

February 28, 2014

Dear clients and colleagues,

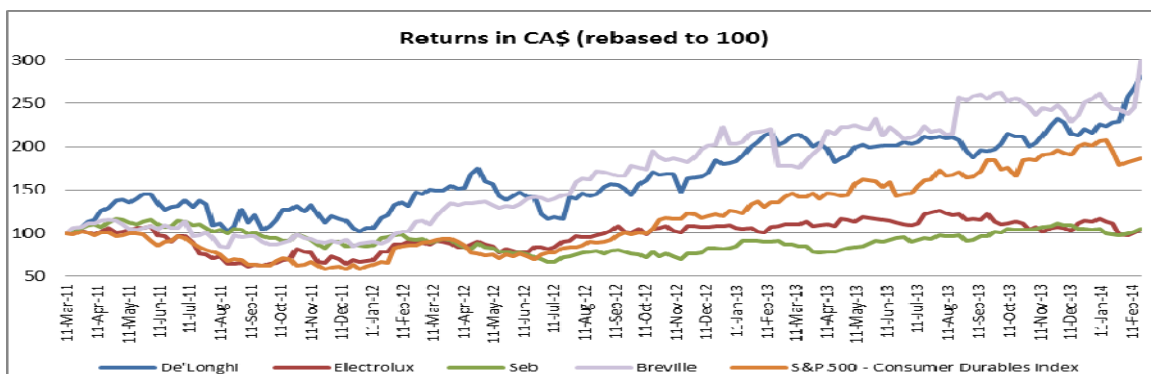
De'Longhi (DLG) is an Italian based manufacturer of small domestic appliances that operates under 4 distinctive brands; DeLonghi, Kenwood, Braun and Ariete. Its product line includes kitchen appliances (mixing machines, food processors, blenders), coffee machines (automatic espresso, capsule machines) and home care (floor cleaning, ironing, portable heaters and air conditioners). The segment of kitchen products and coffee makers, which is growing faster than the overall appliance market, generates more than 70% of its sales.

With more than half of its sales coming from the premium segment (products with an average selling price superior to €180) DLG has a unique high-end profile in the small appliance industry. Its strong market positioning and technical expertise make it a remarkable innovator.

Moreover, we believe that DLG is benefiting from a positive shift in consumer preferences and behaviors. There seems to be a growing trend for healthy food and cooking at home. This trend focuses on the quality of product, foods and consequently favors brands such as DLG. New product designs offering better functionality and quality standards should provide plenty of opportunity for companies like DLG.

At €7.9 billion, the western European small domestic appliance market is quite considerable in size. Although this market grows at 2.5% per annum, other product categories such as espresso machine are growing at more than 7%. Thanks to the global expansion of major coffee shops such as Starbucks, Costa Coffee and Illy, coffee consumption has never been so high.

DLG has delivered excellent financial results in the past years. This family owned company has successfully consolidated the market while improving its margins and maintaining a sound financial position. Since we initiated the positions 3 years ago, DLG outperformed the overall appliance industry and most of its peers.



Sources: Bloomberg, GACM

### The Global Alpha Team

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global Alpha believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.