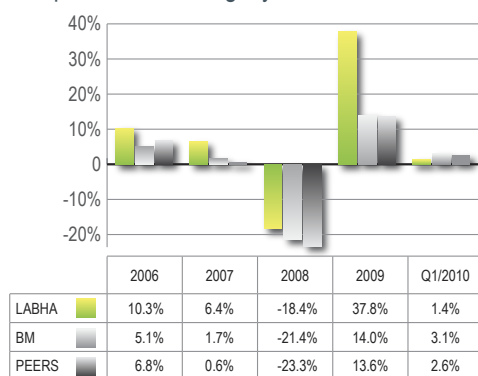


QUARTER REPORT

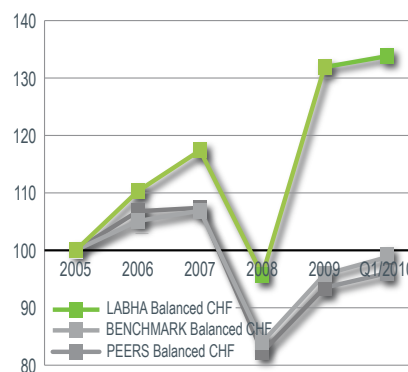
Q1 / 2010

The first quarter of 2010 was a turbulent one but ended with a positive performance. The main cause of the turbulence was the Greek Sovereign debt crisis which caused a dramatic drop in the Euro as well as the stock markets of Greece, Spain and Portugal. Spain and Portugal are considered to be in a precarious position as well and the danger of a widening of the sovereign debt issues did not encourage risk taking at any level. As a result, the Swiss Franc strengthened significantly versus the Euro and the Swiss Stock Market was one of the Strongest in Europe. Initially the Greek Sovereign Debt crisis seemed to affect all stock markets with concerns about UK and US Sovereign debt situations becoming a major focus. However, equity markets especially those outside of Europe recovered well as it appeared that some solution would be found for Greece and most companies reporting their earnings beat expectations. Emerging markets underperformed in the quarter as inflation fears and withdrawal of stimulus weighed on sentiment. Commodities and Precious metals were volatile; however oil and gold ended the quarter approximately where they had started it.

Our clients had a good first quarter of 2010 (+1.4%) as favourable stock picking drove the positive performance. Stocks like Nokia, Zurich Financial, ABB, and Kraft performed much better than the markets. For 2010 our balanced strategy outperformed our peers but was slightly below the Benchmark which had a lower Euro as well as a higher Bond exposure.



Yearly Performance



Cumulative Performance

The performance depicted above is the average of performance achieved for CHF balanced portfolios managed by LABHA. Past performance is not necessarily a guide to future expectations. Benchmark: 50% MSCI World Equity Index in CHF (net) and 50% J.P. Morgan Global Aggregate Bond Index in CHF. Peers: Balanced Strategy Funds quoted in CHF (Data source: Bloomberg).

We believe that the turbulence experienced in the first quarter of 2010 will be a feature of financial markets in 2010. We have confirmation from several regions, sectors and key companies that a global recovery is underway. However the recovery is rather mild considering that the liquidity that has been poured into the market is at levels never before seen. Low interest rates and bond markets that are looking fully priced are driving many investors towards equities. We believe that equities will perform better than cash and bonds this year but volatility will begin to rise again as uncertainty returns. This uncertainty is a natural process in every recovery as the initial surge upward is followed by a slower period and liquidity withdrawal by central banks draws nearer. The additional danger this time comes from the possible widening of a sovereign debt crisis which starts to threaten countries with a much larger impact on the global economy than Greece. We have stayed away from European and US Sovereign Debt for more than a year and concentrated on corporate debt instead. It now appears that this opinion is being strongly expressed in the debt markets as companies like Procter & Gamble can issue debt cheaper than the US government.

All of the Macro economic issues outlined above make 2010 a year in which active portfolio management will be necessary in order to avoid areas of turbulence and take advantage of the opportunities that might result from them.

Gillian Hollenstein