

**December 13, 2013**

**Dear clients and colleagues,**

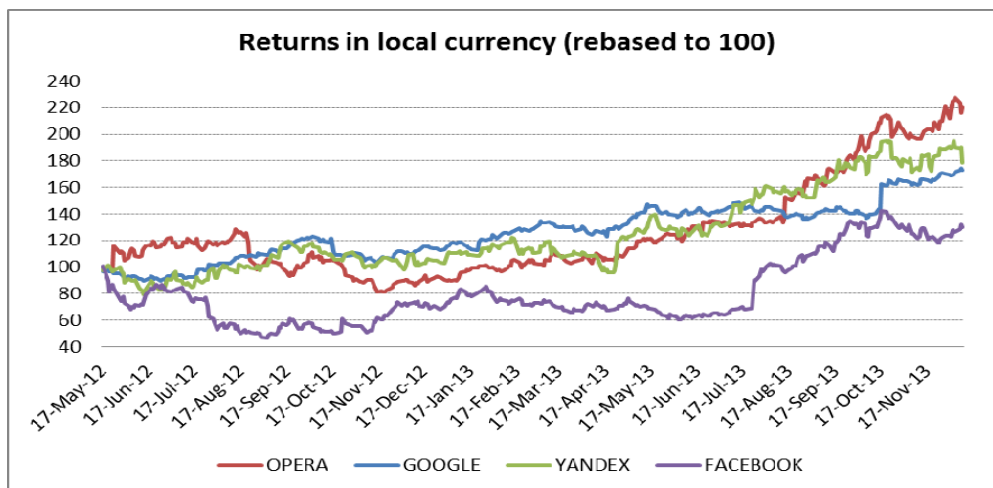
Amongst our existing investment themes, R&D, and more precisely technologies enhancement and mobility, have played out extremely well during 2013. The recent Twitter IPO is another example that confirms investors' strong interest for the overall Information technology space.

In analyzing the performance of the MSCI EAFE Small cap index, we noticed that IT software has been the second top performing industry group year to date. Within that industry group, Internet software and services scored high with a 60% return.

Another interesting observation that shows the dominance of the technology sector is when we look at the performance of all 67 industries. If we include online retailing, which is correlated to technology, seven industries within the top ten are classified as Information technology.

One company in our portfolios that has benefited from that trend is Opera Software, a Norwegian-based internet software company. Opera offers consumer browsers for more than 320 million users worldwide. It also offers a complete range of solutions to address the growing mobile advertising market. Finally, it provides hardware and software solutions for mobile operators.

As demonstrated on the following chart, Opera strongly outperformed both its industry and other Internet giants such as Google, Yandex and Facebook.



Sources: Bloomberg, GACM

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## What is Opera's secret sauce?

We believe that Opera's constant high growth achievement and its capacity to innovate and improve its business model over time have a major role to play in its success.

Opera's top executives have managed to grow the business while remaining very profitable. During the past 5 years, revenue has increased by 27% per annum while operating income soared by 34%.

The company successfully adjusted its business model over time. It smoothly shifted away from some of its more stagnant revenue to refocus on new opportunities. For instance, desktop and devices which used to represent 30% and 20% of their revenue should shrink to 21% and 12% by year end. On the other hand, new business segments such as mobile publishers and advertising are growing nicely.

Challenges and opportunities remain huge in the Internet software space. On one hand consumers, especially in developing countries, are asking for better internet access. Also, with the acceleration of mobile video, Telco operators need to find ways to optimize their congested networks while maintaining or improving the quality of mobile experience for their end-users. Last but not least, advertisers and publishers are seeking ways to increase their exposure to the mobile advertising market.

With a complete solution offering for all those participants, Opera is in very good position to take advantage of the growing internet penetration and mobile usage.

With its leading technology assets and its large user base, Opera can also be a perfect takeover candidate for any of the Internet giants.

The Global Alpha Team

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