

Lowes Wealth Management August 2006 - Performance Update

In August, our portfolio returned just over **3.5%**, taking our total return to **35.98%** since launch in October. This is an annualized return of **42.7%**! As you will see from the graph below, this is more than double the returns achieved by most major markets.

This month, our performance was strong across the board. Our top performer was European tyre company Michelin (ML), which gained 11.4% over the month. Our defensive stocks did particularly well, with UK supermarket chain Wm. Morrison (MRW) returning 8.2%.

The spur for the strong performance seen worldwide in August appears to have been the decision of the Federal Reserve to finally pause in its policy of successive interest rate hikes. Although many say that Bernanke was right to stop raising rates at this time (which is arguable), our biggest concern is that the decision-making process itself looks suspect. It appears that the final decision to hold rates for this month was made on the back of a range of economic data suggesting that the economy was slowing and that inflation was under control. However, interest rate increases take as long as one to two years to make themselves fully felt. If the Fed's decision to hold rates was swayed by this latest data, it suggests that the Fed is acting too late. To be successful, monetary policy needs to lead, rather than be led by, the market.

At Lowes Wealth, we remain cautious over current market levels. We continue to hold a substantial amount of our clients' holdings in cash, looking to buy on market dips. We have been very successful with this strategy. Our Value Investing methodology allows us to maintain what we call a 'defensive-aggressive' position on markets. By purchasing companies at a substantial discount to their intrinsic value, we reduce risk and maintain the possibility of generating superior returns. Since we began live trading in October, we have been able to generate superb performance, whilst being able to protect our clients from losses when markets have underperformed.



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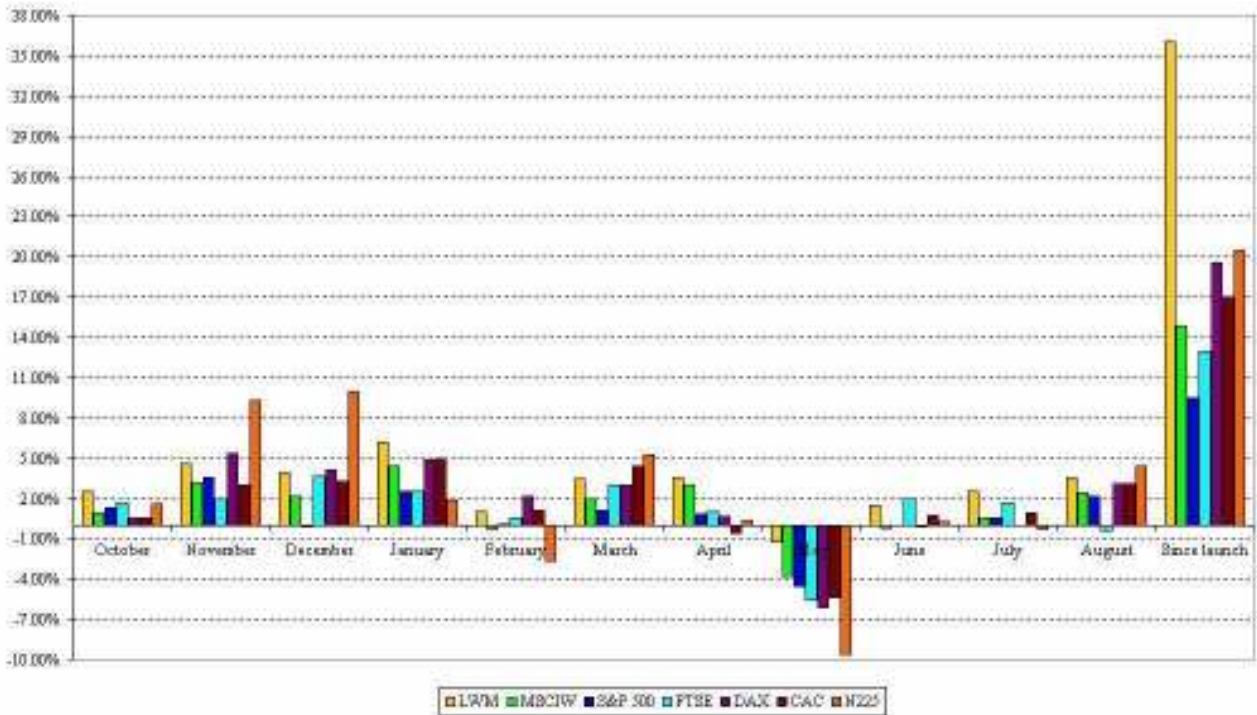
Please forward this to any friends or colleagues for whom you feel this may be of interest. If this has been forwarded to you and you would like to receive monthly performance updates, please let me know.

Kind regards,

Justin

www.loweswealth.com

August Performance Graph - Lowes Wealth Management



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	Month	October	November	December	January	February	March	April	May	June	July	August	Since launch
LWM		2.52%	4.54%	3.98%	6.22%	0.99%	3.46%	3.60%	-1.23%	1.47%	2.55%	3.51%	35.98%
MSCIW		0.92%	3.15%	2.14%	4.40%	-0.29%	1.96%	2.96%	-3.80%	-0.18%	0.56%	2.38%	14.87%
S&P 500		1.31%	3.52%	-0.10%	2.55%	0.04%	1.11%	0.80%	-4.52%	0.01%	0.51%	2.13%	9.44%
FTSE		1.71%	1.99%	3.61%	2.51%	0.54%	2.99%	0.98%	-5.55%	1.91%	1.63%	-0.38%	12.97%
DAX		0.58%	5.36%	4.14%	4.92%	2.15%	3.00%	0.66%	-6.18%	-0.16%	-0.03%	3.12%	19.56%
CAC		0.54%	2.95%	3.24%	4.94%	1.06%	4.41%	-0.62%	-5.43%	0.72%	0.87%	3.11%	17.05%
N225		1.58%	9.30%	9.91%	1.87%	-2.67%	5.27%	0.32%	-9.63%	0.24%	-0.31%	4.43%	20.50%

LWM – Lowes Wealth Management

MSCIW – Morgan Stanley Global Index

S&P 500 – US Standard and Poor's Index

FTSE – UK Index

DAX – German Index

CAC – French Index

N225 – Japanese Nikkei Index

Please note: As always, I've tried to ensure that this will go out only to those who will be interested in this information. If you don't want to receive this in future please let me know and I'll take you off the list immediately.

Disclaimer

Stated performance reflects equity gains, exclusive of any fees.

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