

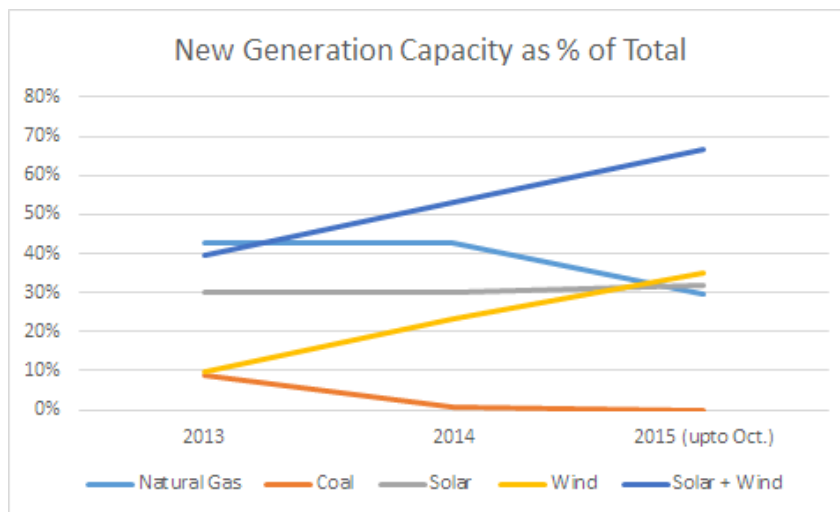
February 5, 2015

Dear clients and colleagues,

The good news for investors: January is finally over! The first two weeks of January provided one of the worst starts to a year ever. However, stocks rallied in the second half of the month, driven by solid earnings and more Central Bank dovish actions, such as the Japanese Central Bank lowering rates to negative.

We believe this year stock prices will be driven by earnings, and our forecast for 2016 is for economic and earnings growth globally.

On another subject, you may know by now through reading our weekly comments that we are true believers in the present and future role of alternative energy. An important shift occurred in 2013 when the world added 143 gigawatts (GW) of renewable electricity capacity, as compared to 141 GW from new plants that burn fossil fuels (including nuclear). After another record year in 2014, 2015 saw solar energy capacity grow by 37% to 55GW, bringing total capacity to 233GW. Last year, China surpassed Germany as the country with the most installed solar power. Capacity there grew 40% to 43GW. Germany increased by about 3% to 40GW. China, in its thirteenth 5-year plan, forecasts to increase solar power generation to 150GW by 2020. In 2015, solar and wind accounted for approximately 70% of new power generation capacity added in the US as a percent of the total, up from 53% in 2014. In October 2015, they accounted for nearly 100% of the total new added capacity in that month.



Source: clean technica

But what about the impact of low oil and natural gas prices?

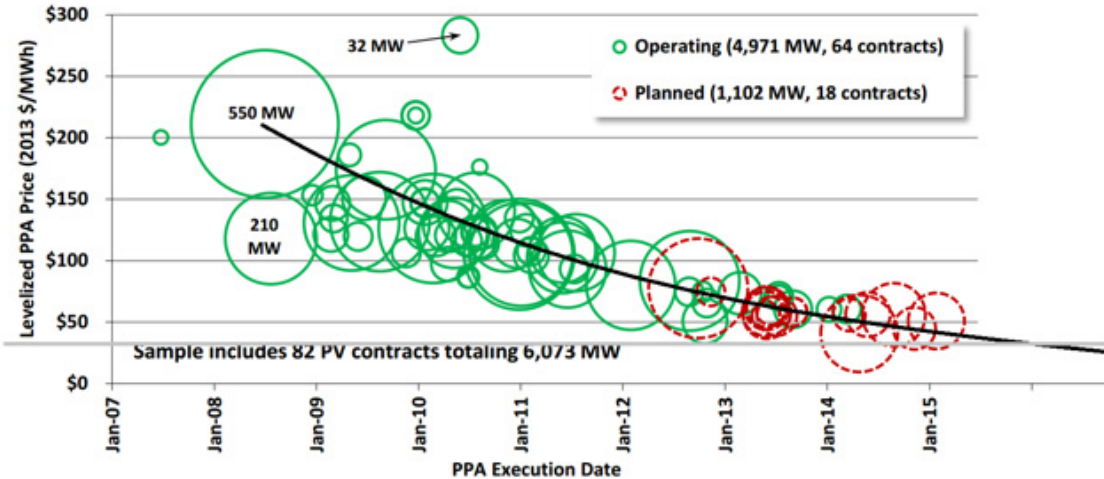
With oil close to \$30 a barrel, the shares of most solar energy companies have been pummeled so far in 2016 — the Guggenheim Solar Energy ETF is down 18% YTD.

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.

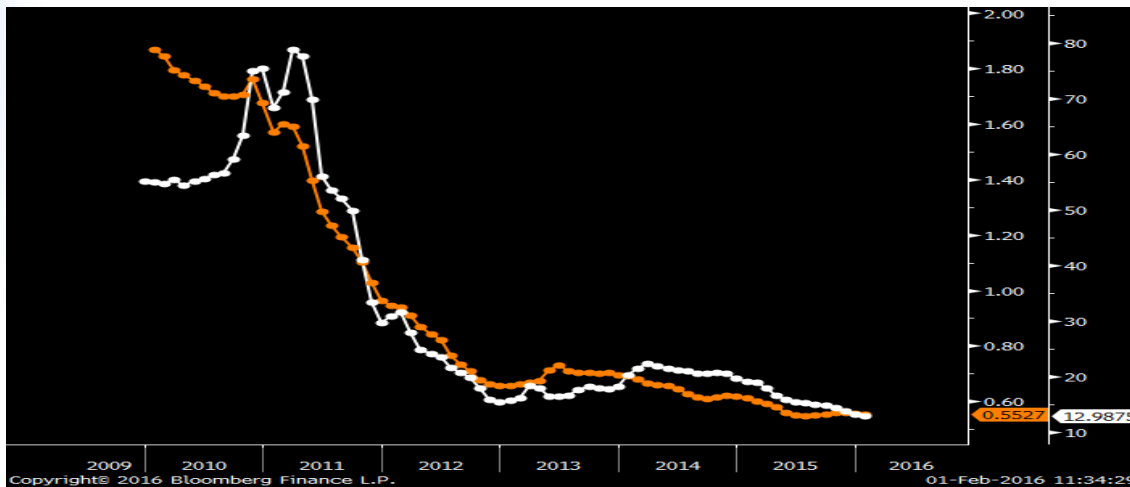
We believe that solar energy has reached a tipping point. Costs are now lower than any other form of energy.

A recent study by Lawrence Berkeley National Laboratory (LBL) showed significantly declining solar power purchase agreement (PPA) pricing.



Source: Lawrence Berkeley National Laboratory

The average solar PPA today is around \$40/Mwh, and costs are still coming down around 20% per year. The chart below shows the cost per watt of panels.

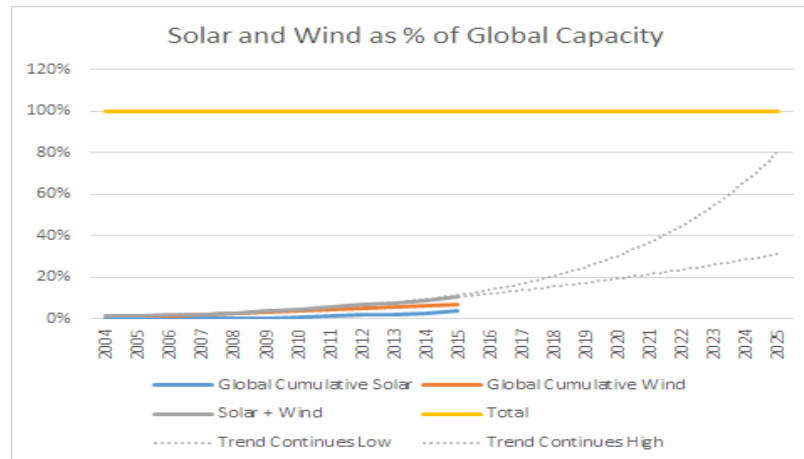


Source: Bloomberg

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.

Globally, solar and wind are growing very rapidly from minimal in 2004 to over 10% of global capacity today.



Sources: Ren21 Annual Reports, EIA.

The graph above shows solar and wind power reaching 30% of capacity in 10 years, but it is not impossible to think that we may reach 70%-80% in 20 years.

A few recent events increase our confidence in that forecast.

The global climate conference (COP21) last December in Paris ended with a rare consensus among the 195 countries attending. The agreement called for zero net new greenhouse gas emitted to be reached during the second half of the twenty-first century and a 40% reduction in emissions by 2030.

Also, in December the US congress reached a unanimous decision to extend its investment tax credits (ITC) for renewable energy to 2023. The ITC was slated to expire on December 31, 2016. Under the extension, commercial projects beginning construction by 2019 will receive the current 30% subsidy. In 2020 and 2021, projects beginning construction will receive 26% and 22% subsidies respectively. After that, projects will receive 10% through 2023.

Just last week, the California Public Utility Commission voted in favour of extending net-metering rules to 2019. This means payment rates to consumers for energy they produce and add into the distribution system will remain at retail rates. This will continue to encourage residential solar roof-top installations. Forty-three States have net-metering agreements.

China's thirteenth 5-year plan includes an ambitious goal to increase the production capacity of alternative energy significantly. Given the worsening conditions, we believe pollution will become a political problem if they do not achieve this goal quickly.

Tesla, which is building a gigafactory in Nevada to make batteries for solar installations, announced a price of \$250/kWh, making solar competitive with natural gas today as a base load energy source, and we can expect battery costs to come down rapidly, as well as other alternatives to store energy, such as hydrogen.

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS[®]) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.

The rise of alternative energy will have enormous consequences on society and several industries. Regarding the fossil fuel industry, first coal, then nuclear, then oil and eventually natural gas will see supply and demand and pricing curves shift to much lower levels.

Geopolitically, alternative energy will have important consequences on countries in the Middle East and in Russia. Already we are reading that the real motivation behind Saudi Arabia keeping oil prices low is to delay the inevitable decline in demand.

Electrical utility companies will also face significant challenges as the model for distribution will give way to a much more on-site and flexible model.

Often investors fail to consider how fast changes can happen. In order to assess just how fast, one has to see when the tipping point occurs. After that, change moves rapidly. We believe we are past the tipping point for alternative energy.

So, how do we invest in this sector? Many of our companies have significant exposure to the alternative energy sector.

Examples of holdings with exposure include: Ormat (ORA US, www.ormat.com), a world leader in geothermal energy both as a producer and equipment supplier; Atlantic Tele-Network (ATNI US, www.atni.com), an emerging solar energy producer; Disco (6146 JP, www.disco.co.jp/eg/), a maker of saws, grinders and polishers for the solar wafer and panel industry; and more recently, we added Solaredge (SEDG US), www.solaredge.com), a maker of solar photovoltaic (pv) inverters and solar power optimizers, to our Global Small Cap Fund.

Solaredge Business Overview

- Since its founding in Israel in 2006, Solaredge has shipped over 8 million power optimizers and 0.34 million inverters to more than 88 countries.
- It is the number one supplier to the US residential market and fifth largest supplier to US commercial market.
- It has a global reach with 450 employees in 11 countries.
- Manufacturing is outsourced to global players (Flextronics, Jabil).
- 73.3% of revenues are from the US.

Investment Theme

The environment and alternative energy.

Target Market Size

The US solar rooftop market increased from 2.6GW (17 GW worldwide) in 2015 to 5.5 GW (23GW worldwide) in so far in 2016. A 20% compound annual growth rate is expected for the next 10+ years.

Solaredge shipped 900MW in 2015 (unit averages 7.6kW).

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS[®]) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.

Competitive Advantage

- Focused on solar
- Strong reputation for innovation and quality

Growth Strategy

- Customer franchising in the US
- With 17 out of the 20 most important installers as customers (such as Solarcity and Krannish (20%), Vivint, Sagen etc.), Solaredge wants to continue gaining market share in the US. It will do so by introducing higher performance, lighter and smaller units and by bundling.
- Outside the US, the strategy is one of increasing distribution.

Competition, Weaknesses & Threats

- Competitors are large and established, such as SMA, ABB, Enphase
- Need to continue innovation, prices are going down 10-15% per year.

Management

The founders are still involved in the management team and own 12%, employees own 4%

ESG Score 3.5/5

- ISO 9001: 2008, ISO 14001: 2004,
- 7 out of 8 directors are independent, Nasdaq listed, strong corporate governance.
- Solaredge is an environmental player and has a strong environmental policy.
- Fast growing, young company with an excellent reputation with employees, customers
- Need to improve reporting.

Market data

Market Cap U\$1.1B, Net cash U\$150M, P/E (2017/6) 14.9x, Ev/Ebitda (17/6) 10.1x, Gross Margin 30%, Operating Margin 16%, Expected growth in sales next 4 years, 119% and profits 473%.

Have a good week.

The Global Alpha Team

This report is provided solely for informational purposes and nothing in this document constitutes an offer or a solicitation of an offer to purchase any security. This report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient and does not constitute a representation that any investment strategy is suitable or appropriate to a recipient's individual circumstances. Global Alpha Capital Management Ltd. (Global Alpha) in no case directly or implicitly guarantees the future value of securities mentioned in this document. The opinions expressed herein are based on Global Alpha's analysis as at the date of this report, and any opinions, projections or estimates may be changed without notice. Global Alpha, its affiliates, directors, officers and employees may buy, sell or hold a position in securities of a company(ies) mentioned herein. The particulars contained herein were obtained from sources, which Global believes to be reliable but Global Alpha makes no representation or warranty as to the completeness or accuracy of the information contained herein and accepts no responsibility or liability for loss or damage arising from the receipt or use of this document or its contents.

Performance figures are stated in Canadian dollars and are net of trading costs and gross of operating expenses and management fees. Further information about the Global Small Cap Composite is available by contacting the firm. Global Alpha Capital Management Ltd. (Global Alpha) claims compliance with the Global Investment Performance Standards (GIPS[®]) and has prepared and presented this report in compliance with the GIPS. Global Alpha has not been independently verified.