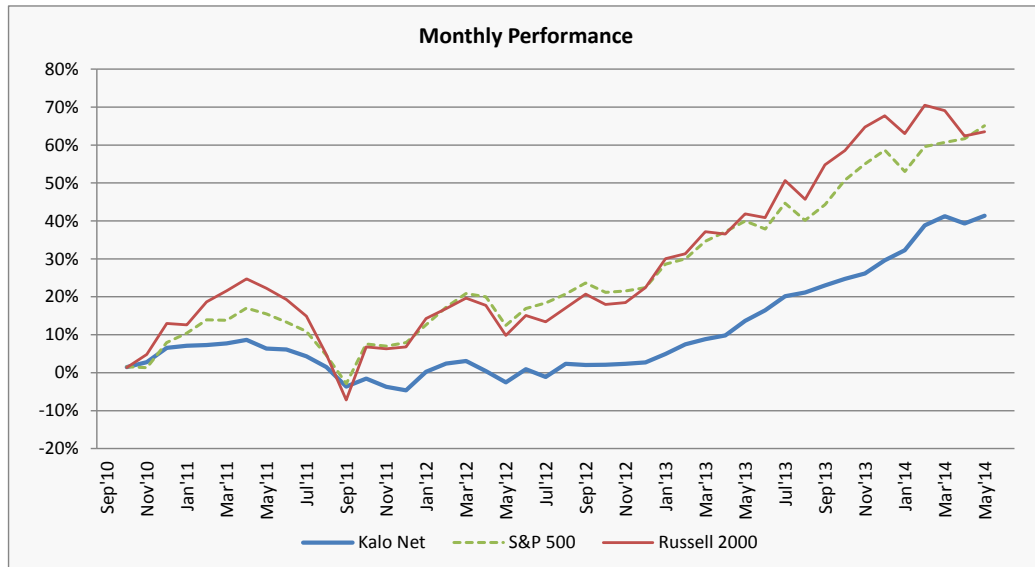
KALO CAPITAL MANAGEMENT, LP

Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$5.0
Separately Managed Accounts (EGRV)	\$4.7
Total AUM EGRV Strategy	\$9.7

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 the

KALO CAPITAL MANAGEMENT, LP

market overlooks. By establishing an investment before the market focuses on these outer years, 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

KALO CAPITAL MANAGEMENT, LP

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 disappointing 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 its positions, the liquidity, and sizes positions accordingly in order to limit potential losses. The Fund generally avoids holding positions entering a quarterly earnings report when significant bad news may hit the stock and not provide an opportunity to exit a position before the stock makes a significant move, unless the Fund believes that 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 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 in order 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), 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.

* The proprietary trading desk at Madoff Securities was part of the Market-Making business at Madoff Securities. Federal prosecutors have stated this was unrelated to Mr. Madoff's fraudulent investment management business. It was later sold in March 2009.

LEGAL DISCLAIMER

This document is intended for information purposes only. It is not an invitation or offer to purchase interests in any Fund. Any representation to the contrary is not permitted.

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.

This document is produced solely for the specified recipient. Furthermore by accepting this information, you agree not to transmit, reproduce or make available to any other person all or any part of this information.