LABHA
INVESTMENT ADVISORS SA

Quarter Report CHF

Q4 / 2012

MARKET ANALYSIS

The fourth quarter of 2012 was heavily influenced by news flow surrounding the fiscal cliff in the US and growing optimism that a viable solution to the debt crisis in Europe could be found. In the US Economic news related to housing and employment continued to be a positive influence on market sentiment but this optimism was countered by worries about the looming fiscal cliff. However, in Europe, ECB President Mario Draghi`s pledge to do whatever it takes to preserve the Euro area, resulted in a major reversal in sentiment and the relative performance of the European indices to the US. The US dollar also came under pressure due to additional easing announcements from the FED and the Euro completely reversed its third quarter fall as a result. Gold continued to drift lower despite the US dollar weakness, as safe haven buying was less pronounced and some hedge funds facing large redemptions had to substantially reduce their very large gold exposure.

As a result of the market and currency movements outlined above, Global Equity markets in Swiss Franc were lower at the end of the fourth quarter than at the end of the third quarter. Commodities other than gold performed better than they had done for most of the year as a result of the more positive economic news from China. Bonds produced a negative return during the fourth quarter of 2012 and caught many investors off guard. Most investors had piled into bonds during the first three quarters of 2012 at the expense of equities. The performance of the two assets classes for 2012 shows that equities were ahead by more than 10% (Fig. 1).

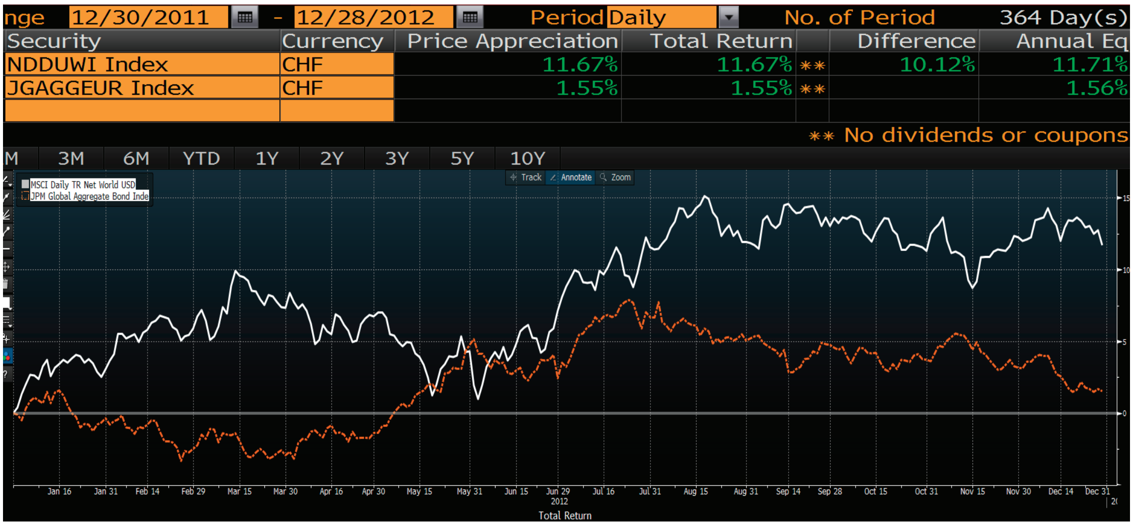

Fig. 1: Global equity performance versus global bond performance for 2012 SourceBloomberg

The average performance of the CHF Balanced portfolios for 2012 was 7.2%, which is ahead of the benchmark at 6.9%. This better than benchmark performance was achieved despite a lower equity allocation than the benchmark. Therefore, for the whole year we took less risk for our clients than the benchmark.

However, due to the fact that our stock picking was very successful we were able to produce a better performance for our clients even with less risk exposure. In volatile markets this positioning is of great advantage to clients and we thank you for the positive feedback we have received in this regard. Some examples of our stock picking are Syngenta (+ 36%), Zurich Insurance (+23%) and Holcim (+35%) were some of the strong performers for the year. In the Euro area, the same is true for Allianz (+50%) and BASF (37%)in the Emerging markets Larsen&Toubro (+50%).

With respect to the emerging markets, we expected China and related themes to start performing well in the last quarter of 2012 and emphasised this in several reports and commentaries. We positioned client portfolios accordingly and this has been an important contribution to performance in the last quarter of

FINMA Authorised Asset Managers

Seefeldstr. 301
8008 Zurich
Switzerland
T +41 43 497 2688
F +41 43 497 2686
E info@labha.com

2012. We believe that after a short term pullback this trend will continue as the growth story in China gets more established (Fig. 2).

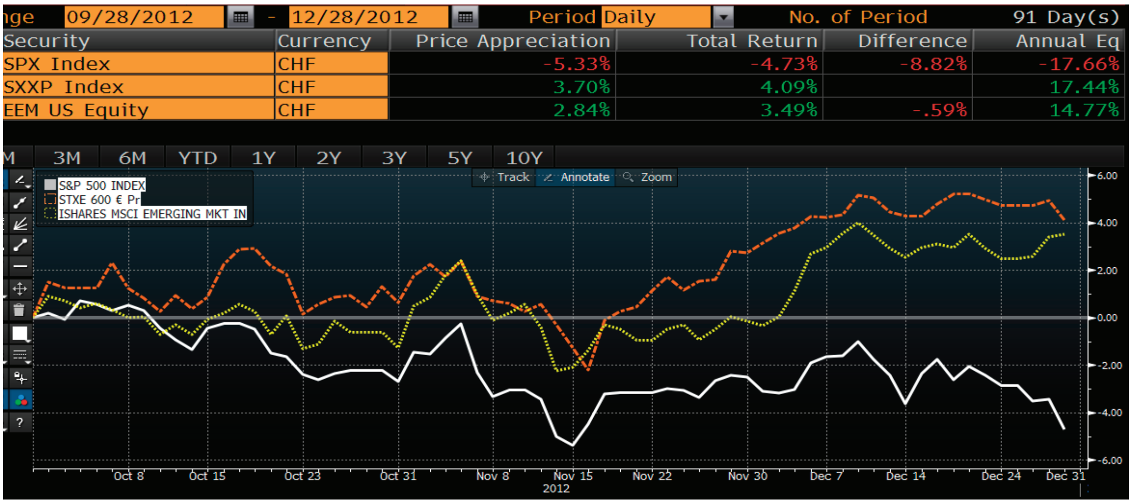

Fig. 2: US, European and Emerging market equity performance Q4 2012 **SourceBloomberg**

As we begin 2013, we are of the opinion that equities will continue to outperform bonds as they have done in the past year and that China related equities will perform better than most. Therefore, 2013 should be a good year for equities as growth, though substantially lower than historical averages, is better than expected, crises are averted and companies continue to post unspectacular but solid results. Multinationals are currently producing good cash flows coupled with historically low interest rates on their debt which is what makes equities continue to look attractive as an asset class despite worries about growth. China has already shown signs of recovery with controlled inflation and we believe that economic numbers will reveal more of the same in coming months. In our opinion, the most important factor contributing to equity performance is that investors will be forced into equities as bonds continue to underperform and they find themselves overweight bonds, and underweight equities. Furthermore, there is still a substantial amount of cash waiting on the sidelines and having missed a very strong rally the pressure to invest is growing daily.

We remain underweight bonds in the developed markets and overweight in the emerging markets and are slightly underweight equities in developed markets as we are underweight domestically focused companies. We currently hold about 10% of balanced portfolio assets in gold and intend to hold this position.

We thank all our clients for the trust they have placed in us and wish you and your families a happy, healthy, successful 2013.

Gillian Hollenstein

Important Disclosures

This research report provides general information only. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized.

Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report. Securities and other financial instruments discussed in this report, or recommended, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in this report.