

I hope that you are well.

This month's performance update will be longer than usual, as enough happened in March to fill several typical reports!

Therefore, for those of you who won't bother to read to the end, I'd just like to say now that the Lowes Wealth portfolio once again outperformed all major markets with a return of 1.76%. (All major markets were negative.)

Too Clever by Half

Much of the credit crunch has been caused by the way in which regulations (and greed) have caused banks to structure their balance sheets. *Or rather, to exclude items from their balance sheets.* In search of higher yield, banks kept supposedly safe assets (AAA rated collateralised debt obligations, often backed by sub prime mortgages) in conduits or SIVs – structured investment vehicles – which did not have to be shown on their balance sheets, but which could often be used to satisfy the banks' capital adequacy ratio requirements. (These are rules laid down that enforce banks to hold a certain percentage of absolutely safe (supposedly!) assets, to ensure that their lending operations are backed by sufficient capital.). What was a very cunning ploy by extremely clever financial types to enable banks to game the system, has now become, for some, the means by which they have been undone.

So cunning and successful was this ploy in getting around and obfuscating the capital adequacy requirements, that now no bank can fully assess the financial position of its peers. When everything was going well this was not a problem. However, now that the world is on its way to hell in a hand-basket, and the banks need liquidity to continue their ongoing operations, the banks are loathe to lend to their fellows in case they suddenly blow up and can't repay the money. Hence, the rates charged by banks to lend to each other are much higher than historically normal. If sufficient doubt surrounds a particular bank, it may not be able to secure the liquidity that it needs from the market, at any price.

This difficulty is then further compounded by the fact that assets have to be marked to market. This makes it difficult for anyone to work out what most of the assets that are now considered questionable are really worth. A bank may own debt that it believes to be safe, but for which the market has no appetite. If the bank holds this asset until maturity, it will expect to be repaid all of its money, plus the interest. However, given that no one feels confident about the asset, the only prices that the bank would get if it sold the asset on the open market would be desultory. But it has to show the value of the asset as the price that the market is willing to pay! Therefore, the bank has to dramatically mark down the value of an asset that it believes safe, even if it has no intention of selling it. Its 'safe' assets have declined in

value, meaning that, to restore its capital adequacy ratios, it must either purchase more 'safe' assets or curtail its borrowing. Given that capital is scarce, most banks will choose the latter option; thus restricting the availability of credit and reducing the market for assets; thus causing other assets to be marked down; thus further restricting the availability of credit etc.

The Demise of Bear

When the hedge fund Long Term Capital Management collapsed in 1998, US investment bank Bear Stearns opted out of a consortium to save the fund, and possibly the US financial system. This created a lot of resentment.

10 years later, what goes around came back around. Bear's shares had traded at \$170 at the start of 2007 and were just under \$100 during February 08. Persistent rumours about the vulnerability of the bank caused a shutdown in the availability of the short term lending that then bank needed to survive. This was exacerbated by investors running for the exits. On Friday, March 14th the share price collapsed to \$30, but the bank was still claiming that its financial position was solid. On Sunday, March 16th, the Federal Reserve engineered a takeover by which Bear, the fifth largest investment bank in the US, was effectively acquired by JP Morgan for \$2 per share.

The bank's position had deteriorated with unbelievable speed. A combination of high leverage and a vicious circle of negative perceptions leading to more and more difficult trading conditions reinforced each other. The destruction of wealth on the part of Bear shareholders was tremendous, with the Chairman of Bear seeing his equity in the company fall in value from a high of US \$1.2 billion to \$11 million.

One of the most telling aspects of the Bear affair is that the Fed felt compelled to act. Whilst Bear was the smallest of the major investment banks, it was heavily exposed to the Credit Default Swap (CDS) market. This is a market whereby investors can insure against the possibility of a lender defaulting on its debt. The CDS market is huge, and Bear was a party to some US \$10 TRILLION in CDSs. The concern was that if Bear collapsed, a huge number of investment institutions, which had believed that their trading positions had been hedged given their purchase of CDSs, would have suddenly been left holding unwanted and unexpected risk. The paroxysms caused by Bear's meltdown could thus have thrown the risk management of pretty much all major institutions into chaos. Adding to this, JP Morgan, the biggest counterparty of all in the CDS market, was heavily exposed to Bear. The Fed therefore believed that the possible impact of Bear's collapse was too frightening to ignore, hence it not only engineered JP Morgan to acquire the bank, but also provided \$30 billion of tax payers' money in financing to secure Bear's liabilities.

In Other News...

The Federal Reserve slashed rates a further 75 basis points. The European Central Bank held rates steady. The US dollar fell dramatically against the Yen and RMB. Rising food prices stoked tensions in a number of poorer countries around the world.

Market Performance

All major markets fell. The Japanese Nikkei fared worst (-7.92%), followed by the German DAX (-3.15%), the UK FTSE (-3.10%) and the French CAC (-1.75%). The US S&P 500 (-0.6%) and the Dow (-0.30%) were slightly negative.

The LWM portfolio further extended its outperformance over all major markets by posting a gain of 1.76%.

Our best performing stocks from around the world in March were: new purchase Hardinge Inc (10.88%, US) which we featured in last month's performance update, HSBC (8.36%, UK), United Microelectronics (5.62%, Asia) and Unibail-Rodamco (0.75%, Europe).

Our worst performing stocks were Fremont General (-52%, US), Latecoere (-13.82%, Europe), Korea Electric Power (-13.11%, Asia) and Wm. Morrison (-7.82%, UK).

Note that each month we publish the best and worst performing stocks from four regions – Asia, Europe, the UK and the US. However, this does not allow for any weighting of the various stocks within our portfolio. Thus, the 10% gain for Hardinge, which comprises approximately 3% of our portfolio, has a much greater impact than the 52% loss for Fremont, which represents less than 0.2%.

At LWM we operate according to a strict value-based investment methodology. We focus on established companies with undervalued tangible assets, good business prospects 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.

Lowes Wealth Management March 2008 - Performance Update

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

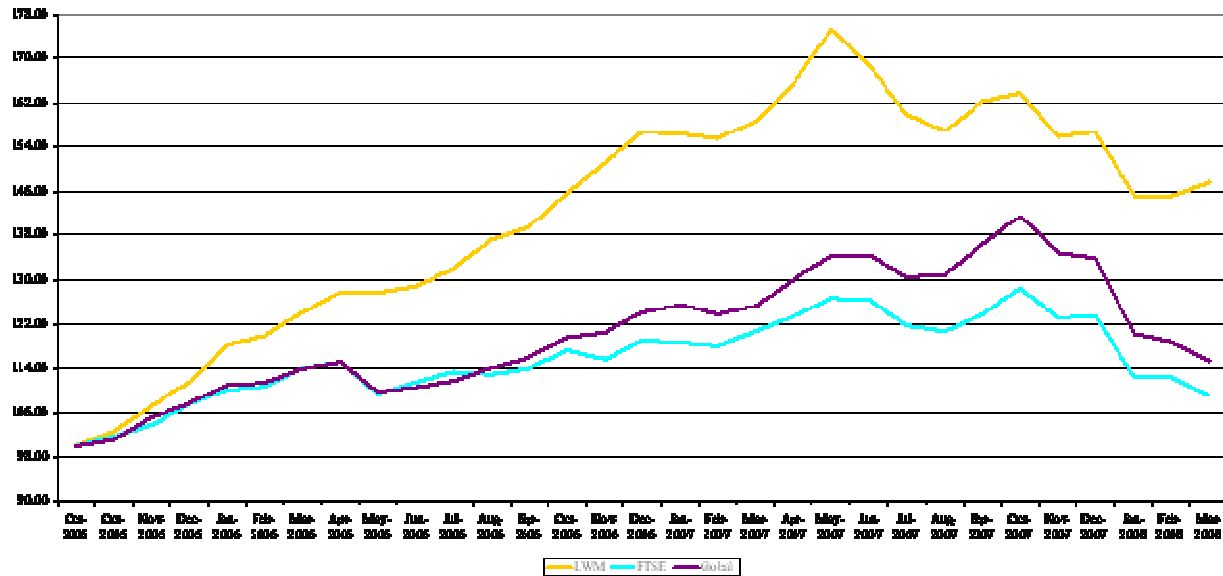
www.loweswealth.com

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	1.76										-5.72

Lowes Wealth Management March 2008 - Performance Update

LWM vs. FTSE 100 & Global Composite Index

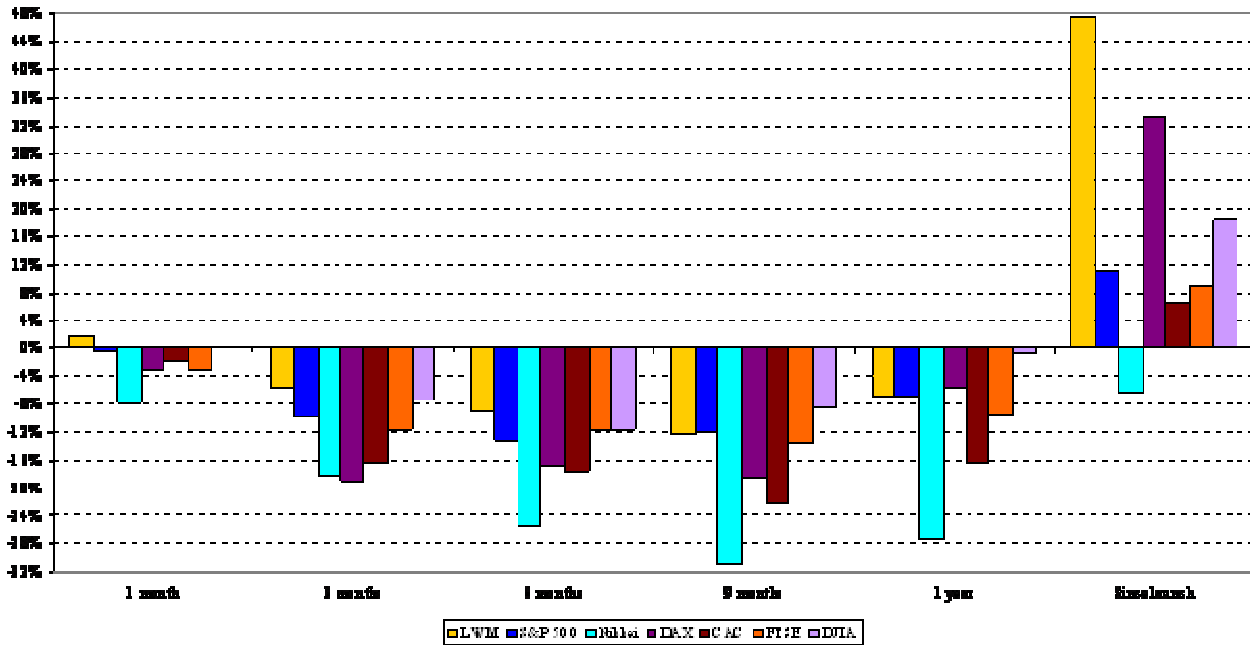


The global index is made up in the following way:

S&P	(US)	40%
FTSE 100	(UK)	20%
DAX	(Germany)	10%
CAC	(France)	10%
Nikkei	(Japan)	10%
HIS	(Hong Kong)	10%

Lowes Wealth Management March 2008 - Performance Update

Performance as of March 31st, 2008



	LWM	S&P 500	Nikkei	DAX	CAC	FTSE	DJIA
1 month	1.76%	-0.60%	-7.92%	-3.15%	-1.75%	-3.10%	-0.03%
3 months	-5.72%	-9.92%	-18.17%	-18.99%	-16.35%	-11.69%	-7.55%
6 months	-8.96%	-13.37%	-25.38%	-16.87%	-17.65%	-11.83%	-11.75%
9 months	-12.39%	-12.02%	-30.94%	-18.38%	-22.26%	-13.71%	-8.54%
1 year	-6.95%	-6.91%	-27.55%	-5.52%	-16.46%	-9.61%	-0.74%
Since launch	47.70%	11.02%	-6.49%	33.35%	6.67%	9.07%	18.54%

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

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.

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