COMMENTARY

November 14, 2008

Dear clients and colleagues,

Many stocks reached new lows this week due to another wave of disconcerting market and economic news. Poor confidence, worst-than-expected economic data, and the meltdown in the hedge fund industry are just a few of the factors impeding global equities at this time.

Among the week's top headlines, some unpleasant news came out of the retailing and financial industries as U.S. electronic retailer Circuit City, which carries $2.3 billion in debt on its balance sheet, filed for bankruptcy, and the 205 year-old Swedish investment bank, Carnegie & Co, was taken over by the government after the country's financial watchdog revoked its license. A similar story unfolded for Parex Banka, Latvian's second-biggest lender, as it was handed over to the state after it lost $108 million in deposits.

Six of our holdings reported this week. On average, the revenue they generated over the period increased 27%.

Global Traffic Network, a leading provider of custom traffic and news reports, saw a 45% jump in its sales while net profits increased ninefold. These outstanding results were mainly driven by the expansion of its radio activities in Australia, the UK, and Canada.

Eurofins, the analytical testing services company, reported revenues up 33%, and net profits rising 8.5%. Even with this solid performance and no evidence of weakness, investors continue to neglect this stock.

French leading producer and distributor of seeds Vilmorin reported an increase of 3% in sales. The company took the opportunity to reiterate its 2009 guidance of a 6% top-line growth.

Japanese port service provider Kamigumi reported revenues and earnings up 5.7% and 5.2% respectively while Chinese online media company, Sina Corp, announced its revenue and net profits grew 66% and 28% respectively.

Finally, Hochtief, the global infrastructure company, released better-than-expected results this morning. Revenues are indeed up 14%, and the operating profit has more than tripled compared to Q3-2007. Amid the industrial infrastructure space, Hochtief is currently one of our favourite stocks. Headquartered in Germany, it is the fourth biggest construction services provider worldwide. Not only does it build, construct, and operate a wide variety of facilities, it offers, among others, design and financing services. Even if the global market slowdown is currently a concern for the construction industry, Hochtief has managed to grow its new orders by 58% since the past quarter. Its backlog now stands at a value of €32.7 billion, up 5% sequentially. The company recently announced a buyback of 7 million shares, representing 10% of their shares outstanding. Its two subsidiaries in the U.S., Flatiron and Turner, provide the company with strong exposure to North American infrastructure, which in our opinion should continue to grow nicely in the near future. We also like their concession, real estate and service lines of business, which provide stable cash flows and higher margins. Hochtief is net debt free. Our target price is €50 for an expected return of 67%.

Hochtief: www.hochtief.com (HOT on the Frankfurt Exchange).
Market cap: €1820 million, P/E (TTM): 10.6x, P/E (2010): 6.8x, EV/EBITDA (TTM): 4.4x, Net debt: 0, Expected sales growth: 7.5%, Dividend yield: 4.9%.

During the week, minor modifications were made to the portfolio. We took advantage of the market slump to increase our exposure to Raymond James, Hochtief, and Chico's. We feel comfortable upping the weighting of these names as current market prices are well below their intrinsic value.

Regards,

David Savignac
Assistant portfolio manager