

Will the end of February be seen as the beginning of a substantial market collapse? Or merely a small hiccup along the way?

For much of February, markets sailed serenely on. However, towards the very end of the month, things became a little more turbulent. Over the past few years the Indian and Chinese stock markets had returned stunning performance, with Chinese share prices doubling. Warnings that the stocks on these markets were looking overvalued started to become more strident, with China in particular looking a strong candidate for a correction. The media hype was in full swing and stories of people borrowing money to invest in the Chinese market were commonplace. Whilst it was actually India that fell first, with a 6.3% fall on Friday 23rd, markets seemed unfazed and on Monday 26th February the Shanghai market hit a record of 3,000. However, the following day, profit taking and rumours of the government imposing a capital gains tax caused the biggest one-day drop since Deng Xiao Ping's death in 1997, with the market falling 8.8%. Losses would likely have been a lot higher had not many shares ceased trading after falling 10% - the maximum allowed fall in a single day.

This rather curious spur (the Chinese market was widely touted as overvalued and the fall is likely to have little impact on China's economy) seems to have started a wave of selling around the world. The Dow had its biggest fall since the attacks of 9/11. No major market was spared. Investor confidence, which has absorbed everything over the last 9 months, finally seems to have taken a serious knock.

The biggest question is whether this is the start of a major correction, or merely a minor fall prior to the markets resuming their upward path. While plenty of risks to the downside exist, most major economies actually look reasonably strong at this moment. It was only a week or so ago that many commentators were claiming that the US economy was looking to have achieved the much desired soft landing! But as

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I write this, the panic seems to have once again set in, with substantial losses in Hong Kong, Japan, France, Germany and the UK.

For February as a whole, only the Nikkei (Japan) managed to post a positive return, growing by 1.27%. The worst performing of the major markets was the S&P 500, which lost 2.19%. The Lowes Wealth portfolio ended slightly lower at -0.76%. Our strongest performing stocks were Michelin (11.99%) in Europe, Sony (11.66%) in Asia, Wm. Morrison (5.13%) in the UK and WPS (5.13%) in the US. Our worst performers were Fremont General (-35.22% - the stock announced that it would postpone its results and its 10K, causing a 24% drop in one day), new purchase Latecoere (-8.52%) in Europe, PZ Cussons (-7.56%) in the UK and United Microelectron (-7.04%) in Asia.

Where do the markets go from here? I would say that in many ways it doesn't really matter. It is impossible to consistently predict market movements in the short term and investment strategies based upon such predictions are doomed to fail. History shows that investing in established companies with undervalued real assets like cash, land and property has, for more than 100 years, dramatically outperformed the markets. Those of us that have carefully chosen our stocks on the back of diligent research rather than hype and speculation can rest easy, knowing that market turbulence is to be expected and typically presents more of an opportunity than a threat.

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 Lowes



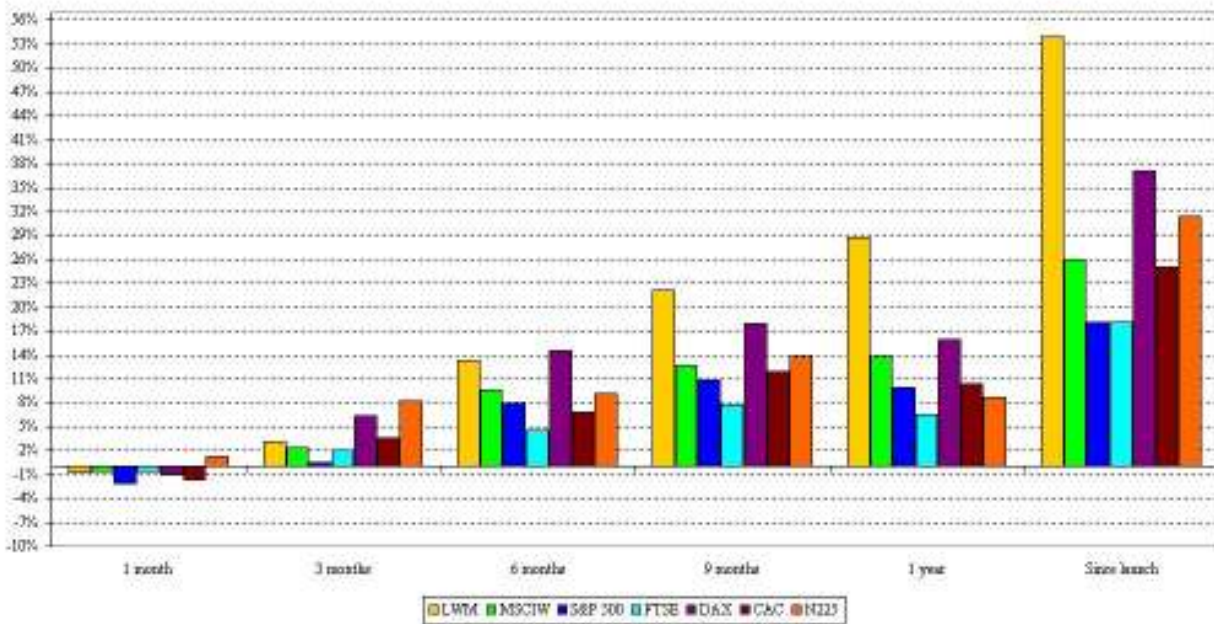
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Managing Director

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Lowes Wealth Management – February Performance Graph

Performance as of Jan 31, 2007



	LWM	MSCIW	S&P 500	FTSE	DAX	CAC	N225
1 month	-0.76%	-0.65%	-2.18%	-0.51%	-1.09%	-1.64%	1.27%
3 months	3.09%	2.42%	0.44%	2.03%	6.44%	3.54%	8.17%
6 months	13.24%	9.68%	7.90%	4.49%	14.61%	6.80%	9.07%
9 months	22.04%	12.72%	10.77%	7.82%	17.96%	11.89%	13.81%
1 year	28.82%	13.82%	9.85%	6.56%	15.86%	10.32%	8.63%
Since launch	53.99%	25.99%	18.08%	18.05%	37.03%	25.01%	31.42%

Key

LWM – Lowes Wealth Management

MSCIW – Morgan Stanley Global Index

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S&P 500 – US Standard and Poor's Index
FTSE – UK Index
DAX – German Index
CAC – French Index
N225 – Japanese Nikkei Index

*** An explanation of how we derive our performance figures.**

The performance figure that we quote is the total return on our entire equity portfolio. Thus, it measures the performance of all stocks that we actually own on behalf of our clients. This is a gross return (no charges are calculated) and is expressed in US Dollars. (Which is the currency most commonly invested by our clients.). We measure only the performance of the equity that we hold – we do not factor in any cash that is held. (Which will tend to dilute performance when our stocks rise in value, but dilute losses when our stocks fall.).

Whilst this is, therefore, an accurate indication of the performance of the stocks that we hold on behalf of all our clients, each individual clients' returns will be different due to charges, the cash that we hold on their behalf, depending upon when they invested and in which currency.

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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