

July 9, 2018

Quarterly Report - Kalo Emerging Growth with Reduced Volatility Strategy

Dear Investor:

For the quarter ended June 30, 2018, the Kalo Capital Management, LP fund gained 16.6% net, versus a gain of 7.9% for the Russell 2000. Year to date Kalo is up 21.2% net versus 7.7% for the Russell 2000.

Net Performance	QTD	YTD
Kalo Capital Mangement, LP	16.6%	21.2%
Russell 2000 (IWM)	7.9%	7.7%
S&P 500 (SPY)	3.6%	2.5%

Q2 2018 Review

In Q2 2018, the Fund gained roughly 2803 gross bps from long positions and lost 687 gross bps from short exposed positions (-615 bps from shorts and -72 bps from market hedges). Performance was driven by individual stock 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 28.3% on average vs. the Russell’s 7.7% gain. The shorts/hedges rose more than the index as well, rising 15.1% on average, hurting performance. Bottom line: gross alpha performance of 15.9% drove our gains in the quarter.

	Bps Gain/Loss	Avg Exposure	Average Performance
Longs	2,803	99%	28.3%
Shorts/Hedges	(687)	-45%	15.1%
Russell 2000 (IWM)			7.7%
Alpha (Gross performance from stock selection)			15.9%
Beta (Gross performance from exposure)			4.5%

Kalo Portfolio Update

We have added many new long and short ideas to the portfolio this year. We have had strong returns from several of these names and we remain positive about further gains to come. Some names that have neared our price targets have been significantly reduced (such as AAXN); while we believe many others have significant gains on the horizon. We continue to add new ideas to the portfolio at a healthy pace.

Earlier in the year we discussed how our gross long exposure was running at higher than typical levels. We have since scaled back our gross long and net exposures to more typical levels. Currently we are 43% net long (90% long and 47% short). We are confident our individual stock positions will continue to demonstrate meaningful gains and deliver further alpha performance in 2018 for Kalo.

Importantly, we want to highlight our belief that 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. In general, our long holdings are not driven by passive index investors.

Markets

The major indices recovered rapidly from the February lows with the smaller cap Russell 2000 reaching new highs in June, before pulling back some in the last couple of weeks. As we have discussed in the past, we feel that when the major indices stop generating significant gains, more investors seek gains elsewhere, leading to stronger returns for our overlooked and underfollowed names. We expect this phenomenon to continue for the remainder of 2018 at a minimum.

In recent news, concerns about trade wars/tariffs have escalated. This news, along with rising interest rates, pose potential risks to macroeconomic strength. With this heightened concern, and the recent market action we've witnessed, we have reduced our exposure levels to more typical levels (from prior high levels). However, we believe the overall economy remains strong despite these concerns. If these concerns do escalate and impact the markets, we believe they will impact the broader market more negatively than our long positions. We don't expect these events to fundamentally impact the underlying business for most of our long positions. However, if these risks continue to grow, we could see some short term stock pullbacks caused by fund flows that are impacted by the broader markets. If this occurs we believe these pullbacks would only be short term (weeks to a few months) as the underlying business fundamentals remain strong and investors' search for real growth intensifies.

Q2 2018 Details – Gains

Our gains in the quarter were led by Points International (PCOM), USA Technologies (USAT), Cardlytics (CDLX), Axon Enterprises (AAXN), and Rubicon Project (RUBI).

Points International (PCOM). We originally profiled PCOM in our November 2016 letter (and again in our Q3 2017 letter). PCOM manages airline miles incentive programs and earn commissions when purchased or utilized. The company has continued to fundamentally perform well and we remain excited about the future prospects. PCOM is an excellent example of a stock that has been excelling for several quarters, but only recently started gaining investor awareness and material stock appreciation. The stock has risen 74% YTD (most of which came in Q2) and has been one of our largest investments, trades and long call positions. We have significantly scaled back our trade position, however we still hold a large investment and believe there is still significant opportunity for further gains.

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. We discussed our stock and calls position in the Q1 monthly letter and at that time had been reducing our exposure to the stock after a material move higher toward our price targets. Since then, the stock has continued rising, and we have further reduced our position as the risk/reward is becoming less favorable.

Rubicon Project (RUBI). RUBI acts as an automated exchange in the online advertising industry that matches advertisements to consumers across a variety of channels. As we

discussed in our Q4 2017 letter, RUBI has been undergoing a major shift in its business model after a series of disappointments in 2016-2017. After being “left-for-dead” by investors, the stock has recently started rebounding. Management commentary is optimistic, and we see signs that the turnaround is on the right track. We continue to hold a position.

USA Technologies (USAT). We discussed USAT in our Q4 2017 earnings letter. It had strong gains this year and we believe there is still significant upside and excellent risk/reward. It remains one of our largest positions with significant potential still to come.

Q2 2018 Details - Losses

Our biggest losses in the quarter came from short positions that moved against us. A digital advertising platform surprised us with significant improvement in earnings leverage. Upon understanding this impact, we quickly covered most of our short.

A travel related online business caused losses as its stock rose significantly in the quarter. Our short thesis is driven by significant over valuation combined with material business model headwinds. Despite continued lackluster fundamentals, the stock has benefitted from exuberant analysts and investor awareness pushing the stock higher. We continue to remain short as these headwinds still exist.

Wrap Up

We are happy to report the strong start to 2018. We continue to feel the current market environment where fund flows do not push large stocks materially higher is actually good for us, as investors seek out strong fundamental stories with reasonably priced valuation.

On an operational note, we have started the process of upgrading our prime brokerage by moving from Interactive Brokers to Jefferies Prime Services. We believe this will result in a variety of benefits including improved trade execution.

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,



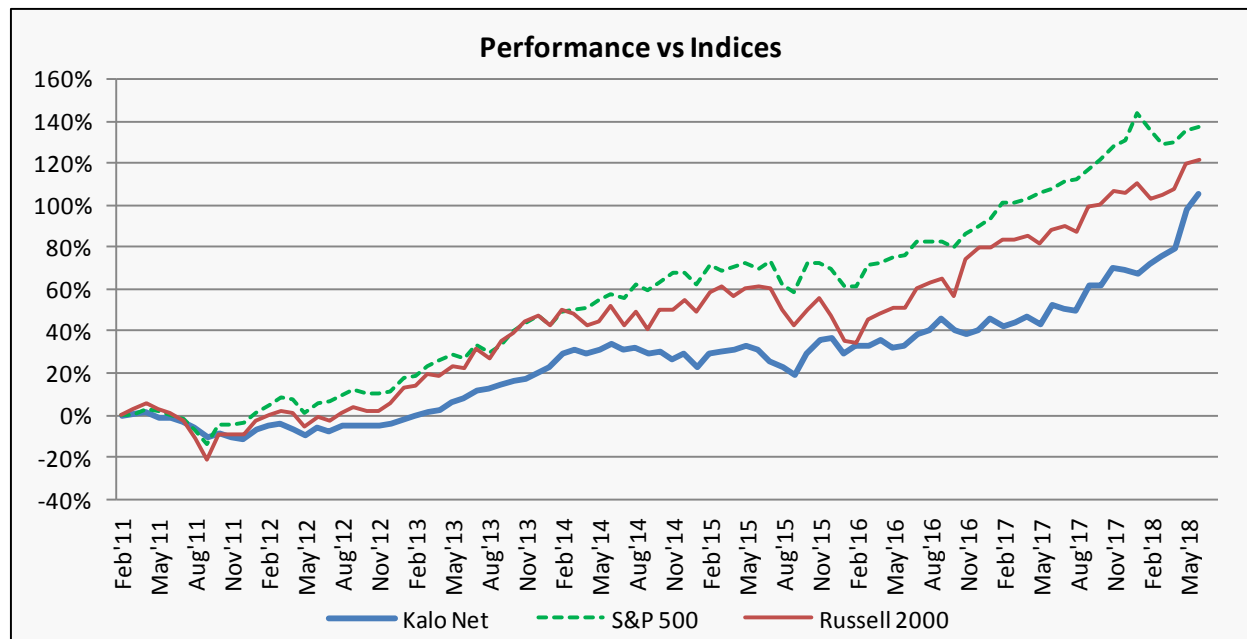
Steven D. Friedman, CFA
Founder and Chief Investment Officer

Please note that Kalo's expectations and strategy can change regularly and the views expressed here may change.

Historical Kalo Net Performance - Emerging Growth with Reduced Volatility *

	Kalo LP	Russ. 2000	S&P 500
Total Return	105.3%	121.4%	137.1%
Annualized Alpha (gross)	10.6%		
Compound Annual Return	10.3%	11.4%	12.5%
5 Year CAGR	13.6%	12.6%	13.3%
Annual Downside Volatility	5.3%	9.1%	6.0%
Max Drawdown	(12.4%)	(25.6%)	(17.0%)
Sharpe Ratio	0.96	0.76	1.10
5 Year Sharpe	1.18	0.89	1.27
Sortino Ratio	1.87	1.27	1.98
5 Year Sortino	2.46	1.53	2.40

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year	Incep.
2018	(1.2%)	3.0%	2.2%	1.6%	10.8%	3.5%							21.2%	105.3%
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%)



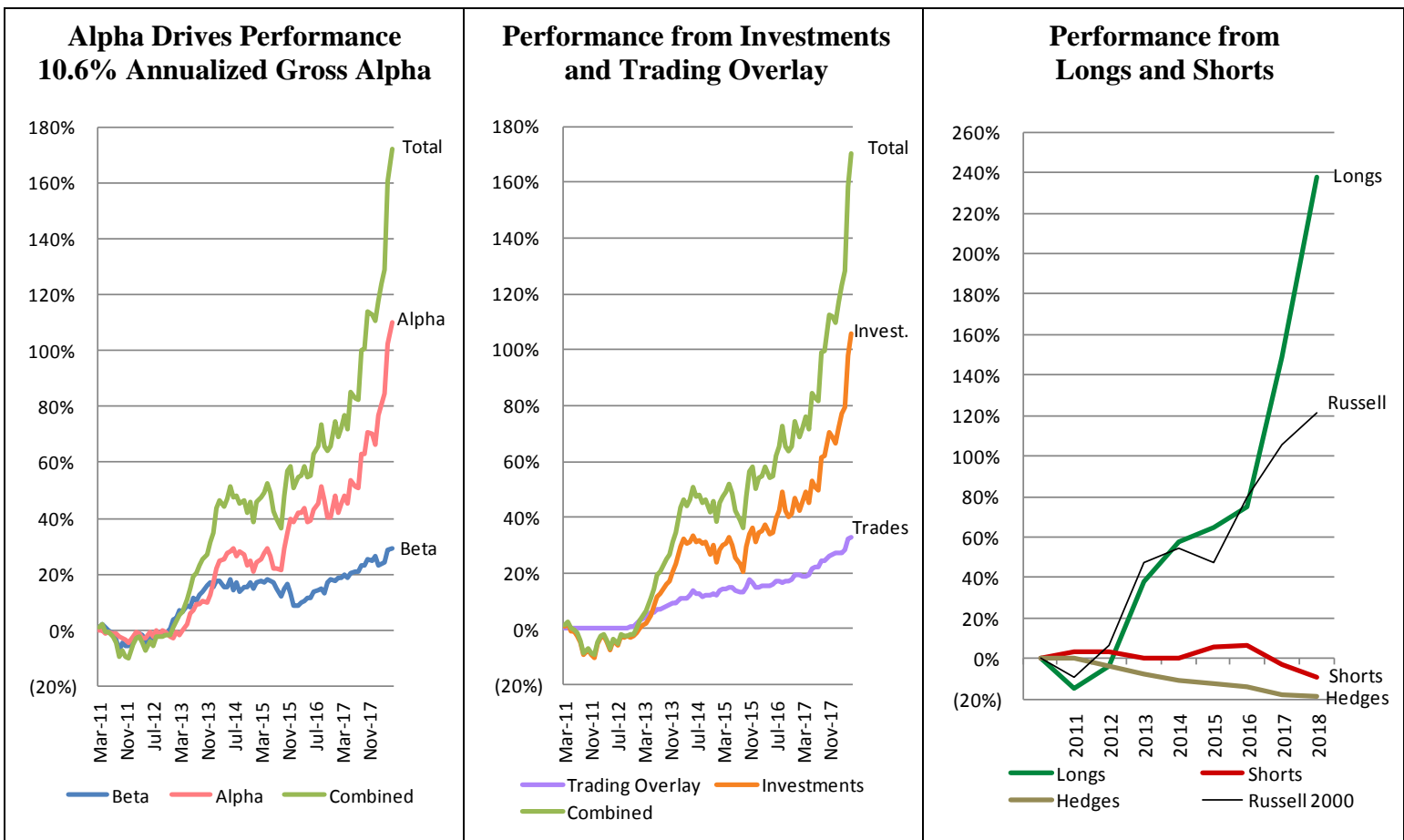
NOTE: The above returns are net of fees. Past performance is not a guarantee of future returns. Annual performance is through December 31 of each year. Returns since inception represent the return since the Fund inception March 1, 2011.

Assets Under Management - Emerging Growth with Reduced Volatility

Kalo Capital Management, LLC AUM (\$M)	
LP Fund (EGRV)	\$12.5
Separately Managed Accounts (EGRV)	\$7.7
Total AUM EGRV Strategy	\$20.2
Additional Trading Strategy Only Assets	\$2.9
Total Combined AUM	\$23.2

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.

Historical Cumulative Gross Performance Breakdown



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.

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), 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. The index comparisons provided are calculated using the SPY (S&P 500) and IWM (Russell 2000) ETFs, adjusted to account for dividends. Indices are for informational purposes and should not be used as the basis for making an investment decision.

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.