LABHA
INVESTMENT ADVISORS SA

QUARTERLY REPORT **Q2 / 2008**

June 2008

Though our clients did not do as well as the market on the rebound in May due to our advice to underweight financials, we recommended taking the rally in May as an opportunity to reduce exposure to financials even further. In the rally commodity and energy related stocks, technology and industrials out performed the broad market. We recommended reduction in exposure to all of these sectors in the rally and an increase in exposure to some healthcare and consumer staple stocks with a global reach that had fallen during the same period. As a result our clients were in a more defensive position when the June decline occurred with an overweight in healthcare and consumer staples and underweight in consumer discretionary, mining and energy. Their largest underweight is financials.

The recent reductions in fuel subsidies in Asia as well as reduced demand in developed countries should result in moderating oil prices barring a geo-political incident or natural disaster. Investment in industrial production should also slow in the emerging markets resulting in lower demand for base metals in the short-term. In the medium to long-term demand-supply trends remain favourable and we will continue to use setbacks to increase our holdings. If commodity prices fall, the effect on the rest of the market should be positive as margin pressures should be reduced and fears of substantial interest rate hikes should abate. We continue to favour the emerging market infrastructure theme as we believe that growth in this area will continue even if industrial production slows. These stocks are more volatile in their performance over the short-term but we believe that they stand to gain substantially in the medium term.

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