



LABHA
INVESTMENT ADVISORS SA

QUARTERLY REPORT

Q1 / 2008

March 2008

We have recommended a further reduction in equity exposure. Despite the rally in the first week of April we remain cautious. We advise slightly increasing exposure to emerging markets to neutral after the recent set-back and remaining underweight Japan, the US and Europe, especially the financial and consumer discretionary sectors.

The commodity market looks overheated to us and we remain underweight. There are signs of slowing from China and India which when added to the slowdown in the US should lead to a softening of the market. Inflation is becoming a big concern for all of these countries. Therefore, it appears that most of the governments are pleased to see some slowing in investment which they are hoping will translate into lower energy and metals prices. Also after the recent weak economic data from the Eurozone, the U.K and Canada and the first signs of weakening in Australia, these currencies seem to be losing their upward momentum versus the dollar. Therefore it is not a case of the dollar strengthening but the rest of the currencies weakening. The only currency which is holding up better than the rest is the Swiss Franc due to its safe haven status and the recent unwinding of the carry trade. When the dollar showed signs of strengthening in relative terms about two weeks ago a lot of speculative money was seen leaving the commodity space driving prices down 10-20%.