CK
ADVISORS, LLC

April 19, 2016

Dear Clients:

In this letter we will review our first quarter investment performance and provide our thoughts regarding the sell-off and subsequent recovery in equity prices during the period.

The new year began with bad news for investors, which we touched on in our January letter. Oil continued to slide, news out of China was discouraging and investors feared a series of Federal Reserve interest rate hikes. The discourse in the U.S. Presidential race did not instill confidence either. In the early weeks of the quarter stocks slid over 10%.

Just when the world appeared at its gloomiest, U.S. stocks rebounded on the back of a partial recovery in oil and a notable shift in the Fed's stance on rates. The long awaited supply/demand rebalancing in the oil market gradually took hold, as persistently low prices finally prompted meaningful production cuts. Regarding the Fed, Chairwoman Yellen stretched out the timeframe for when investors should expect additional rate increases. With the punch bowl replenished, stocks staged a major reversal in March which propelled the S&P 500 to a 1.3% advance for the quarter.

CK Advisors had a very good quarter, with our equity composite rising 2.9% after fees. The trend of growth stocks outperforming value stocks was at least temporarily broken in early 2016 as can be seen by comparing the Russell 1000 indexes. This rotation toward our investment style provided a bit of a tailwind for us. We also believe strong stock selection played an important role since we did well versus both segments of the Russell Index and the S&P 500.

	Q1	2015
Russell 1000 Growth Index	+0.7%	+5.7%
Russell 1000 Value Index	+1.6%	-3.8%
CK Advisors, LLC (after fees)	+2.9%	-3.0%

Our clients with balanced accounts also had a good first quarter, owing to the strong equity gains which were partially offset by our cautious posture toward bonds. The Barclays Capital Aggregate Bond Composite rose a robust 3.0% as

10 Rockefeller Plaza, 16th Floor • New York, NY 10020 • phone: 212-713-7668 • www.ckadvisorsllc.com

interest rates declined following the Fed's dovish stance. Clearly, the Fed is reacting to economic weakness outside the U.S. and fears that this will stunt already sluggish U.S. growth.

Generally, our individual holdings in the Energy, Industrial, Consumer Discretionary and HealthCare sectors performed much better than the typical S&P stocks in those groups, while our holdings in the Financial sector lagged the related S&P members. Moreover, good stock picking more than offset our complete lack of exposure to the two best performing groups. Telecommunications and Utilities each rose a whopping 15% in the quarter as these yield plays suddenly came back into vogue due to the Fed's change in posture.

Our energy holdings Apache, Exxon (which we added to late last year) and Hess jumped after the price of oil rebounded. Exxon's diversified asset base, strong balance sheet and good cash flow should enable the company to at least maintain its large dividend. Apache and Hess are not in the same financial league as Exxon but have solid balance sheets and should be able to withstand an extended downturn. Though Hess issued equity near the stock's 52-week low, the issuance provided additional financial cushion and helped fund several very exciting exploration projects. If these projects are reasonably successful they could create meaningful shareholder value.

Two other top performing stocks in the first quarter were Amphenol and Eaton. Amphenol makes electronic connectors and sensors for a wide range of end markets. The stock rose after the company posted good quarterly results and gave relatively upbeat earnings guidance in the context of difficult short-term market conditions. Amphenol is exceptionally well managed with a long track record of producing superb top and bottom line results. The company has supplemented good growth in electronics markets with sizeable share gains by leveraging technological leadership, product breadth and a low cost position.

In addition to generating enviable organic growth, Amphenol also tightly controls operating and capital expenses. A key to this success is its low fixed cost structure. Management uses operating rather than capital leases and outsources some manufacturing. They regard all labor as variable, quickly tailoring the size of the workforce to different levels of business activity. Finally, the company is highly decentralized with few layers of management and minimal corporate overhead.

Eaton provides parts and services which help customers manage power and reduce energy costs. It has strong competitive positions and serves a diverse set of industries. Though some of Eaton's end markets are cyclical, management has done a good job enhancing the mix of more stable businesses such as electrical products and services. The stock surged after management provided a solid long-term earnings outlook despite the challenging global economic environment. The plan to achieve this outlook includes reducing costs, fixing underperforming businesses, and deploying healthy free cash flow for acquisitions and share repurchases.

As previously indicated, our stock selection within the Financial sector was not good. JP Morgan, Bank of America and American International Group detracted from our performance. The bank group declined due to the perception that interest rates will likely be lower than previously anticipated, which will hurt profitability. Investors also worried that energy-related credit losses could rise significantly if oil prices remain depressed. Our bank holdings underperformed the Financial sector since they have higher sensitivity to changes in rates as well as greater exposure to weak capital and energy markets.

We thought these fears were overblown, so we used the group's decline to modestly add to our positions in BB&T (discussed in our last client letter) and in Bank of America, which was trading at a single digit price/earnings multiple and at a large discount to tangible book value. Due to the sins of prior management, BofA emerged from the financial crisis saddled with massive costs stemming from litigation and servicing of delinquent mortgages. These expenses are now largely behind the bank.

Since the crisis, management has exited risky businesses while building a strong balance sheet, leaving solid banking franchises and a good wealth management business. BofA still has a sizeable opportunity to further pare expenses even though it has already aggressively slashed costs. The bank was recently granted regulatory permission to initiate a hefty dividend increase and substantial share buyback program. We anticipate that there is plenty of room for further dividend hikes and stock buybacks.

AIG's stock fell in concert with the insurance sector. The expectation for lower long-term interest rates harmed the group since lower rates will pressure insurance company earnings. AIG also reported disappointing fourth quarter results, which included a large charge to boost claim reserves. We believe this charge resulted from the company's adoption of a more conservative method of estimating reserves rather than a deterioration in the book. Therefore, we do not expect that the insurer will take big reserve increases going forward.

Under pressure from activist investors, AIG unveiled a bold new plan to significantly reduce expenses, divest under-earning and non-core assets and most importantly, return a sizeable amount of capital to shareholders. In fact, AIG could purchase over one-third of outstanding shares in just two years. A buyback would be highly accretive to both earnings and book value per share. We added to our AIG holding in light of its compelling valuation and our favorable view of the company's plan.

We started a new position in Pfizer. The pharmaceutical company has a diversified product portfolio and faces only modest patent expirations over the next few years. Therapeutic areas of focus include oncology, vaccines, neuroscience, cardiovascular and rare diseases. Pfizer has unmatched scale, enabling it to spend a huge amount on R&D and build an extensive global distribution network. In recent years the company has improved R&D productivity by focusing on fewer therapeutic areas and collaborating with external research partners such as universities and other biopharma companies.

These changes have borne fruit, as Pfizer now has a strong pipeline of new medicines in areas such as oncology, heart disease, arthritis and diabetes. The company's therapies for oncology appear especially promising. Last year Pfizer launched Ibrance, a differentiated drug for the treatment of breast cancer. Ibrance also has the potential to treat head, neck, pancreatic and other types of cancer. Importantly, the company has developed a leading position in immuno-oncology, a breakthrough technology which uses the body's own immune system to fight cancer.

After we purchased the stock, the U.S. Treasury issued new rules which undermined the economics of Pfizer's pending merger with Allergan. As a result, the parties terminated their merger agreement. While we thought this transaction made sense, we anticipated the risk that the merger might not go through, and liked Pfizer on a standalone basis. The stock has a low price/earnings multiple relative to Pfizer's bright prospects and a very attractive 4% dividend yield. The company's excellent balance sheet and ample free cash flow should not only support this generous dividend but also allow for increases over time.

You should have recently received your individual account performance, an inventory of quarter-end positions and a statement of management fees. We debited the quarterly fee from your account.

At this point each year we formally offer all clients a current copy of our ADV, which we update and file with our regulators every March. You received a copy of this important document upon becoming a client. If you would like an updated version (now or at any time in the future), please do not hesitate to contact us. You may also access our ADV through our website www.ckadvisorsllc.com by clicking on the "Regulatory Filings" tab.

With the growth of our assets under management, we recently became aware of the need to register CK Advisors with the Securities and Exchange Commission. We will simultaneously withdraw our registrations with the states of New York and Illinois. We expect this transition to be seamless to our clients; all expenses in connection with this change will be absorbed by the Firm. Our ADV will be updated again by the end of May and a link to the new document will be posted on our website.

We appreciate your continued support. We always welcome any of your comments, questions or concerns.

Sincerely,

Daniel K. Cantor
Managing Member

Jeffrey C. Kinzel
Managing Member

Enclosure