

KALO CAPITAL MANAGEMENT, LP

January 6, 2017

Monthly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the month ended December 31, 2016, the Kalo Capital Management, LP fund gained 0.8% net, versus a gain of 2.6% for the Russell 2000.

	Dec 2016	YTD
Kalo Capital Mangement, LP	0.9%	2.6%
Russell 2000	2.6%	19.5%
S&P 500	1.8%	9.5%

Looking Ahead

For the most part, our underfollowed or out-of-favor investments have not participated in much of the stock market rally of 2016. This scenario can frequently occur as the recent upward market moves have been driven by massive capital flows into equities, dominated by passive ETF buying and continued buying of the same popular names. This results in many of the “loved” and expensive stocks continuing to rise, driving stock market indices to highs. However, these are generally not the stocks we own, and in some cases, are stocks we are short. We believe that once the equity market forces stabilize, focus will shift back to individual stocks and their fundamentals versus valuations, which can drive performance across many of these underfollowed names. This is a common lag effect we have seen in the past. We believe we have significant long exposure in stocks with material upside, which could generate strong alpha and returns in this environment. Consequently, we are cautiously optimistic that 2017 will see stronger performance than the past couple of years. As a result, we have been increasing our gross long exposure, which is currently at above average levels, while our net exposure is slightly above average levels (roughly 90% long / 40% short).

On a macro level, we are optimistic that a Trump presidency will generally be positive for the U.S. economy. With renewed hope and optimism, we believe small businesses will once again invest in growing and create a reinforcing tailwind for the economy. Combined with lower corporate tax rates that Trump is expected to implement, we believe many companies will see significant growth in their cash generating abilities, creating another aspect of increased spending which could boost the economy.

2016 Review

Over the course of 2016, Kalo generated roughly 620 bps of gross performance from long positions, 20 bps from shorts, and lost 170 bps from market hedges. While positive for the year, we are disappointed we didn’t generate higher returns.

Longs (+620 gross bps): Despite the strong performance for the market indices, much of the rally though the end of the year excluded out-of-favor names or underfollowed names which we gravitate towards (although we believe these frequently rally with a lag). In addition, given heightened concern about the market environment through much of the year, our gross exposure was lower than typical levels. This limited our gains across our longs. Our largest gains came from Energy Recovery (ERII), MeetMe (MEET), and Control4 (CTRL), while losses were led by Rubicon Project (RUBI).

KALO CAPITAL MANAGEMENT, LP

Shorts (+20 gross bps): While small, we point out that we did generate positive absolute performance in our shorts, despite the strong market gains for the year.

Market Hedges (-170 gross bps): The market hedges are utilized to limit downside volatility and protect capital at times when we view the general market to be at risk. With the general indices at all time highs, we suffered losses in these hedges. We view this as an insurance premium we pay to help protect capital.

December Performance

In the month of December, the Fund gained roughly 138 gross bps from long positions and lost 41 gross bps from short exposed positions (+35 bps from shorts and -58 bps from market hedges). As can be seen on the chart below, the Fund's longs underperformed the Russell 2000, gaining 1.6% on average vs. the Russell's 2.6% gain. The shorts rose less than the index, only rising 0.6% on average. This combined for roughly 0.2% of gross alpha loss.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	138	87%	1.6%
Shorts	(23)	-41%	0.6%
Russell 2000			2.6%

Alpha (Gross performance from stock selection)	0.2%
Beta (Gross performance from exposure)	0.9%

Our gains were led by Telenav (TNAV) and Impinj (PI), while losses were led by market hedges.

Wrap Up

We hope you had festive and happy holidays and want to wish you a happy new year. We are optimistic and look forward to 2017. 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%	-3.7%	-0.9%	0.8%	2.5%	40.1%

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.

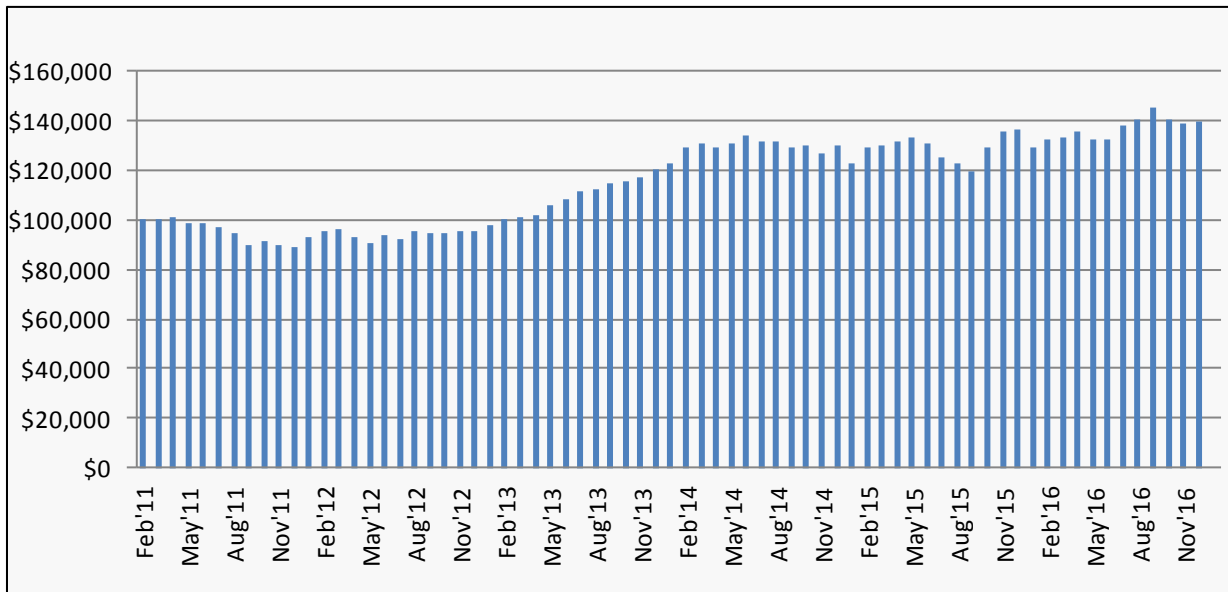
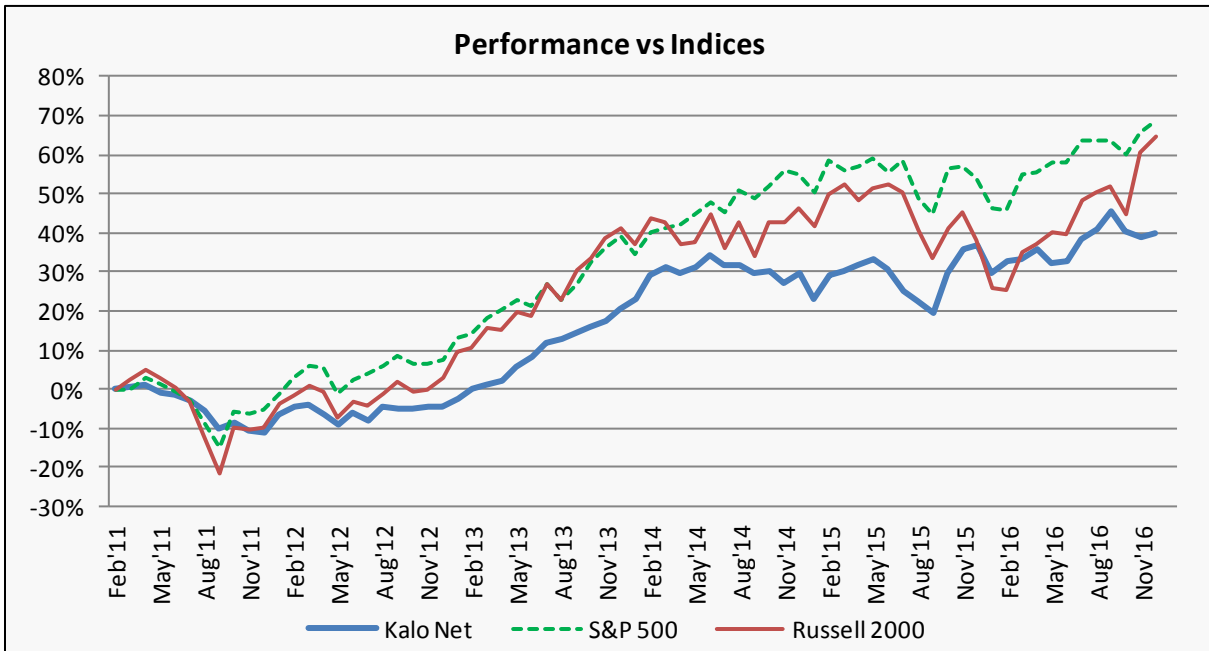
Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$6.8
Separately Managed Accounts (EGRV)	\$5.5
Total AUM EGRV Strategy	\$12.3

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.

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.