

KALO CAPITAL MANAGEMENT, LP

October 7, 2016

Monthly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the month ended September 30, 2016, the Kalo Capital Management, LP fund gained 3.5% net, versus a gain of 0.9% for the Russell 2000.

	Sept 2016	YTD
Kalo Capital Mangement, LP	3.5%	6.6%
Russell 2000	0.9%	10.2%
S&P 500	-0.1%	6.1%

Market Update

The broader stock market continued to show stability though September, much like the prior couple of months. The larger cap indices seem stuck in neutral, unable to breach their recent high levels, but also not breaking down. With that stability, we continue to find investors seeking out undervalued companies and overlooked names, which is leading to positive returns for many of our long investments. As we have discussed in past months, with this improving environment, we continue to gradually increase our gross exposure, but not our net exposure levels. Despite numerous stock ideas on the long side where we believe there still remains significant upside, we also have several short ideas where we feel the upside is limited.

As discussed more in-depth last month, we continue to see the improving trend where smaller cap stocks with strong fundamentals are sought after, creating a more favorable environment. Despite our growing optimism and enthusiasm, we remind you that we are quick to react to market changes and are more focused on creating returns from alpha generation through strong stock selection.

All of this occurred against the backdrop of a much anticipated Federal Reserve meeting and their decision about interest rates. Despite a continued gradual recovery in economic data points, which the Federal Reserve in the past pointed to as a catalyst to raise interest rates further, they decided to not raise interest rates during their September meeting. We are reminded how difficult it is to time and predict such major macro catalysts, and take comfort in our strategy of generating alpha through investment in undervalued stocks.

Looking ahead, we are optimistic due to the sentiment shift we believe has occurred where the market is being driven by investors looking for companies with strong fundamentals at favorable valuations as opposed to fund flows to mega cap indices. This has led us to bring our gross exposure levels up to typical levels, while still remaining slightly below average net exposure levels (currently 81% long and 45% short for a 36% net exposure). We don't anticipate much to change in the current market environment until we reach the Presidential election on November 8, 2016. As we have discussed in the past, we view the election as a significant catalyst that could result in dramatic shifts in the market, regardless of the outcome.

KALO CAPITAL MANAGEMENT, LP

September Performance

In the month of September, the Fund generated roughly 523 gross bps from long positions and lost 67 gross bps from short exposed positions. As can be seen on the chart below, the Fund's longs outperformed the Russell 2000, gaining 7.0% on average vs. the Russell's 0.9% gain. The shorts performed slightly better than the index, gaining only 1.6%. This combined for roughly 4.4% of gross alpha generation.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	523	75%	7.0%
Shorts	(67)	-42%	1.6%
Russell 2000			0.9%

Alpha (Gross performance from stock selection)	4.4%
Beta (Gross performance from exposure)	0.1%

Our gains were led by Energy Recovery (ERII), Zagg (ZAGG), and Points International (PCOM). Losses were led by Kornit (KRNT) and Avid (AVID).

A recently built position we wanted to discuss is Telenav (TNAV). Telenav is a provider of personalized "connected car" navigation platforms for automobiles. Historically they provided navigation services for mobile carriers, until their business was undercut by Google Maps. Fast forward to today where they have a quickly growing business providing user interface systems to automotive manufacturers (Ford is their key customer). However, much of their revenue growth is masked by the continued decline of their legacy mobile business. We became interested in this stock more than two years ago, but did not establish a position due our concern regarding their significant cash burn and dramatic customer concentration in Ford. However, we recently built a long position as we feel the downside risk has greatly improved, as has the upside opportunity. The business is on the cusp of turning cash flow positive (a key ingredient for us to gain comfort for downside risk). In addition, they are close to rolling out with GM, and have announced wins with Toyota. Further, we believe the market is ripe for increasing adoption of "connected" abilities in cars. We believe these are catalysts for the accelerating growth we believe is coming for Telenav. This is definitely a tricky stock to value as it currently has a negative EBITDA. However, with approaching breakeven coupled with significant cash and no debt, we have a basis for quantifying downside risk. We focus on future earnings power to determine our price target and our view that significant upside exists. Meanwhile, the stock remains underfollowed and at a reasonable price, with almost half of its market cap in cash, and no debt. There are clearly still some questions that remain open for the stock, but we believe the risk/reward opportunity is significant, and are comforted in the company's significant cash position.

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.

KALO CAPITAL MANAGEMENT, LP

Historical Kalo Performance - Emerging Growth with Reduced Volatility *

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2011			0.4%	0.8%	-2.2%	-0.2%	-1.7%	-2.7%	-5.1%	2.1%	-2.2%	-0.9%	-11.3%	-11.3%
2012	5.1%	2.2%	0.7%	-2.6%	-2.9%	3.6%	-2.0%	3.5%	-0.3%	0.1%	0.3%	0.3%	7.7%	-4.4%
2013	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%	20.5%
2014	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%	29.8%
2015	-5.3%	4.9%	1.1%	0.8%	1.4%	-1.8%	-4.3%	-2.2%	-2.5%	8.5%	4.6%	0.8%	5.3%	36.7%
2016	-5.1%	2.4%	0.5%	1.7%	-2.6%	0.4%	4.3%	1.5%	3.5%				6.6%	45.6%

NOTE: The above returns are net of fees. Past performance is not a guarantee of future returns. Annual performance is through December 31 of each year. Returns since inception represent the return since the Fund inception March 1, 2011.

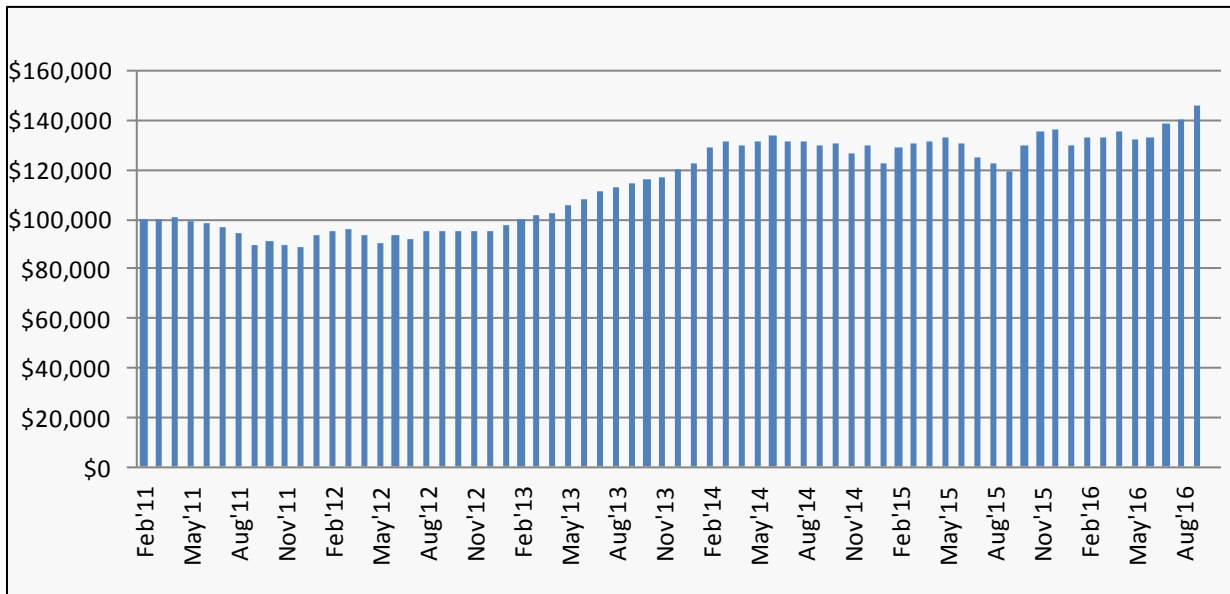
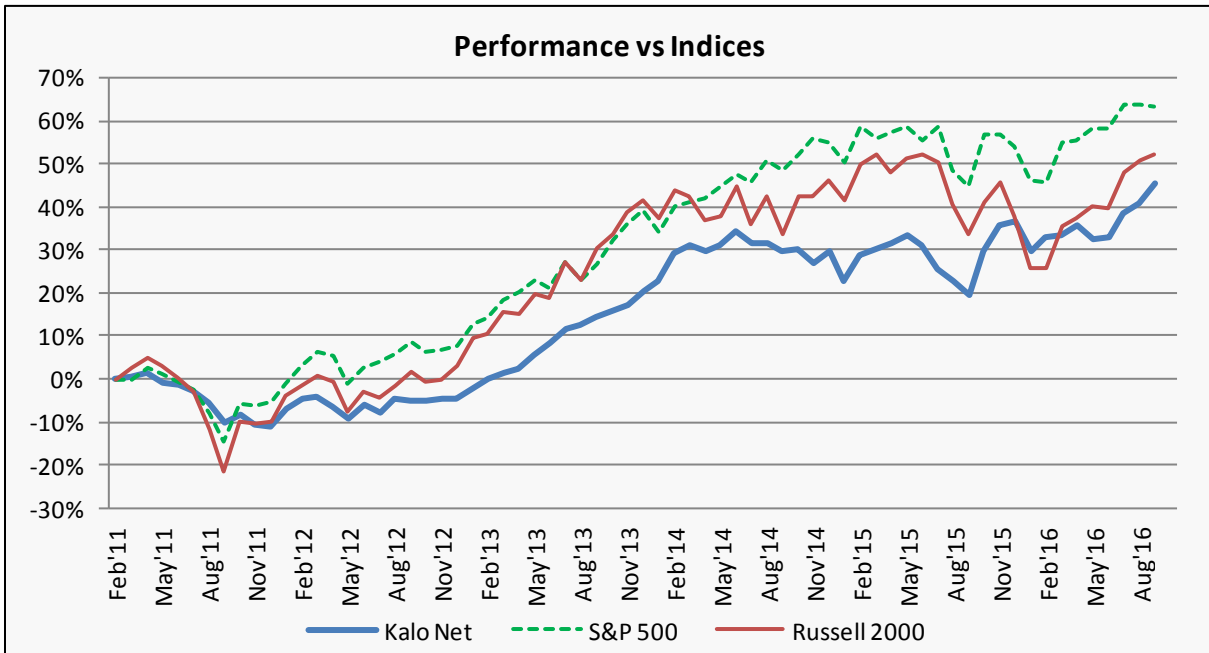
Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$6.8
Separately Managed Accounts (EGRV)	\$5.8
Total AUM EGRV Strategy	\$12.6

Note: Kalo Capital Management, LLC also manages separately managed accounts for clients using alternative strategies which 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.

KALO CAPITAL MANAGEMENT, LP

Historical Performance - Emerging Growth with Reduced Volatility



KALO CAPITAL MANAGEMENT, LP

OVERVIEW OF KALO CAPITAL MANAGEMENT

Strategy

Kalo manages a hedged long/short equity portfolio composed of emerging growth investments complemented by a shorter term trading overlay. Long investments consist of companies where fundamental growth will drive significant cash flows not reflected in the stock price. Kalo focuses on those stocks where downside risk is limited due to current valuation. We look to make short investments where valuation is expensive and fundamentals show signs of cracking. As a complement to our investments, we quickly execute shorter term trades in reaction to events where we see a high probability for returns over the coming one to twelve weeks. This trading overlay consists of both long and short positions when we believe a stock, driven by fundamental news, is in the early stages of a directional move or has had a recent exaggerated move that we expect to revert. Being small and nimble enhances our ability to take advantage of these opportunities.

We primarily invest in the smaller market cap sweet spot of \$200 million to \$5 billion, where larger funds have limited investments due to their size. Generation of stock ideas and research are both performed by Kalo helping us avoid herd mentality. We seek situations where we have a contrarian view, or situations in which a stock has become overlooked by the general market. We find opportunities where the general market overemphasizes near term results and where investor psychology exaggerates stock action.

Risk Control

Kalo places a strong focus on limiting downside risk while generating returns. In addition to our focus on limiting downside risk in each individual name, we use a diversified and unlevered portfolio. Individual position sizes typically range from 1-6%, and the portfolio's typical net exposure is 40%, gross long exposure is 70%. We will reduce net and gross exposure levels when we view market risks as high. For those investors who desire a more aggressive risk/return profile, we offer the KaloPlus strategy which increases all positions 1.5x.

Transparency

Kalo believes it is critical to have investors and management interests aligned. The majority of the Portfolio Manager's personal assets and significant family assets are invested. Kalo utilizes an independent third party administrator and a different independent auditor. The Investment Manager also offers the ability to invest via separately managed accounts.

KALO CAPITAL MANAGEMENT, LP

Investment Team

Steven D. Friedman, CFA

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), a Proprietary Trader * (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). 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.

* The proprietary trading desk was part of the Market-Making business at Bernard L. Madoff Investment Securities LLC, separate from the fraudulent investment management business. Federal prosecutors have stated the proprietary trading arm of the firm was legitimate. (Reuters Article, "Market-Making Arm of Madoff's Firm to Be Sold Off", 3/27/09).

Tony Alaimo, CFA

Tony Alaimo is an analyst at Kalo Capital Management. Prior to joining Kalo in 2014, he spent seven 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.

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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.

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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.