

June 3<sup>rd</sup>, 2009

## Dear clients and colleagues,

Last week I attended a European small cap conference in the South of France. We were quite impressed by the quality of many businesses and valuations in many cases are still attractive if we take a 3 to 5 year horizon. However, in the shorter term, the economy is still weak and unemployment is rising, creating a real risk that this strong rally might run out of steam if we do not see a meaningful recovery in economic activity and not just a slower decline. However, I do not think we will go back to the March lows as the Depression scenario seems discarded. Our portfolio continues to be well positioned for a recovery even though we continue to have better defensive characteristics than the benchmark.

This week marked the end of an era, GM, long the largest company in the World declared bankruptcy. The company will be removed from the Dow Jones Industrial average and be replaced by Cisco, a company that was founded in 1990. That illustrates the opportunity for investors of investing in small cap companies.

We recently added a well known company in the portfolio, Puma

Founded in 1948, when Rudolf Dassler split from his brother Adi, who went on to start Adidas, **Puma AG** (PUM GR; [www.puma.com](http://www.puma.com)) is a German multinational company that produces high-end athletic shoes, lifestyle footwear and apparel.

The company is known for its football shoes and has sponsored footballers, including Pelé, Diego Maradona and Lothar Matthaus. Today, the company sponsors over 30 national teams including Italy the World Champion going into the 2010 World Cup in South Africa. Puma is also the sponsor of the Jamaica track athlete Usain Bolt who won three gold medals by breaking the men's 100m, 200m and 4x100m world records in the 2008 Beijing Olympics.

The company also offers shoes and sports clothing, designed by Alexander McQueen, Stella McCartney and others. Since 1996 Puma has intensified its activities in the United States. Puma owns 25 percent of American brand sports clothing maker Logo Athletic which is licensed by American professional basketball and Association football leagues. Since 2007 Puma AG is part of the PPR French luxury group which also owns Gucci.

## Stock Example – PUMA

### Intrinsic Value

Intrinsic Value: €350; currently trading at €160  
PPR bought 35% of the company in July 2007 for €330 (cash)

### Management Team Assessment

69% owned by PPR (the Pinault family)  
Benefits from the relationship with Gucci group  
Solid and experienced management team

### Fundamental Analysis

Still European and shoe dominated  
will grow international and apparel and accessories.  
Puma is an iconic brand  
Big market, Nike US\$20B sales, Adidas €11B sales

### Quantitative Screen

Market Cap: €2.5 billion	Dividend yield: 1.7%
Sales: €2.5 Billion	No debt, €200million in cash
EV/EBITDA: 6.5x	Insider Ownership 69%
P/E: 11.9x	

Have a good week.

The Global Alpha team.