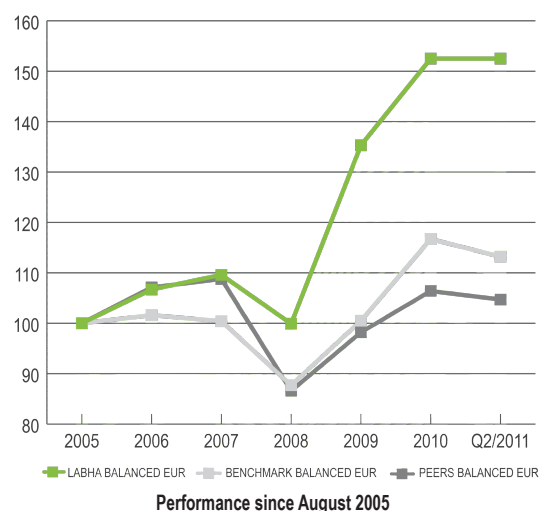
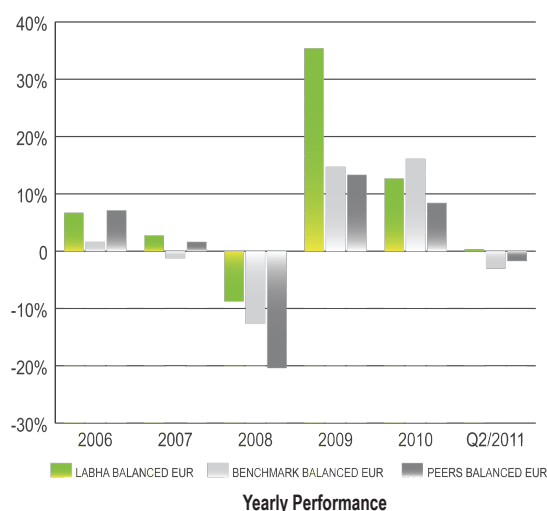


Quarter Report EUR

Q2 / 2011

The debt situation in Europe and the ending of QE2 (Quantitative Easing 2) in the US created an unfavourable back drop for markets in Q2 2011. Additional pressure was added by weaker macro economic numbers and fears of a hard landing in China. We had raised cash in April after the strong rebound in equity markets and kept portfolios more defensive, so our clients were less affected by the turbulence.

Our clients had a good quarter and have a performance of +0.3%. This compares with a performance of -3.0% from the benchmark and of -1.7% from our peers. This strong performance in very difficult markets was driven to a large extent by our more defensive position as well as stockpicking, eg. Allianz, Sanofi, ABB, Syngenta, ThyssenKrupp, Johnson&Johnson, Gilead Sciences, and Gazprom.



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 in EUR (Net) und 50% J.P. Morgan Global Aggregate Bond Index in EUR. Peers: Balanced Strategy Funds quoted in EUR (Data source: Bloomberg).

Markets rebounded strongly in April after a steep fall in March as the anxiety related to the Japanese Tsunami and its aftermath was overcome by excellent first quarter company results. We had booked profits for our clients in February and raised cash levels in all portfolios. We used some of the cash to buy back positions and rebalance portfolios in March. However the sharp rebound in April led us to reduce equity exposure once again in May. Though it is not usual to rebalance the portfolios of our clients so often, present market conditions have caused volatility to rise and have made such moves necessary. The rising stress in Europe related to the Greek debt crisis and its possible contagion effects has prompted a sell off in markets since mid May. We have now begun to rebuild exposure to the more cyclical areas of the markets after having been in the more defensive sectors for the first half of the year.

We believe that a solution/structure will be found in Europe to handle the Greek debt crisis and any others that may arise in the future. China has also shown signs of re-focusing on growth after having concentrated on fighting inflation for the past three quarters. Recent production numbers in America showed signs of improvement after the slump due to Japanese delivery issues post the Tsunami. The growth picture in Europe also looks stable and we believe that the second quarter results season will support equity performance.

We are therefore more positive about the performance of equity markets for the second half of the year but believe that stock picking will be more important than the level of equity exposure.

Gillian Hollenstein