



January 17, 2018

Dear Investor,

As we reflect on 2017, it is an appropriate time to reach out and thank you for your partnership and note the continued growth and change at Granite Springs Asset Management. The firm grew in terms of assets under management, as well as number of clients and employees, reflecting our ability to navigate the uncertain markets and strengthen client portfolios. In April, we completed the acquisition of Sunnymeath Asset Management, a registered investment advisor with an equity markets focus to complement our long-standing fixed income expertise. This was an important step in our ability to provide a complete “financial wallet” to our clients. We recently launched GAISER (Granite Automated Investor Service), our robo-advisory investment solution for those that are best served by that platform. The by-product of this growth is our enhanced ability to assist our clients using both actively and passively managed strategies, flexibility that is crucial in today’s global markets.

I remain very optimistic as we begin 2018. Assets at the firm grew 70% last year, and now stand at approximately \$360mm, serving over 300 clients. The increase in AUM was the result of both the Sunnymeath acquisition and organic growth across our various strategies. We added employees across the firm in trading, operations, and compliance, all in an effort to continue to serve our clients as effectively as possible. Our Granite Springs Total Return Fund generated a net return of 6.36% this year, outperforming the Barclays U.S. Aggregate Index by 282 basis points. Our other primary fixed income strategies, operating in the municipal and high yield markets, returned 3.59% and 8.59%, also beating their respective benchmark indices. Our equity ETF strategy and new Sunnymeath (value oriented equity) composite returned 18.23% and 13.79% respectively.

While this remains a results-oriented business and we are pleased that we are continuing to deliver strong results, portfolio performance is just one part of the equation. We know we need to provide first-rate client service. Our employees are intelligent, experienced and dedicated to delivering that service in order to facilitate the best possible outcomes for each client. As we continue to build our business, our priority will remain unchanged: to provide strong portfolio performance combined with first-rate service.

Looking ahead to 2018, the investment environment is likely to become more challenging, with increased volatility and the management of tail risk and diversification becoming more important considerations. The U.S. political climate, fiscal policy, tax reform and other geopolitical issues will play key roles in defining the investment landscape in the coming year. While the likelihood of a correction in the price of risk assets is increasing, we believe a strong U.S. economy and continued strong inflows to U.S. markets will limit the extent of pullbacks in the markets. The reality of managing portfolios in a rising interest rate environment is likely finally upon us. The potential for increased volatility and thus more frequent dislocations can create opportunities, and we are positioned to recognize them and act appropriately on your behalf.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Kenny Klein".

Kenny Klein
Chief Executive Officer

Granite Springs Asset Management, LLC
(212) 935-0755 | contact@granite-springs.com

25 Deforest Avenue, Suite 308 | Summit, NJ | 07901

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