LABHA
INVESTMENT ADVISORS SA

QUARTERLY REPORT **Q3 / 2007**

September 2007

We are surprised by the extraordinary rally in the Emerging markets in September and have advised selling some of the positions bought in mid August when emerging markets experienced a sharp drop. Though this may turn out to be unfavourable for relative performance in the short term we believe that some consolidation is necessary before the next move up. In general we believe that a more defensive stance is warranted for the short to medium term and still favour large cap stocks with strong balance sheets. Though the earnings season should turn out to be more positive than negative, we think recent moves in the more cyclical sectors have been extreme and could reverse.

We have advised a more conservative approach to stock selection this year with more diversification than usual as we believe than in a mid-cycle, which is where we are now it is not advisable to be too extreme with positioning in one direction or the other and reducing average volatility is important while waiting for the chances to make bigger moves when the opportunities present themselves.

July 2007

July was the month when sub-prime mortgage fears and the related tightening of liquidity took center stage. Our advice to underweight US financials served our clients well as did our bias toward large cap exporters. We advised using the market sell-off to slightly increase exposure to equities positions in stocks which we believe are well supported by growth and valuation while continuing to take profits from some that have reached our targets.

Even though there has been no differentiation in the current sell-off as speculators scramble to generate liquidity, we believe that this will change and the beneficiaries will be companies with solid balance sheets and excellent management. We have advised positioning portfolios accordingly over the past six months in anticipation of these changes. In our opinion, this will help our clients increase their out-performance even further while continuing to keep risk below market levels.