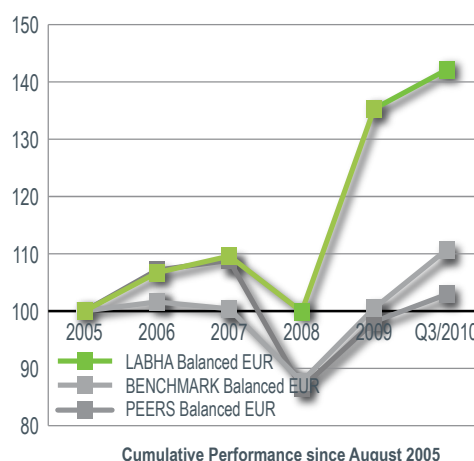
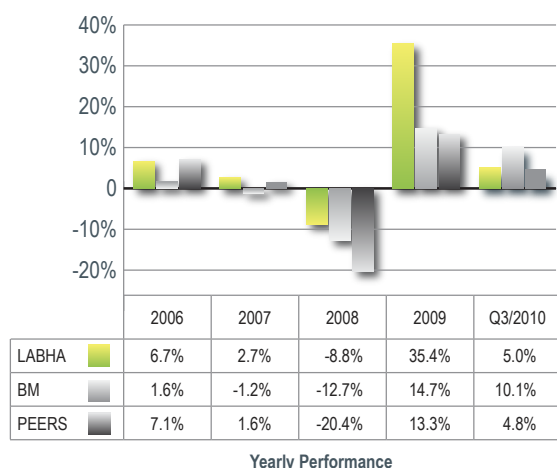


QUARTER REPORT

Q3 / 2010

The third quarter of 2010 turned out to be better for investors than expected. The major equity markets rose 5-10%. We had reduced our equity exposure in April ahead of the weakness in equity markets in Q2 and used the opportunities presented in May and June to increase equity exposure in specific sectors which we believe have better growth prospects and solid balance sheets. This rebalancing of our client portfolios has had a positive influence both on performance and volatility. We believe that regularly rebalancing is especially important in extremely volatile markets such as those of the past three years.

Our clients had a relatively good third quarter of 2010 and have a performance of +5.04% year-to-date. This compares with a performance of 4.8% from our peers. This performance was driven to a large extent by shares such as Kali & Salz and Siemens as well as exposure to the agricultural commodities which have performed very well this quarter. Low USD exposure and higher Swiss Franc exposure were also positive contributors to performance.



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

We believe that the third quarter earnings season will add to the volatility of the markets. Some companies will probably beat expectations by large margins but the economic numbers in the US and Europe may disappoint market participants. Therefore, frequent moves of 1-2% on a daily basis and in both directions are to be expected.

Fear in the markets as well as expectations of a second round of stimulus have drawn investors to US treasuries reducing 10 year yields to below 2.5%. On the other hand companies, ex-financials, are in very good health. Profits and cash flows are at very high levels and this is enabling many companies to raise their dividend payments to shareholders.

There is a general hunt for yield which has attracted investors to junk bonds over the past few months; however this area now looks expensive. Investors searching for yield are being forced to turn their attention to high yielding stocks with good balance sheets and stock pick in the higher growth areas of the equity market as well.

We are of the opinion that we are well positioned for these developments and continue to rebalance our client portfolios whenever extreme moves in one direction or the other present the opportunity to do so.

Gillian Hollenstein