

I hope that you are well

February was a mixed month for global markets. Investor confidence waned and waxed on a regular basis. We took advantage of short term optimism to identify and sell a number of stocks for which we felt either the valuations had become stretched, or which we felt were under threat of becoming further embroiled in the increasing contagion from the sub prime issue. Our total cash holding on behalf of all clients now exceeds 50%.

### Taking Advantage of Current Market Fluctuations

Whilst we took the opportunity to cut certain stocks, we have also been looking to identify solid businesses that have been, we believe, unfairly marked down as a result of negative investor sentiment.

A good example of this is Hardinge – a US tool maker with over 100 years of trading history – which we bought on the back of a (to Wall St.) disappointing earnings announcement that showed the company had made a loss of \$0.1M in the fourth quarter. The reaction of the stock market was damning. However, the explanation of the company's management suggested that this was entirely due to short term factors:

- *The remaining impact on gross margin in the fourth quarter is primarily due to the rebalancing of production volumes in our U.S. and Taiwan production facilities to address both current market demand for certain products, higher price discounting related to plans to reduce our finished machine inventories and the accelerated phase-out of older product line, higher costs than anticipated on certain turnkey machine projects and product and channel mix changes.*
- *Going forward, it does not anticipate any impact on gross margins as a result of the accounting changes discussed above, however we do anticipate some effect on our gross margin percentage as we continue to phase out older model products and run our factories at lower production volumes to reduce inventory levels.*
- *It anticipates these actions to impact gross margin percentage for the first three to six months of 2008.*

This optimistic outlook was borne out by the fact that Hardinge had increased its fourth quarter orders by 10% over the year before, that its net sales for 2007 were 9% higher and its net income 7% higher than for 2006, *even after factoring in the fourth quarter loss.*

# Lowes Wealth Management

## February 2008 - Performance Update

Given that our research indicates that at the reviewed share price (\$12.20) the entire company could be bought for only 64% of its net tangible asset value and that it has substantial exposure to the most promising Asian markets, Hardinge provides a good example of how a value investor seeks to use the short term volatility of the market to their advantage. Whilst Hardinge may not appreciate dramatically in the short term, we believe that we have bought into an excellent company at a fantastic price that will over time produce market-beating returns as the short term factors affecting its gross and net margins disappear.

Fundamental value investing is not about succumbing to short-term market emotion, but is about identifying companies with solid assets and earnings prospects that are trading at a discount to their real, or intrinsic, value.

### February Performance

For February, the worst affected market was the US where the S&P (-3.47%) and the Dow (-3.04%) were both hit. In Europe, the French CAC (-1.62%) and the German DAX (-1.52%) also fell. The Nikkei (0.07%) and the FTSE (0.08%) were both positive.

The LWM portfolio (-0.13%) was slightly negative for the month. Our portfolio has now returned 45.15% since launch, substantially more than all other major markets.

Our best performing stocks in February were Cimarex Energy Co (29.1% - US), Aero Inventory (9.6% - UK), Unibail-Rodamco (8.4% - Europe) and United Microelectronics (5.3% - Asia). Our worst performing stocks for the month were Fremont General (-69.7% - US), which has been the stock we've held that has been most entangled in the sub prime meltdown, Korea Electric Power Company (-14% - Asia), BMW (-13.1%) and Wm. Morrison (-0.6% - UK).

At LWM we operate according to a strict value-based investment methodology. We focus 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 launch we have outperformed all major markets.

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.



# Lowes Wealth Management February 2008 - Performance Update

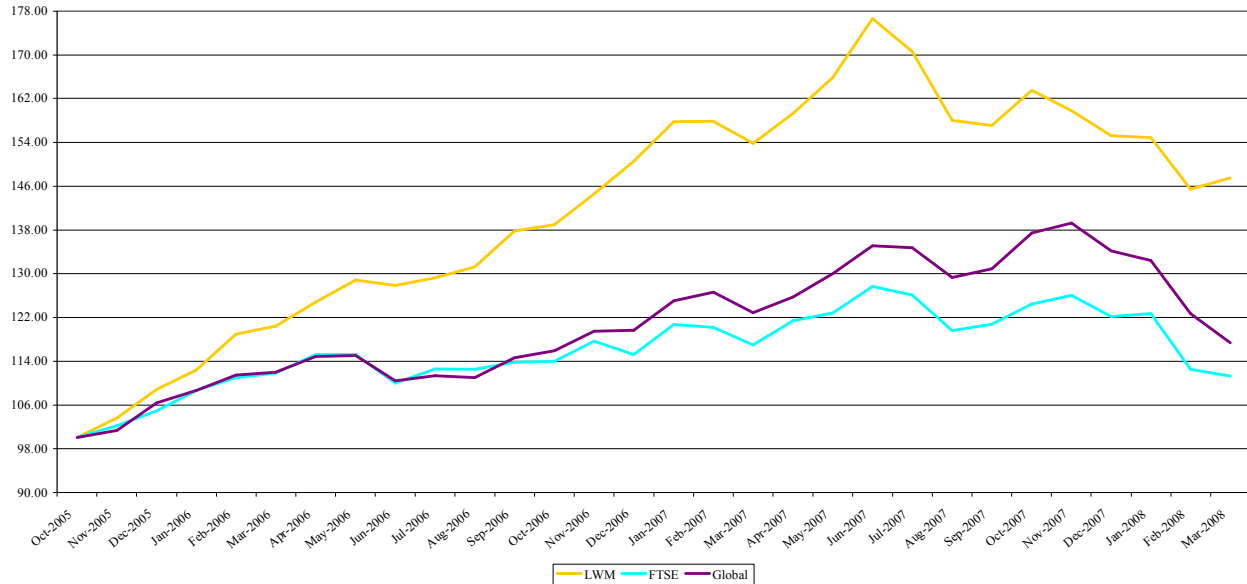
Kind regards,  
Justin  
[www.loweswealth.com](http://www.loweswealth.com)

## Lowes Wealth Management Monthly Performance

2005	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	-	-	-	-	-	-	-	-	-	2.52	4.56	4.08	11.56
2006	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	6.00	1.30	3.61	3.10	-0.17	0.94	2.36	3.97	1.61	4.52	3.70	3.65	40.41
2007	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	-0.21	-0.53	2.10	4.21	5.92	-3.78	-5.09	-1.93	3.39	0.96	-4.86	0.53	0.02
2008	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
	-7.23	-0.13											-7.35

# Lowes Wealth Management February 2008 - Performance Update

## Lowes Wealth Management vs. FTSE & Composite Global Index

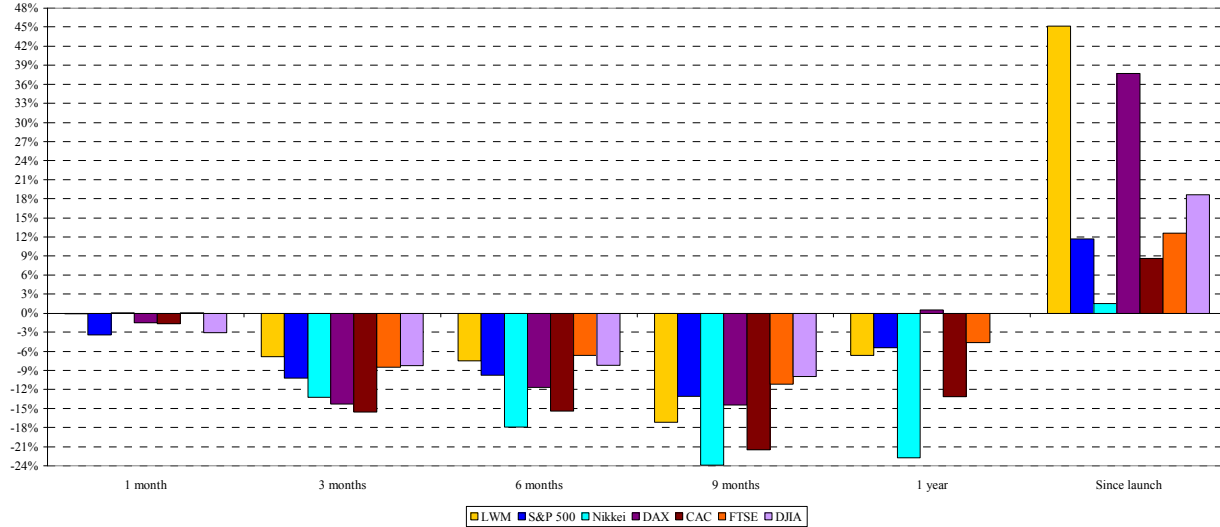


The global index is made up in the following way:

S&P	(US)	40%
FTSE	(UK)	20%
DAX	(Germany)	10%
CAC	(France)	10%
Nikkei	(Japan)	10%
HSI	(Hong Kong)	10%

# Lowes Wealth Management February 2008 - Performance Update

Performance as of February 29th, 2008



	LWM	S&P 500	Nikkei	DAX	CAC	FTSE	DJIA
1 month	-0.13%	-3.47%	0.07%	-1.52%	-1.62%	0.08%	-3.04%
3 months	-6.86%	-10.16%	-13.25%	-14.26%	-15.51%	-8.52%	-8.27%
6 months	-7.50%	-9.72%	-17.90%	-11.66%	-15.40%	-6.65%	-8.17%
9 months	-17.16%	-13.06%	-23.90%	-14.40%	-21.51%	-11.13%	-9.99%
1 year	-6.64%	-5.41%	-22.73%	0.48%	-13.15%	-4.65%	-0.02%
Since launch	45.15%	11.69%	1.55%	37.69%	8.57%	12.56%	18.57%

### 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

# Lowes Wealth Management

## February 2008 - Performance Update

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

The performance figures that we quote are the returns on our entire equity portfolio. Thus, it measures the performance of all stocks that we have bought on behalf of our clients. This is a gross return (no charges are calculated) and is expressed in US Dollars, the currency most commonly invested by our clients. We measure only the performance of the equities that we hold – we do not factor in any cash that is held.

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

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.*

*This communication constitutes neither an offer to sell nor a solicitation of an offer to purchase/subscribe to any investment. All information and attachments (the "Material") are provided by Lowes Wealth Management ("LWM") as part of its internal research activity. This Material is solely for informational purposes, and LWM makes no representations as to accuracy or completeness. LWM is not responsible for errors contained herein and shall not be liable for any consequences arising out of reliance upon same. Opinions herein constitute the present judgement of LWM, which is subject to change without notice.*

*This communication is confidential and may be covered by legal, professional or other privilege. The information herein is solely for the intended recipient(s). Any other access is unauthorised. If you are not the intended recipient(s) please immediately delete it from your system. Any disclosure, copying or distribution, as well as any action taken or omitted to be taken in reliance on information herein, is strictly prohibited. This Material and its use may be restricted by law in some jurisdictions, and persons who receive or otherwise interact with it are required to inform themselves and to comply with any such restrictions. Specifically, the information herein is not for distribution to the USA or Switzerland, and it does not constitute an offer or a solicitation of an offer to buy or to sell securities in those countries or to sell securities to or for the benefit of any US or Swiss resident.*