

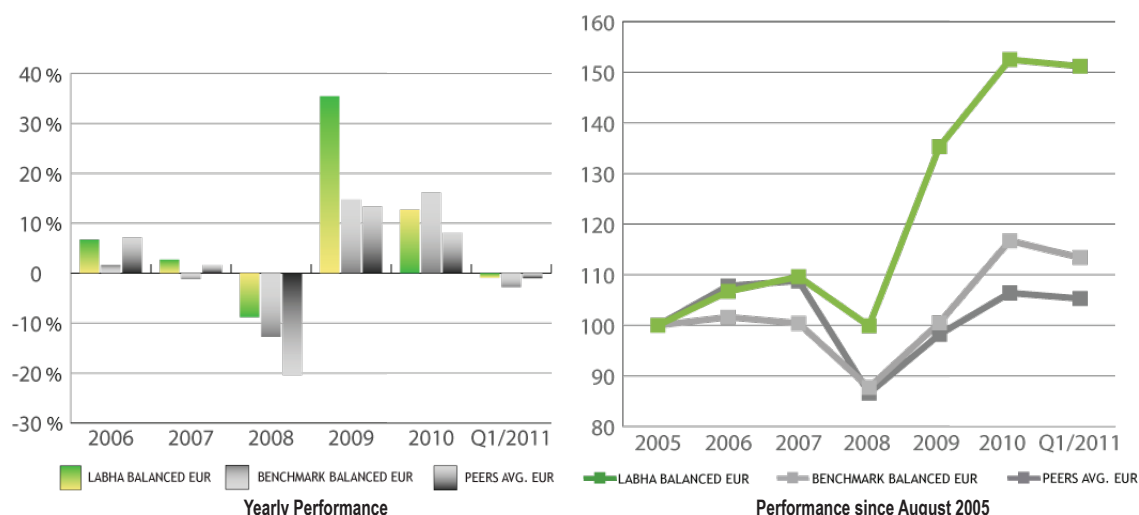
Quarter Report EUR

Q1 / 2011

MARKET ANALYSIS

The year got off to a very good start for equity investors as more liquidity started to flow out of bonds and gradually move into equities. Our clients were able to benefit from this rise in equity markets due to our increase in equity exposure in Q3 and Q4 2010. In February after six months of very strong equity performance, we felt that markets needed to consolidate before moving higher. We therefore booked profits for our clients on positions that had done very well in a short period of time. We believe that regular rebalancing is especially important in these extremely volatile markets and our discipline in this regard has paid off repeatedly over the past five years.

Our clients had a performance of -0.9%. This compares with a performance of -2.8% by the benchmark and of -1.0% from our peers. The negative performance was brought about by falling bond prices while the very positive equity performance was driven by shares such as Allianz, Zurich Financial, ENI, Syngenta, Sanofi Aventis, Apache, Quanta Services, 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).

As mentioned above, we booked profits for our clients in February and raised cash levels in all portfolios. This proved to be a very well timed move. The events of March especially the devastating Tsunami in Japan resulted in 7-10% drop in most global equity markets over the first two weeks of March. Though some of the drop looked like a rational reaction to the various global events, some of the stock specific selling looked overdone to us and more like a panic reaction. We therefore rebalanced the portfolios of our clients once again and increased the equity exposure using the cash we had raised earlier. We intend to watch events in Japan, the Middle East and North Africa as well as the European debt situation very closely. However, many of the companies we are invested in have reported better than expected earnings and this has provided support to their share prices in the recent sell off. Those companies paying dividends equal to or higher compared to the interest rate of the 10 year bonds of their respective countries, have been especially well supported. These are the investments which we had recommended in Q3 and Q4 of 2010.

We are aware that there is a high level of uncertainty on the geo-political front and the recent housing numbers from the United States of America have raised macro economic concerns as well. We believe that all of these factors will contribute to ongoing volatility in all asset classes. Therefore, discipline in rebalancing as well as stock picking will be very important contributors to performance. Our clients have benefited from both these factors over the years and we intend to continue with this focus in 2011.

Gillian Hollenstein