



October 14, 2011

Dear clients and colleagues:

October, historically one of the worst months for the markets, is up to a strong start. The rally in the markets started from an article in the Financial Times on October 4th discussing a Bank's recapitalization. Since the lows on that day, markets have rebounded over 10%, and the Dow and Nasdaq are now positive for the year.

We expect to see continued volatility, at least until earnings season finishes and until we get more details on the European financial crisis resolution at the beginning of November. Economic data continues to show muted growth, but not the decline feared by many. We continue to be optimistic for the markets into year-end for the reasons we outlined in our comment of September 16th.

Q3 earnings season started this week with Alcoa and JP Morgan disappointing while Google had very strong results. Investors will be looking at guidance for Q4 and for 2012. Expectations are currently very low and the possibility of positive surprises is high.

This week, two companies in the portfolio reported results and we believe it bodes well for the others that will be reporting in the coming weeks. Daiseki (9793 JP), a Japanese company that is in the waste disposal and environmental and recycling field announced that sales rose 28% y-y and operating profits rose 23%. The company was negatively impacted by the slowdown in industrial production (auto) following the earthquake, but benefited from the clean-up efforts. The company expects double-digit growth for the coming year. Vilmorin (RIN FP), a French company and the World's fourth largest seed company announced record sales and profits were up 14%, helped by high agricultural commodity prices. The company expects organic sales growth of 7% for the next year.

Bank Sarasin (BSAN SW), one of the oldest Swiss private banks is the subject of takeover rumors, the shares are up 31% this week. This would be the third takeover in the portfolio this year after Radiant Systems (RADS US) and Pharmaceutical Product Development (PPDI US). We expect more as valuations are attractive and interest rates remain low.

This week, we sold our position in Corelogic (CLGX US), at a loss, however, the price had rebounded by over 49% since August 23rd, when the company announced it was considering strategic initiatives including a sale. We believe that the high fixed costs of the business coupled with the slow recovery of the mortgage origination business in the US will result in a long restructuring. We have better ideas. One of those ideas is Merit Medical (MMSI US); a US based healthcare equipment company which we will profile in another comment.

Have a good week.

The Global Alpha Team

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