

December 28, 2010

Dear clients and colleagues,

We would like to thank you for your confidence and trust in 2010. Absolute performance has been good and we are happy that despite the crisis, the Fund since inception in August 2008 is up over 12% on an annual basis.

2010 has been a year of recovery. However, a lot of imbalances remain creating important risks, including the risk of a double dip or another financial crisis.

Emerging economies have had a strong recovery in 2010; however, inflation is now a big risk. Markets such as China and Brazil were down in 2010, illustrating that a strong economy does not always equal stock market gains.

In Europe and the US and yes, Canada, concerns over budget deficits and ballooning debt are mounting. The European sovereign debt crisis is just a prelude.

Unemployment in Developed economies remains very high, increasingly creating social unrest.

What are our thoughts for 2011?

- The Global economy should grow at a normal level of 3% to 4%.
- The US and Asia will grow faster than Europe.
- Inflation will accelerate. Emerging markets are at risk (policy driven).
- Sovereign risk problem will amplify. Impact on Euro is less than feared.
- M&A will accelerate, positive for small cap and valuations in general (see chart).
- Markets should have positive returns in 2012. Small cap will outperform. We will see a rotation into more defensive sectors (staples, healthcare) as year advances, why?
 - The 2012 outlook may be for slowdown.
 - Exit strategy for Central Banks will be discussed.
 - Rising inflation will affect profit growth

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Source: Bloomberg

Our objective is to add value through security selection, not through industry or currency/country selection.

In order to achieve this objective, we have a well diversified portfolio of 58 outstanding companies. We are invested in 17 Countries and 37 different industries.

Some of our favoured themes remain the exposure to the consumer sector, the largest segment of the economy and a long-term opportunity for the emerging economies. We also continue to favour the healthcare sector. Aging demographics in the developed world, new therapies and the need for emerging economies to develop a social safety net will continue to positively influence the sector. Technological innovations and productivity improvement continue to provide a lot of investment opportunities. Infrastructure is also an area we favour. Finally, Asia with its important population and emerging middle class offers many investment opportunities.

We want to wish you and your families a very happy 2011.

Regards
The Global Alpha Team

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