April 16, 2018

Quarterly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the quarter ended March 31, 2018, the Kalo Capital Management, LP fund gained 4.0% net, versus a loss of 0.4% for the Russell 2000.

	Jan 2018	Feb 2018	Mar 2018	YTD
Kalo Capital Mangement, LP	(1.2%)	3.0%	2.2%	4.0%
Russell 2000	2.6%	(4.0%)	1.1%	(0.4%)
S&P 500	5.6%	(3.9%)	(2.7%)	(1.2%)

Q1 2018 Review

In Q1 2018, the Fund gained roughly 594 gross bps from long positions and lost 44 gross bps from short exposed positions (-29 bps from shorts and -15 bps from market hedges). Performance came from individual stock driven alpha generation. We had several stocks generate meaningful gains driven by strong fundamental financial and qualitative updates. As can be seen on the chart below, the Fund's longs outperformed the Russell 2000, gaining 6.4% on average vs. the Russell's 0.4% loss. The shorts/hedges rose more than the index as well, rising 1.1% on average, hurting performance. Bottom line: gross alpha performance of 6.5% drove our gains in the quarter.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	594	93%	6.4%
Shorts/Hedges	(44)	-41%	1.1%
Russell 2000			-0.4%

Alpha (Gross performance from stock selection)	6.5%
Beta (Gross performance from exposure)	-1.1%

Kalo Portfolio Update

We have generated an abundance of new long and short ideas in recent months. New long exposure has been balanced with increases to some of our new and existing short positions and market hedges. Our net exposure remains at typical levels, currently 44% net long (99% long and 55% short). Despite the broader market weakness, we are confident our individual stock positions can demonstrate meaningful gains and drive alpha performance in 2018 for Kalo (as done in Q1).

Importantly, we want to highlight that we believe our long positions can generate significant gains, even in the face of a weak or flat broader market. As a reminder, our long positions are focused on overlooked, underfollowed, and out-of-favor stocks. Recent market fund flows out of equities more directly impact larger market cap, well known stocks. While we do believe that recent extreme up/down volatility can impact our names in the short term, from a medium term time horizon (measured in months) we are confident that our long positions will see gains driven by fundamental news flow. Further, our short positions and hedges will strategically generate

KALO CAPITAL MANAGEMENT, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

additional gains for the overall portfolio. We believe this combination will lead to strong alpha generation going forward.

Markets

The major indices generated significant gains in the first weeks of the year, with the Russell 2000 and S&P 500 rising 5% and 7%, respectively, at their peaks. We found this push higher to have little breadth across stocks, and to be driven by ETFs, specifically focused on larger cap stocks. Since then, the broader market has shown significant up/down volatility. Equity fund inflows seem to have reversed to outflows and are no longer pushing the indices higher. The VIX volatility measures have been climbing and maintaining their higher levels. In total, it seems this could mark an end (or at least a pause) in the ten year bull-run in U.S. equities.

Volatility has returned for a variety of reasons and it is becoming common to see indices up or down 1% or more intraday and then rapidly reverse. Even when the markets have a large move up, the underlying volatility indices frequently remain elevated implying continuing downside concern.

We see a variety of factors weighing on the broader market, some of which are likely to continue to be an issue as the year progresses:

Interest Rates Set to Rise

Years of dramatically low interest rates, have helped fuel the equity bull-run as investors searched for yield that they couldn't find in bonds. However, the Fed Funds rate has now been raised to 1.75% and is expected to increase another five times by the end of 2019. As this interest rate becomes meaningful, we believe investors will incrementally shift more capital to bonds, causing fund flows out of equities.

Tariffs/Trade War

Over the past several weeks, President Trump has ramped up his rhetoric about the U.S. trade disadvantages specifically discussing NAFTA (Mexico/Canada trade deal) and trade with China. Trump is pushing hard for change. This could prove positive for the domestic economy, but that remains to be seen. For now, there is significant concern and media doubt that Trump will be successful, and fears that this will instead hurt the economy, at least in the near term. Most recently, Trump specifically announced tariffs of 25% on imported steel and 10% on aluminum, and he has proposed a significant increase in tariffs on Chinese imported goods. China, in response, has threatened to retaliate with an increase in its tariffs on U.S. imported goods. This potential trade war talk is worrisome for the domestic economy, but we think it is unlikely to result in anything that materially impacts the economy, or to directly impact our individual long positions.

Facebook/Social Media Backlash

In recent weeks, social media privacy concerns led to a sell off in technology momentum names. After reports of Cambridge Analytica using private data garnered from Facebook accounts, there has been a growing backlash against social media. This led to significant sell offs in Facebook and Google, two of the driving companies of the FANG stocks

(technology momentum stocks) which have been leaders in the broader ETF strength over the last few years. As this investor love faded, so too did the momentum trade, dragging many other momentum names down as well.

We would add that we too are growing increasingly concerned by social media and more broadly, media manipulation. Trust in news has become a major point of concern, as these large media companies have become weapons for manipulation. We believe these issues are starting to be better recognized after the Facebook privacy sharing became public knowledge. We have established several short positions in companies that we feel are at risk as consumer distrust continues to grow.

Geo-political Risks:

North Korea continues to be an unresolved issue for the U.S. and Trump. Most recently there have been indications that North Korea may be willing to negotiate an agreement with the U.S. involving North Korean denuclearization. However, we remain concerned that Trump and Kim Jong Un will not come to a mutually satisfactory agreement. While the issue appears to be on the side burner for a couple of months until meetings take place, we do view this as an unknown risk.

Beyond North Korea, Syria/Russia and Iran are also points of concern. The U.S., along with France and Britain, recently fired missiles at certain sites in Syria, in response to a recent alleged Syrian chemical attack. It remains to be seen if Russia or Iran further ratchet up tensions.

While it is unclear what kind of impact geopolitical action may have on the stock market, there is certainly risk that it could have negative impact.

Trump/Political Risks:

There seems to be a constant flow of negative media coverage regarding President Trump, which we won't delve into here. Further, Congressional midterm elections are on the horizon over the upcoming months and it looks increasingly likely that Democrats will regain control of the House and Senate. In general, we don't expect these issues to make a meaningful impact on the stock market.

Bottom line: The market environment has shifted and the ETF driven bull market seems to have ended (or at least paused). However, we still believe the economy is strong with stable to improving growth, and expect it to remain so driven by lowered personal and corporate tax rates.

Q1 2018 Details - Gains

Our gains in the quarter were led by Axon Enterprise (AAXN), The Joint (JYNT), Cardlytics (CDLX), and Par Technology (PAR).

Axon Enterprises (AAXN). In recent quarterly reports we have discussed our enthusiasm with Axon Enterprises, formerly Taser, which sells products to the law enforcement industry. They are the leader in non-lethal weapons (Tasers), as well as body and police car cameras. In

addition to our core stock position, we also held out-of-the-money call options for additional exposure ahead of the company's earnings release. Our conviction to hold the additional call options was due to our belief that the strong fundamentals were being overlooked, and the stock would eventually catch investor momentum, with potential for a short squeeze driven by its high short interest. After reporting a strong Q4, the stock made a material move higher. We have since reduced our position and exited the call option as the risk/reward is not as favorable, but we still hold a core position and believe further upside is to come.

The Joint (JYNT). The Joint Chiropractic operates chiropractic care at over four hundred franchised or company-owned locations. They offer inexpensive chiropractic care to consumers at "out-of-pocket" fees, and are thus not exposed to the risks of health insurance plans and spending cuts. After some early fundamental disappointments combined with a dwindling cash balance (as they grew too fast in prior years), investors abandoned the stock, leaving it in our "left for dead" category. It was at this point we started to build a position. The stock is smaller than typical for us (<$100 million market cap), but had little downside risk, no equity dilution on the horizon, and stable to improving fundamentals. We liked the profitability of the business at the individual store level and potential upside in the stock as the new management rebalanced the pace of expanding the franchise.

In its most recent update, we feel that Joint has turned the corner and started generating cash at the corporate level. This allows them to restart expanding the franchise, adding another layer to the growth story. Joint is extremely underfollowed and trades at a significant discount to fair value, despite the recent run-up in the stock. We have gained additional conviction in the business and comfort in the downside risk to the stock and have increased our position.

Cardlytics (CDLX). Cardlytics is a recent IPO that started trading in February 2018. Cardlytics partners with financial institutions to track consumer spending patterns. They then apply analytics to better understand a consumer's purchase behavior, enabling marketers to more efficiently reach customers. For example, Chipotle may more efficiently offer a coupon to a specific individual who they know eats Mexican food near a Chipotle location but hasn't visited a Chipotle in months. Cardlytics has a core relationship with Bank of America and proven success. The bank benefits by offering a service consumers like and generates additional revenues for the bank from marketers (bank attrition rates improved by 17% and card spending increased by 9% when using the Cardlytics service). Marketers benefit from targeted couponing, generating return on assets of 30:1 (9x the industry average). Cardlytics has penetrated a tiny percentage of this market opportunity and we expect significant growth from the stock for years to come.

Given their strong business relationship with the bank, Bank of America led their IPO, which we believe resulted in less investor awareness than would have been typical for a company with such a strong growth story. Further, the initial trading day occurred when the broader markets were weak, with indices down over two percent early in the day. This situation gave us an excellent entry point into the stock, and we quickly built a sizeable investment and trade position on the day of the IPO.. In the days following the IPO, the stock moved higher. We have since reduced our trade position but still have a sizeable investment.

Q1 2018 Details - Losses

Highlights from our losses include a travel related short position, and Imax (IMAX).

Travel related short position: We built up a large short position in the online travel industry based on expectations for a slowdown in growth and a weakening margin structure. Based on our research and competitive dynamics, we speculated this "overly loved" stock would disappoint investors as growth slowed and margins fell amid large marketing investments.. Unfortunately, our expectation missed the mark.. While the company did boost investments, these higher costs were not meaningful enough to hurt their overall margin structure. Further, another aspect of the company significantly improved its efficiency, providing a boost to margins. As a result, the stock moved higher, causing our losses. We have since exited most of this short position, mostly due to the unexpected improved efficiencies mentioned.

Imax (IMAX): We discussed Imax in our Q2 2017 quarterly report. Imax manufacturers and sells theatre projection systems for new Imax theatres and earns a percentage of box office sales shown at Imax theatres. There is significant investor concern about competitive forces from Netflix and other at-home entertainment options. We like the stock given its low valuation, recurring base of business, and cost cutting plan that will further enhance cash flows. Additionally, we feel comfortable that Hollywood will continue to roll out big budget, action-packed movies, where consumers will be willing to pay extra for the enhanced Imax experience at movie theatres. Early in the quarter the stock fell significantly due to the disappointing box office numbers from the recent Star Wars film that ran in late December 2017. Imax stock will frequently make short term moves based on box office numbers, as was the case here. Our belief is that movie hits and misses come and go and balance out over time, and the disappointing box office numbers are not indicative of the future. As a result, we chose to increase our position at these lower prices.

Wrap Up

Q1 2018 is off to a solid start. We feel the current market environment where fund flows do not push large stocks higher is actually good for us, as investors seek out strong fundamental stories with reasonably priced valuation. We are optimistic in our ability to continue generating strong performance, driven by an abundance of robust stocks in the portfolio that we expect to generate significant returns this year.

Our fund continues to remain open to new investors and we encourage those potentially interested to reach out to us.

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, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

Appendix

We have completed many different analyses showing that the market strength over the past few years has had little breadth across stocks and was mainly driven by ETF's and the largest, most well known names. One of these analyses we lay out below shows a breakdown of 2017. The Russell 3000 was up 19% in 2017. First, it is important to recognize that roughly 75% of these names had starting market caps under $5 billion at the start of 2017, but account for only 12% of the index weighting. Breaking down performance by market cap shows that companies in this under $5 billion market cap range were up a median of 9%. Meanwhile, the stocks with over $5 billion market cap rose over 19% and have a 88% weighting (the top 20 names within this accounted for 25% weighting and rose an average of 24%). This analysis shows a consistent theme across many of our other analyses and pieces we've read: The largest names drove index returns, and their superior performance did not have breadth across many market cap classes. As a reminder, the sweet spot for our long positions is in the under $5 billion market cap range.

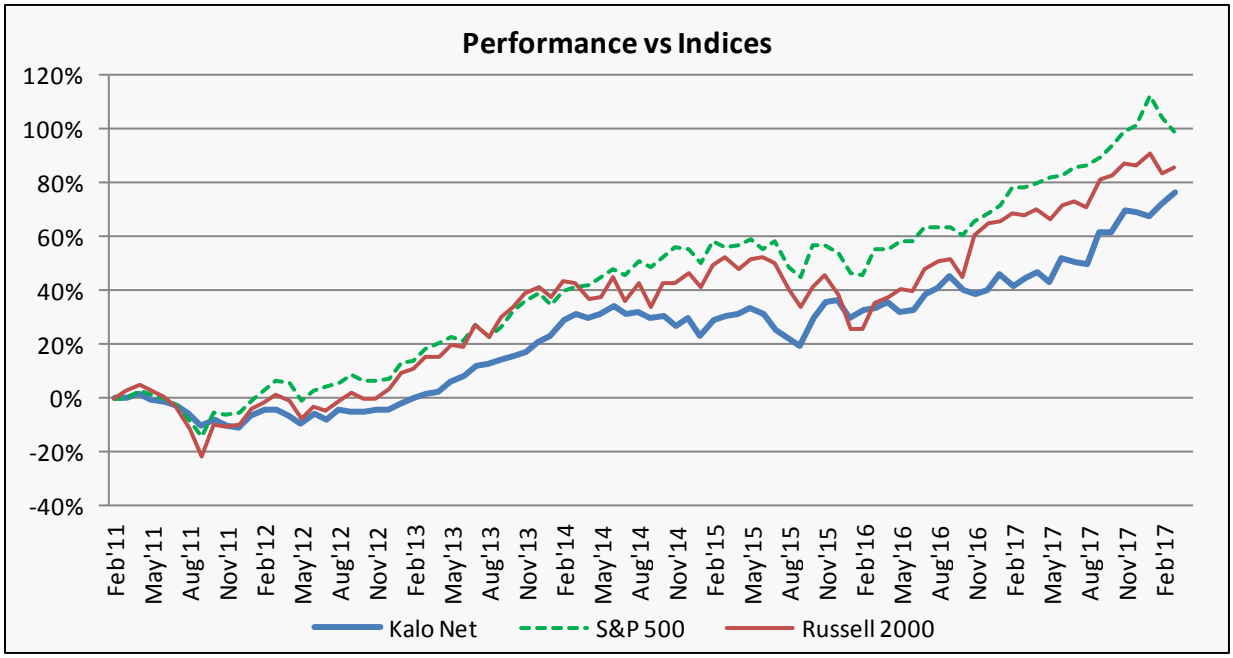
We believe this lack of breadth has been partially driven by many funds chasing ETF returns, leading to additional buying of ETFs and the leading stocks within those ETF's, further perpetuating their outperformance. However, if this self-reinforcing phenomena has come to an end, as may be indicated in the past two months performance, it could undo much of outperformance that these mega market caps experienced. And in turn, result in relative outperformance for the smaller market cap names (particularly the underfollowed and out-of-favor ones where our long positions reside).

In total, we remain bullish about out long positions, while having concern that the major indices may be due for a continued pullback. We expect to continue generating strong alpha regardless of the general market direction.

KALO CAPITAL MANAGEMENT, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

Historical Kalo Net Performance - Emerging Growth with Reduced Volatility *

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2018	(1.2%)	3.0%	2.2%										**4.0%**	**76.1%**
2017	4.1%	(2.7%)	1.7%	1.7%	(2.3%)	6.1%	(1.0%)	(0.6%)	7.8%	0.1%	5.2%	(0.4%)	**20.9%**	**69.4%**
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%**
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%**
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%**
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%**
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%)**
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%)**



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.

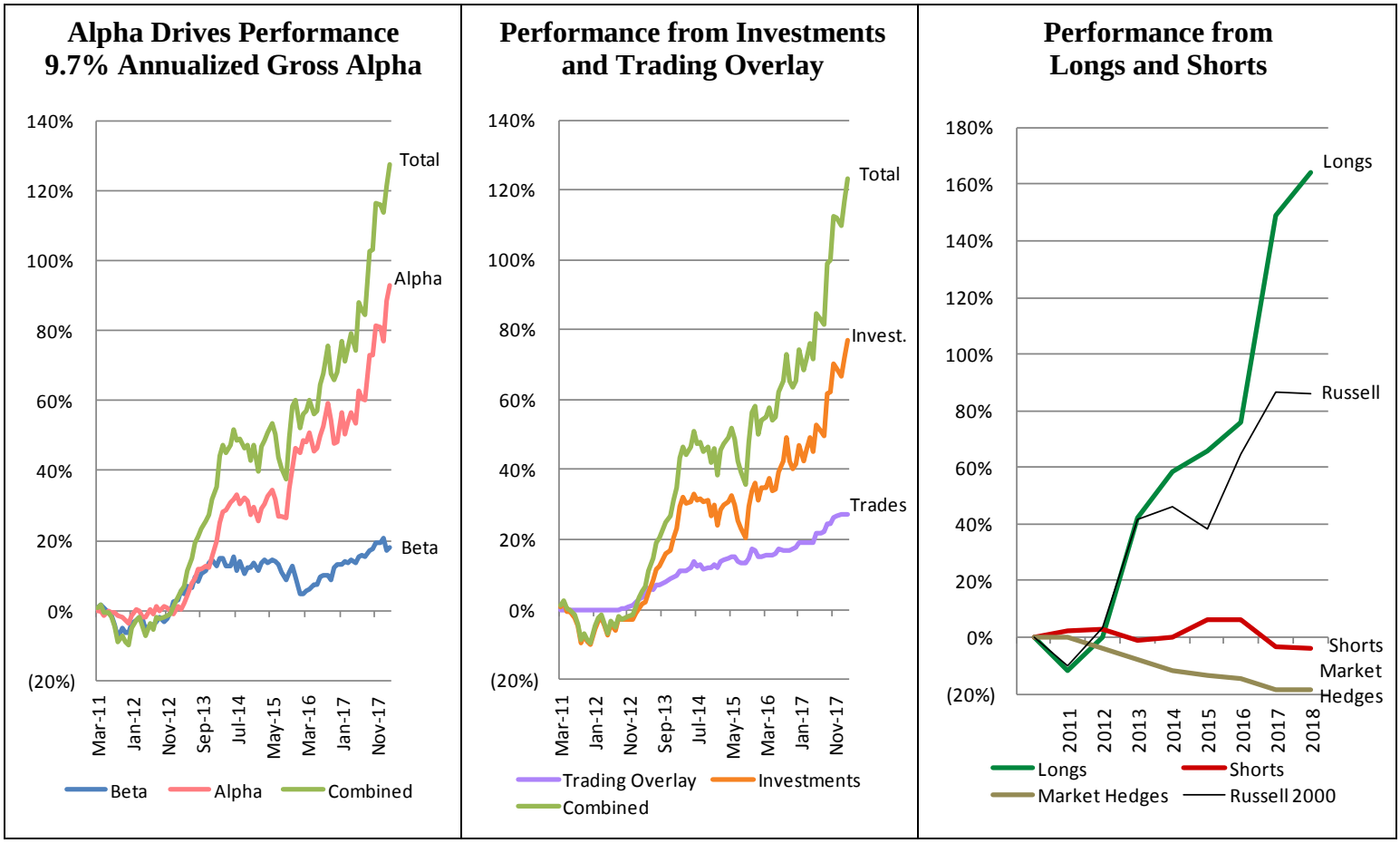
Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM ($M)	
LP Fund (EGRV)	$9.6
Separately Managed Accounts (EGRV)	$7.2
Total AUM EGRV Strategy	$16.9
Additional Trading Strategy Only Assets	$2.6
Total Combined AUM	$19.5

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, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

Historical Cumulative Gross Performance Breakdown



NOTE: The above are gross returns before management fees. Past performance is not a guarantee of future returns. Returns since inception represent the return since the Fund inception March 1, 2011.

KALO CAPITAL MANAGEMENT, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

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 independently performed by Kalo. 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, LLC 157 BROAD STREET, SUITE 305, RED BANK, NJ 07701
TEL: (732) 860-5256 FAX: (877) 860-6238 EMAIL: SFRIEDMAN@KALOCAP.COM

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.