



January 19, 2017

Dear Investor,

2016 was a year of significant change at Granite Springs Asset Management. As you know, we mourned the tragic passing of Bernard Garruppo, a partner of our parent company R. Seelaus & Co., and the Chief Executive Officer of Granite Springs. As a result, a succession plan was quickly initiated in order to continue to provide you with the level of service and investment expertise that you have come to expect from Granite Springs. I feel privileged to now serve in the CEO role, and believe that we are poised for tremendous growth in the months and years ahead.

I am extremely optimistic as we begin 2017. Assets at the firm grew 25% over the last year, and now stand at approximately \$210mm. We have hired several new employees across the firm in trading, investor relations, operations and compliance, all in an effort to nurture that asset growth and serve our clients as effectively as possible. We launched our first comingled fund, the Granite Springs Total Return Fund, which returned 6.30% net of fees in its first 6 months of operation, outperforming the Barclays Aggregate Index by 770 basis points. Our other three main strategies, operating in the municipal, high yield, and equity markets all continued to perform admirably. The high yield and equity strategies returned 11.58% and 10.91% respectively and are outperforming their benchmarks on a risk adjusted basis, while our intermediate municipal accounts also finished well ahead of its benchmark.

However, distinguished portfolio performance is just one part of the equation. Most importantly, I am encouraged everyday by the quality, dedication, and intelligence of our employees. Our portfolio managers are committed to generating superior risk-adjusted performance for our clients. Our sales and marketing professionals are accessible and knowledgeable. As we grow, our goal will remain unchanged: to provide sustainable portfolio performance combined with first-rate client service.

Looking ahead to 2017, the investment environment is likely to remain challenging. Politics and economic policy will continue to play a key role in defining the direction of the markets. There are a number of potential regulatory, tax and fiscal changes that are likely to have an impact on activity. We believe a slow growth environment is likely to continue and volatility will increase. The reality of managing portfolios in a rising interest rate environment, or at the very least, a more volatile interest rate paradigm, may finally be upon us. While uncertainty in the markets will continue to be the norm, you can be sure that we will continue to take great care in managing your investments.

As always, I appreciate your support and the confidence you display in our firm. I look forward to an exciting year ahead and hope to meet you in the near future.

Sincerely,

Kenny Klein  
Chief Executive Officer

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**Granite Springs Asset Management, LLC**

25 Deforest Avenue, Suite 308 | Summit, NJ | 07901  
(212) 935-0755 | [contact@granite-springs.com](mailto:contact@granite-springs.com)