

August 21, 2009

Dear clients and colleagues,

Last week, we attended the Canaccord Global Growth Conference in Boston where at least 90% of the 240 companies presenting were small- and mid-cap businesses. In addition to an attendance rate that was slightly lower than that of last year, we noticed a change in investment professionals' confidence level. It seems a greater number of portfolio managers have adopted a neutral to pessimist view of stock market in the very short term. It is therefore not surprising that many investors were focusing on companies exhibiting financial strength, decent valuations and a stable growth outlook.

Although Martek was the only company in our portfolio presenting at this event, the conference gave us the opportunity to meet with our holdings' competitors as well as companies that have been on our watch list, such as Telvent, 3Com, The Pantry, Astec Industries, Fairchild Semi and NBTY. We managed to identify attractive new investment ideas, as was the case with GraftTech, Smart Balance and Constant Contact. While we have already started conducting research on these companies, we are in no hurry to implement changes to our current portfolio, as we trust our holdings should continue to generate value for some time.

Here are some interesting headlines for this week:

Jamaican sprinter Usain Bolt set two world records this week at the IAAF world championship in Berlin. Following the 100-meter sprint competition, the CEO of Puma declared in an interview that the 100-meter world record set by Bolt generated media exposure of more than \$117 million for the company. With the 200-meter record he achieved yesterday and a potential win at the 4 x 100 meters relay competition scheduled on Saturday, media exposure is likely to expand considerably.

Perot Systems was awarded a 5-year contract from Community Health Plans of Washington to handle claims processing and billing. In addition, it announced yesterday that Old Mutual U.S. Life will extend its contract with Perot until 2014.

Hochtief subsidiaries won new contracts worth €347 million in the U.S. and Australia. U.S. subsidiary Turner is to design and build a courthouse in Florida, manage the extension of two correctional facilities in Georgia and secure two new projects in the education segment. Its subsidiary Leighton will extend the water supply system in Melbourne.

Kuoni Group reported first-half sales down 21% year over year, in line with expectations. Booking trends in the past 3 months suggest a slight improvement in travel demand.

Phillips-Van Heusen beat top- and bottom-line consensus for Q2 and manoeuvred very well amid this difficult retail environment. Compared to the same period last year, sales and net income decreased only 5.6% and 8.9%. This good performance was mainly driven by its legacy brands in the sportswear and retail businesses. The company even increased its EPS full-year guidance by 6%.

Flughafen Wien reported lower-than-expected Q2 revenue, down 10.3% compared to the previous year. The company maintained its traffic outlook for this year, with passenger volume expected to slow by 9%. Due to the delay in opening the Skylink project, capex requirement will be lower until 2011.

Citic 1616 posted first-half numbers that were in line with expectations; sales and net income were up 18% year over year. The strong voice volume growth experienced during the period was somehow offset by a fall in the average rate per minute. Management remains confident it can deliver similar revenue growth in the second half of 2009.

Regards,

The Global Alpha team