

First Year Performance 44.84%

Lowes Wealth Management First Year Trading Report

Overview

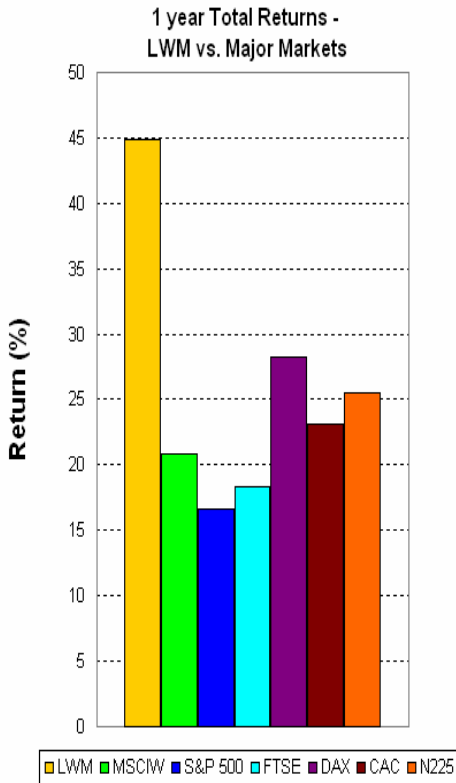
Lowes Wealth Management began live trading for our clients on October 27th, 2005. On October 26th 2006, we completed our first year of trading. Over the last twelve months, our international equity portfolio has achieved total returns of 44.84%.

What does Lowes Wealth Management do?

We manage an international portfolio of equities on behalf of our clients. We manage our portfolio using a strict value-based investment method. We only buy established companies trading on major markets.

What is value-based investment?

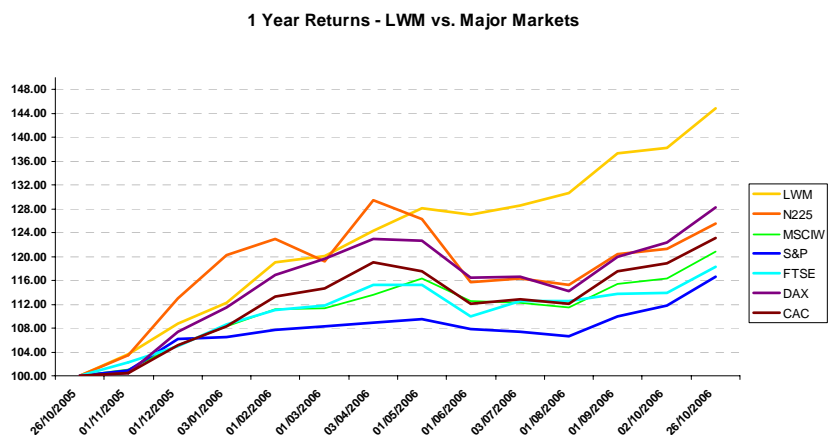
This investment method focuses on identifying companies for which the net value of the owned assets (cash, land, property, etc.) is greater than the value accorded by the stock market (the Market Capitalization). Value-based investment is very research intensive, and requires an extensive analysis of a company's financial statements and reports. Historically, value investing has substantially outperformed stock markets. At the same time, the focus on undervalued real assets has meant that value investing has been a relatively low-risk investment strategy.



Stated performance reflects equity gains, exclusive of any fees.

How has our performance compared to global markets?

Our performance has been much higher than all major markets. As can be seen, the Lowes Wealth portfolio has outperformed even the best performing of the major markets (the German DAX) by 16%. The overall average performance of major markets was 21.13%, meaning that the Lowes Wealth portfolio has returned more than double this amount.



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Analysis of Performance

Our performance was strong across the board. However, our best single sector was steel. We bought Arcelor (LOR.F)* before a hostile (and ultimately successful) bid from Mittal (MTP.PA) and eventually sold the stock for a return of more than 60%. Anticipation of further consolidation spurred growth in other steel companies' stocks, allowing us to sell Thyssenkrupp (THK.L) and US Steel (X) for returns of more than 50%. Each of these returns does not include the dividends that we received whilst holding the stocks.

Our European and UK portfolios both performed exceptionally well, outperforming the underlying indices by more than 100%. Some of our best stock picks included the tyre company Michelin (ML.PA), (that has so far returned nearly 40% in less than 6 months), the pub and restaurant company Mitchells and Butlers (MAB.L), (67% return)

and the supermarket chain Wm. Morrison's (MRW.L), (for a return of 49% from initial purchase, again not including dividends).

In Asia our performance was solid, with car manufacturers Honda (HMC) and Toyota (TM) both contributing returns in excess of 20% and industrial conglomerate Matsushita (MC) providing a 31% gain. In the US, we sold a number of stocks towards the end of the year that had done well and that we felt were no longer such good value. These included Kraft (KFT) and Northrop Grumman (NOC), both of which returned nearly 30%. We still hold (and in some cases have bought more of) a number of strong performers, including the railway operator CSX Corp. (CSX - 47%), Bank of America (BAC - 25%), and Ennis Business Forms (EBF - 37%).

* All ticker symbols use Reuters Format

Best performers

Ticker	Company	Purchase Price	Current Price	Return
MAB.L	MITCHELLS & BUTLERS	365.9	612.5	67.4%
LOR.F*	ARCELOR	21.2	34.12	60.9%
X ² *	UNITED STATES STEEL	35.5	54.1	52.4%
THK.L*	THYSSENKRUPP	1180.0	1770	50.0%
MRW.L	MORRISON SUPERMARKETS	174.5	260	49.0%
CSX	CSX CORP	25.5	37.41	47.0%
AGA.L	AGA FOODSERVICE GRP	280.6	409.25	45.9%
ML.PA	MICHELIN	45.6	63.45	39.2%
EBF	ENNIS, INC.	16.7	22.99	37.8%
CAL.L*	CAPITAL & REGIONAL	839.0	1151	37.2%

* Current price shows price at time of sale

² Includes \$4.10 option premium

Source: Lowes Wealth Management

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Where did we not do so well?

We had only 3 stocks that performed particularly badly. Puerto Rican bank W Holding Co. Inc. (WHI) dropped nearly 40%, at which point we bought more, seeing the company as even better value than before. Since our second purchase the stock has recovered well. Fresh Del Monte (FDP) fell more than 30% after a much better than expected pineapple harvest depressed prices globally. We sold the stock because we did not see the management team as being able to turn things around. Our only other poor performer was Vodafone (VOD). The company's stock fell dramatically after a GBP 28Bn write off of goodwill and an announcement of poor results. However, Vodafone has since recovered all lost ground. Overall, our ability to choose winning stocks, whilst avoiding losing stocks, is down to the strength of our analytical process.

Worst performers

Ticker	Company	Purchase Price	Current Price	Return
HIT	HITACHI LTD	59.85	59.34	-0.9%
MTG	MGIC INVEST CP	60.15	59.47	-1.1%
ABF.L	ASSOCIAT BRIT FOODS	840.1	821.5	-2.2%
SMDS.L	DS SMITH	180.2	174	-3.4%
ITV.L	ITV	109.2	105	-3.8%
HMSO.L*	HAMMERSON	1221.95	1143.05	-6.5%
UMC	UNITED MICROELECTRON	3.199	2.99	-6.5%
VOD	VODAFONE GRP PLC	28.95	25.22	-12.9%
WHI ¹	W HOLDING CO INC	8.24	5.81	-29.5%
FDP*	FRESH DEL MONTE PROD	25.86	17.79	-31.2%

* Current price shows price at time of sale

¹ Initial purchase price shown (additional purchase has been made)

Source: Lowes Wealth Management

Stated performance reflects equity gains, exclusive of any fees

How do we view markets going forwards?

We are always cautious. There are a number of potential bearish catalysts that include budget deficits, inflation, oil prices, geopolitical issues, threats to consumer spending caused by a slowing housing market in the US, consumer over-indebtedness, avian flu etc. In context, the 'goldilocks economy' (not too cold, not too hot – just right) could well be shaken should any of these come to pass.

But value investing suits a cautious approach very well. As Warren Buffett said about investing: "The first rule is not to lose. The second rule is not to forget the first rule."



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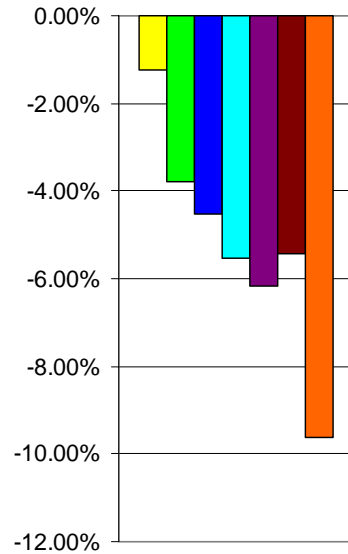
Risk / Return comparison

Historically, value investing should protect investors against losses when markets do badly. This graph shows the performance of all major markets in May. (This was the only month in which we have posted a loss.)

As you can see, our portfolio performed much better than all other indices, protecting our clients. It's easy to make money when markets are rising. It is far more difficult to ensure that you don't lose it all when markets fall.

LWM	MSCIW	S&P 500	FTSE	DAX	CAC	N225
-1.23%	-3.80%	-4.52%	-5.55%	-6.18%	-5.43%	-9.63%

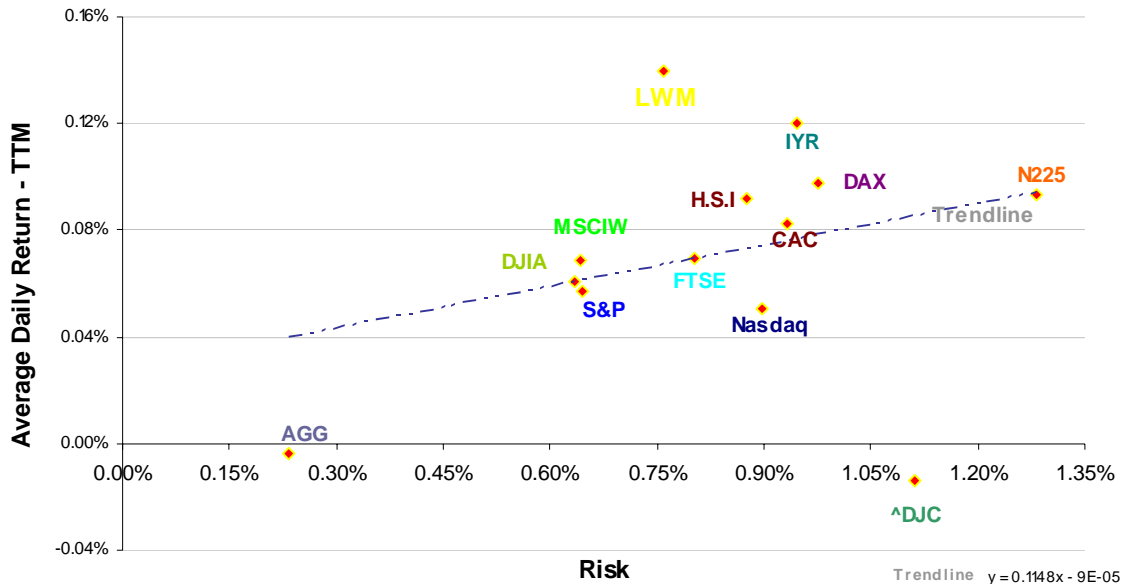
Performance May 2006



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The most important point to make is that our performance has been achieved whilst maintaining a lower level of risk than that seen in almost all major markets. The graph below shows that our portfolio has the highest return, but at the same time a comparatively low level of risk.

Risk and Returns Graph Daily - TTM



"Risk" in this graph is measured by the *standard deviation* of total daily returns during the last 12 months for each index and market. The standard deviation is a measure of statistical dispersion that shows the variability of returns earned by an investment portfolio.



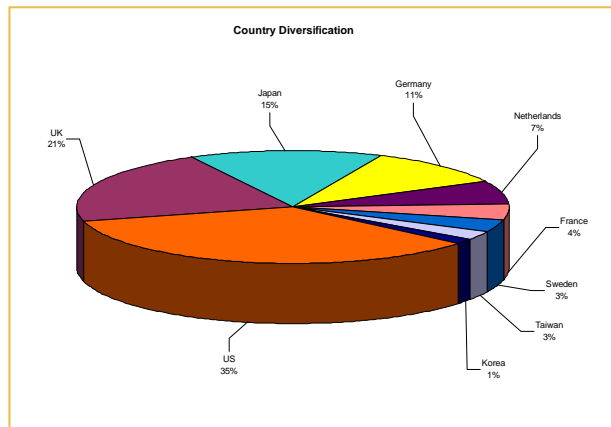
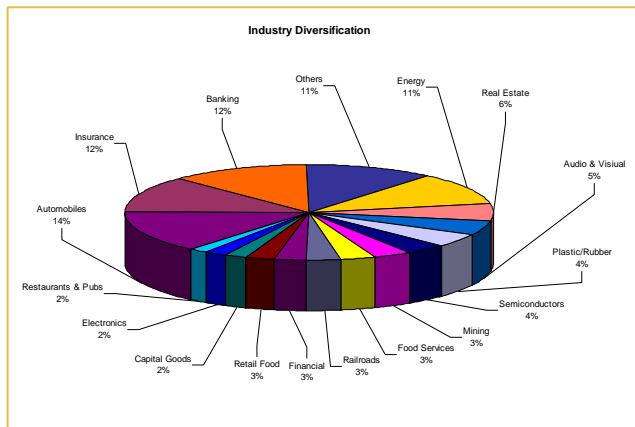
Adding Value

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Another way in which we have reduced risk is through diversification. As you will see below, Lowes Wealth Management diversifies geographically, across industries and, of course, across currencies. This means that our clients are less exposed to risk if a certain industry, country or currency is badly affected.



The Benefits of using Lowes Wealth Management

- Performance
- Flexibility
- Security
- Expertise
- Tax Efficiency
- Worldwide Service

What sort of companies does Lowes Wealth Management invest in?

- US, UK, European or Asian companies
- Trading substantially below their real value
- Minimum market value of US \$500M
- Well established
- Good Dividend Record
- Substantial Trading volume

Our portfolio consists of 50 – 75 stocks



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Moving Forward

Over the past 12 months, Lowes Wealth Management has gone from strength to strength. We continue to strengthen our research processes and our team. We have implemented improved reporting and statement services for clients. We will continue to develop and bring substantial benefits for our clients.

If you would like to find out more, contact us:

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