

KALO CAPITAL MANAGEMENT, LP

February 4, 2015

Monthly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the month ended January 31, 2015, the Kalo Capital Management, LP fund lost approximately 5.3% net, versus a loss of 3.3% 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.
2015	Net Perf	-5.3%											-5.3%	32.1%
	Russ2000	-3.3%											-3.3%	68.0%
	S&P500	-3.1%											-3.1%	71.2%
	Alpha	-3.2%											-3.2%	25.8%
	Beta (vs.R2000)	-1.9%											-1.9%	18.6%
	Net Exp	45%											45%	42%
	Gross Long	83%											83%	69%

January Performance Commentary

January was a disappointing month with Kalo showing its worst performance in three years. We feel it's extra important this month to reflect on why our losses were so large. Looking at individual names that had fundamental stock-specific issues, we find only one name that experienced significant losses (Datawatch – DWCH), which contributed roughly 100 bps to the monthly performance.

DWCH is a visual analytics platform for business professionals, with a particular competitive advantage for streaming data. The stock was very much out of favor with the investor community due to disappointing growth even before we invested in it. Since our investment, in January, they preannounced a poor quarterly performance leading the stock to fall to new lows...however, we have maintained our position as the valuation of the stock is extremely low and we still maintain our conviction that the company has a fundamentally compelling product and the company should rebound in the future.

The rest of the negative performance seemed to be driven by general weakness across the small-cap growth sector of the market, in particular stocks that have been out of favor already. We believe much of this may have been driven by investment funds reducing their gross exposure and selling stocks they owned. However, in the case of many of these stocks (particularly with smaller market caps) there was little interest from other funds to buy more or establish positions, causing the losses from those selling to be larger than typical. Kalo frequently makes investments in stocks that are unappreciated and undervalued by the market in our opinion...consequently, we hold several stocks that are undervalued and performed poorly this month due to this phenomena. Of course, this makes these stocks even cheaper and improves the future stock growth opportunity when they come back in favor. As a result, we are still optimistic that Kalo will regain these January losses. However, we are also cognizant of the absolute losses in the short term and have thus taken actions to stem additional losses if this unfavorable market scenario continues.

Specifically, we are taking steps to reduce the number of Trading positions we have. In addition, we are reducing the gross long exposure for our investments. Further, we are purchasing far out-of-the-money put options on market indices to help protect the portfolio if the stock market experiences significant losses. Part of the rationale for these steps is that seeing many of the smaller names experience these significant losses, we are concerned that the broader market could experience similar weakness in the near future. We feel that the indices are being propped up by being the least disliked place to invest money, leading many investment funds to simply

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invest more there, without being focused on valuation and fundamentals. If this approach ends, these stocks could fall significantly.

The stock action in January was also reminiscent of the market sell-off in April 2014. Kalo's relative performance managed much better then as we had reduced our gross long exposure ahead of that time period. We had reduced our exposure levels then as we felt many individual stocks were trading at elevated levels. In contrast, in January 2015 we did not have this view, as many of these small cap names were already at reasonable to undervalued levels.

For the month of January, the Fund lost approximately 585 gross bps from long positions and gained 65 gross bps from short exposed positions. Gains were led by Cyren (CYRN) and index exposed short positions. Losses were led by DataWatch (DWCH) and LivePerson (LPSN). As can be seen on the chart below, the Fund's longs underperformed vs. the Russell 2000, falling 7.0% on average vs. the Russell's 3.3% gain. While, the shorts performed better than the Russell on average, falling 1.7%. This combination resulted in -3.2% of total gross alpha generation during the month.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	(585)	83%	-7.0%
Shorts	65	-38%	-1.7%
Russell 2000			-3.3%

The internally managed Trading Strategy (which manages 35% of the EGRV capital), was down 2.3% net for the month.

Big Picture Market Commentary

January proved to be particularly severe for companies that reported disappointments. We noticed many companies that announced disappointing results that would typically cause their stock to fall roughly 25%, instead saw price declines of near 50%. We were not invested in any of these stocks but did take note of the severity of the stock collapses. These examples demonstrate how severely disappointments are being met, even for stocks with decent fundamentals and reasonable valuations. Some of these have since become positions for Kalo after the exaggerated price declines as we believe the risk/reward opportunity has become quite compelling.

As mentioned above, we continue to see investors support the larger cap stocks that have been working, and show little buying interest in smaller cap names. However, smaller cap names that have strong fundamentals continue to perform well, seemingly regardless of valuation. Energy stocks also continue to suffer, although appear to be showing a small rebound in the last few days.

We maintain our belief that the fundamental growth of our investments will result in significant stock gains over time. We thank you once again for your belief in our process and performance.

Please feel free to call to discuss anything.

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.

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Historical Kalo Performance - Emerging Growth with Reduced Volatility *

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2010	Net Perf													6.5%	6.5%
	Russ2000													12.9%	12.9%
	S&P500													7.9%	7.9%
	Alpha													2.8%	2.8%
	Beta (vs.R2000)													5.5%	5.5%
2011	Net Exp													48%	48%
	Gross Long													62%	62%
	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%
2012	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%
	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%
2013	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%
2014	Gross Long	68%	71%	64%	55%	55%	57%	55%	59%	68%	72%	75%	83%	65%	65%
	Net Perf	2.2%	2.5%	1.2%	0.9%	3.4%	2.4%	3.2%	0.8%	1.6%	1.4%	1.1%	2.7%	26.0%	29.5%
	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%
2015	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%
	Net Perf	2.0%	5.0%	1.7%	-1.4%	1.2%	2.3%	-2.0%	0.1%	-1.6%	0.5%	-2.6%	2.2%	7.7%	39.4%
	Russ2000	-2.8%	4.6%	-0.8%	-3.9%	0.7%	5.2%	-6.1%	4.8%	-6.2%	6.5%	0.0%	2.7%	3.5%	73.6%
2015	S&P500	-3.6%	4.3%	0.7%	0.6%	2.1%	1.9%	-1.5%	3.8%	-1.6%	2.3%	2.5%	-0.4%	11.4%	76.7%
	Alpha	4.1%	4.3%	2.5%	0.2%	1.9%	0.6%	1.0%	-2.1%	1.4%	-0.7%	-2.8%	1.7%	12.2%	29.0%
	Beta (vs.R2000)	-1.4%	1.9%	-0.3%	-1.8%	-0.3%	2.3%	-3.2%	2.5%	-3.1%	1.5%	-0.2%	1.2%	-0.6%	20.5%
	Net Exp	46%	44%	37%	42%	42%	47%	48%	53%	48%	35%	46%	48%	45%	42%
	Gross Long	67%	73%	66%	61%	71%	81%	78%	85%	82%	79%	93%	87%	77%	68%
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* 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. "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.

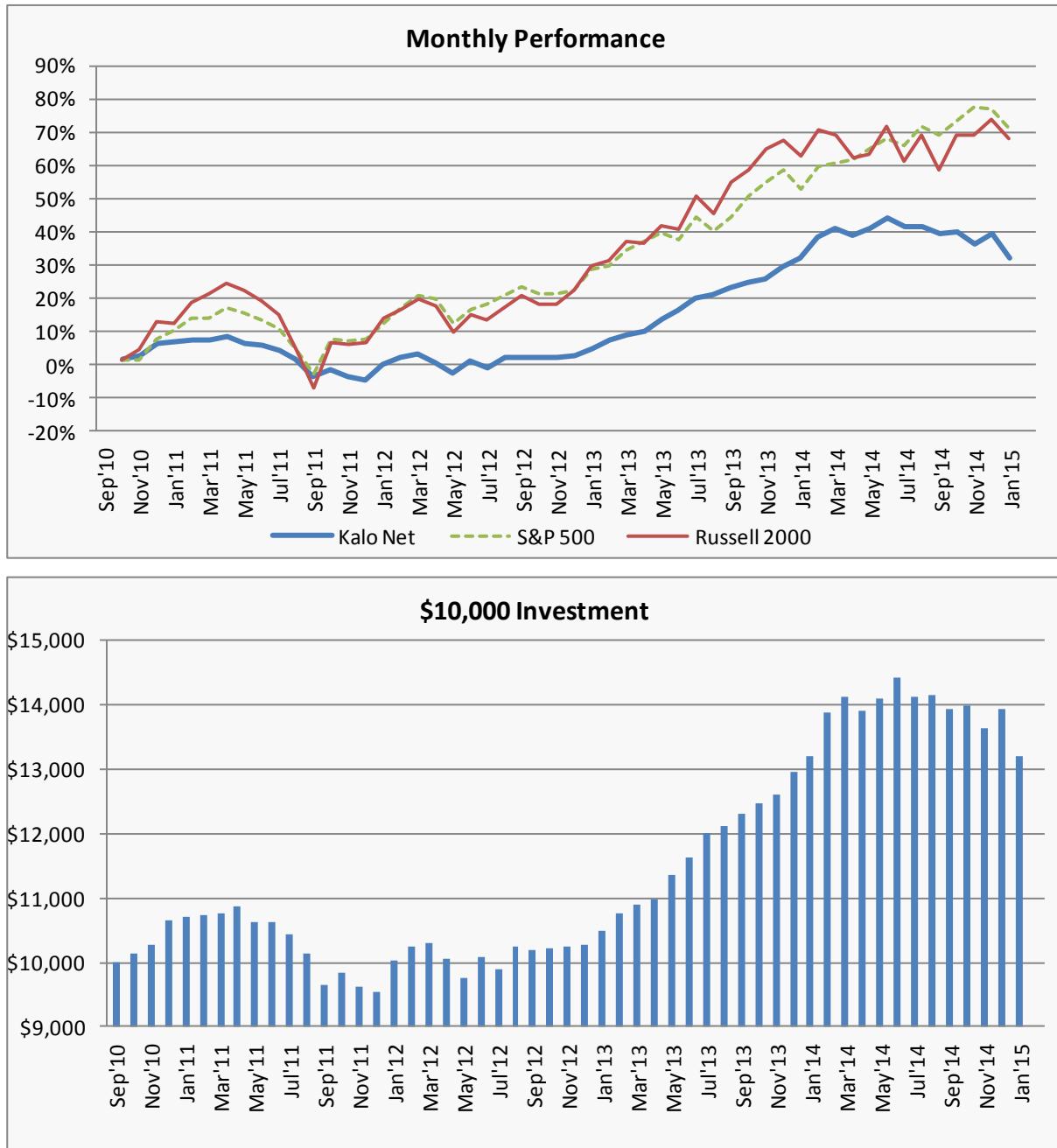
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Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$5.1
Separately Managed Accounts (EGRV)	\$4.6
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



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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 helps enable 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

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the 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

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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: i) purchasing stocks that are in the early stages of a larger move upward, driven by fundamental good news; or ii) 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 considers 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 better control portfolio 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 and regularly monitors exposure levels in order to ensure portfolio downside risk stays at controlled levels.

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Investment Team

Steven D. Friedman, CFA

Steven D. Friedman is the founder and Chief Investment Officer of Kalo Capital Management. 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). He 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.

Tony Alaimo, CFA

Tony Alaimo is an analyst at Kalo Capital Management. Prior to joining Kalo in 2014, he spent 7 years as an equity research analyst at Axiom International Investors, a \$12 billion dollar global equity manager. He has experience as a global equity generalist and financial services specialist. Tony graduated from Sacred Heart University (2006) with Bachelor of Arts degrees in Finance and Economics. He has been a CFA Charterholder since 2011.

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.

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