

Lowes Wealth Management November 2006 - Performance Update

During November, our portfolio once again outperformed all major markets and returned 3.53%, taking our total return to 49.37% since launch in October of last year.

Our top performing stocks for the month included Mitchells & Butlers (12.4%) in the UK, United Microelectronics (16.8%) in Asia, Volvo (4.2%) in Europe and new purchases Fremont General (17.1%) and Conoco Phillips (11.7%) in the US.

Our worst performers included insurer Chubb (-2.6%) in the US, HSBC (-5.6%) in the UK, Matsushita (-6.5%) in Asia and BMW (-7.4%) in Europe.

We took the fall in Matsushita's price as an opportunity and bought more shares for our newer clients. This is in keeping with our value investment philosophy. Companies own real assets that have a definite value and the value of these assets tends to change slowly. However, the stock market is often driven by emotion rather than reason in the short term and the value accorded to companies can fluctuate rapidly. This means that short-term market fluctuations can often lead the stock market to substantially underestimate (or overestimate!) the true value of a company in the short term, allowing the value investor with a longer-term outlook to purchase such companies at a substantial discount to their true value. Over the longer term, the shares of undervalued companies tend to recover their value, providing the value investor with superior returns. Buying real assets at a discount also tends to substantially reduce risk.

Markets overall were mixed, with the UK, Europe and Japan posting negative returns. US markets fared better, with the Dow once again stealing the headlines by achieving a succession of new, record highs.

Quite why so much of the focus falls on the Dow is an interesting question. First published by Charles Dow in 1896, the index was, at the time, simply an average of the price of 12 stocks. Although it has now expanded to include 30 stocks, it is still primarily an average of these companies' share prices rather than a capitalization-weighted index like the S&P 500. What does this mean in practice? It means that on the Dow, it is the companies with the highest priced shares, rather than the companies with the largest market capitalization, that have the most influence on the index. "As a result, Alcoa counts for more than Microsoft, a company ten times as large".* With the S&P 500, the actual share price of the company is irrelevant – it is the market capitalization of the company in relation to the total market capitalization of all companies represented on the index that dictates how much a movement in its share price will affect the index. This means that a capitalization-weighted index tends to be a far more reliable barometer for the state of the economy that it represents. (The S&P 500 also represents 500 companies to the Dow's 30.).

*"The Dow Puffs On" – *The Economist*, January 12th, 2006

As so often, much of the financial media (and most of the politicians!) are obsessed with hyperbole, rather than reality. Better to talk about an index reaching a record high, than to focus on the complexities of the actual market that the index is supposed to represent. Whilst the Dow has achieved record levels, the S&P 500 remains some way below its peak and the NASDAQ remains more than 50% below its record level. In the UK, Germany, France and Japan the story is the same.

The reality of the markets is that it is awfully difficult to work out whether things are going well or going badly. Much economic data appears good and, on a price/earnings basis, stocks are not historically overvalued. But profits are running at an all-time high as a share of GDP and potential bearish catalysts abound. Whilst predicting market crashes is (virtually by definition) a mug's game, we feel that caution

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remains the sensible approach. Our philosophy of investment is about as low risk as you can get for an equity strategy, focusing as it does on undervalued tangible assets, established companies and strong dividends. 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 2005, we have generated superb performance, whilst being able to protect our clients from losses when markets have underperformed.

To download a detailed breakdown of our first year's trading results, click
http://www.loweswealth.com/pdf/LWM_1st_year_Performance_Report.pdf

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.

If you are interested in investing with us, let us know!

Kind regards,

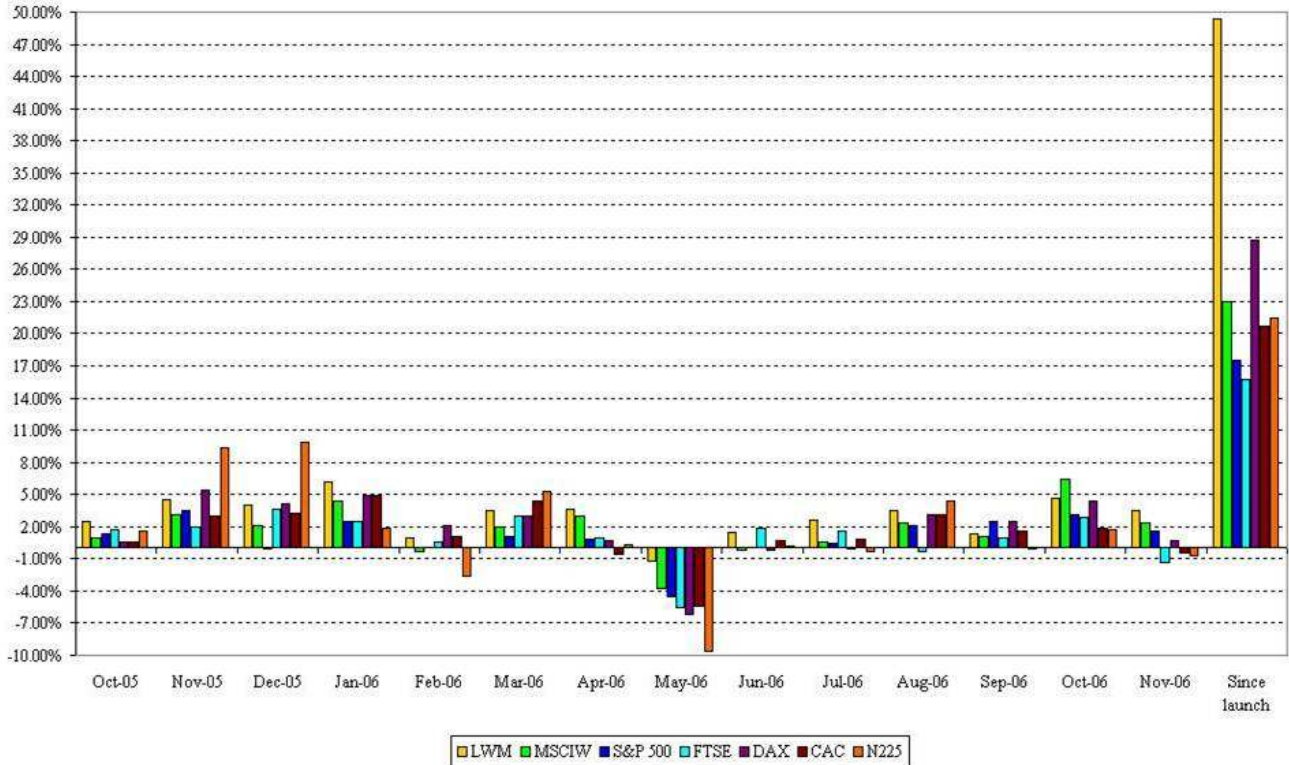
Justin

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Lowes Wealth Management - November Performance Graph



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Month	LWM	MSCIW	S&P 500	FTSE	DAX	CAC	N225
Oct-05	2.52%	0.92%	1.31%	1.71%	0.58%	0.54%	1.58%
Nov-05	4.54%	3.15%	3.52%	1.99%	5.36%	2.95%	9.30%
Dec-05	3.98%	2.14%	-0.10%	3.61%	4.14%	3.24%	9.91%
Jan-06	6.22%	4.40%	2.55%	2.51%	4.92%	4.94%	1.87%
Feb-06	0.99%	-0.29%	0.04%	0.54%	2.15%	1.06%	-2.67%
Mar-06	3.46%	1.96%	1.11%	2.99%	3.00%	4.41%	5.27%
Apr-06	3.60%	2.96%	0.80%	0.98%	0.66%	-0.62%	0.32%
May-06	-1.23%	-3.80%	-4.52%	-5.55%	-6.18%	-5.43%	-9.63%
Jun-06	1.47%	-0.18%	0.01%	1.91%	-0.16%	0.72%	0.24%
Jul-06	2.55%	0.56%	0.51%	1.63%	-0.03%	0.87%	-0.31%
Aug-06	3.51%	2.38%	2.13%	-0.38%	3.12%	3.11%	4.43%
Sep-06	1.40%	1.07%	2.46%	0.93%	2.47%	1.65%	-0.08%
Oct-06	4.62%	6.39%	3.15%	2.83%	4.41%	1.88%	1.69%
Nov-06	3.53%	2.42%	1.65%	-1.31%	0.64%	-0.39%	-0.76%
Since launch	49.37%	23.01%	17.56%	15.70%	28.74%	20.73%	21.50%

Key

- 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

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Disclaimer

Stated performance reflects equity gains, exclusive of any fees.

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