

Lowes Wealth Management June 2007 - Performance Update

I hope that you are well.

June's performance update is a little later than usual due to the holiday season.

June was an up and down ride for major markets, ending in negative figures for most. Only the DAX and the Nikkei were positive for the month, turning in 1.58% and 1.47% respectively. All other markets were down: the FTSE by -0.20%; the French CAC by -0.80%; the Dow by -1.61% and the S&P by -1.78%. The LWM portfolio was particularly badly hit, with a loss of -3.42%, our worst month's performance since we began trading. Despite this loss, our portfolio is still up 67.01% since launch in October 05.

Our top performing stocks in the different regions were Fuji (Asia +7.7%), Aero Inventory (UK +7.4%), BASF (Europe +5.3%) and Conoco Phillips (US +1.4%). Our worst performing stocks were Matsushita (Asia -6.6%), Unibail-Rodamco (Europe -10.2%), Persimmon (UK -15.2%) and W Holdings Inc. (US -51.9%).

Investor sentiment during June revolved around US sub-prime concerns. Investor psychology seems to be rapidly flipping between optimism and pessimism. Our portfolio suffered in the first third of June, recovered nearly all losses in the next third then lost them all again in the final third! Many of our stocks that fell were either directly linked to real estate and the mortgage market or would suffer should there be a major fall away in consumer spending.

W Holdings Inc. poses a conundrum

By far our worst performer for June was W Holdings Inc (WHI). This is one of two extremely volatile stocks that we hold, (the other being Fremont General). WHI is a Puerto Rican bank and announced in June that one of its major loans did not have sufficient collateral to back up the loan, and that this 'collateral deficiency' was at least US \$80M. The company's share price fell 33% in one day. Our policy is to re-analyse stocks that go through a major price change. Therefore, one of our analysts prepared a new report incorporating the new information and the new figures. The problem is that it is not possible to say whether this is an isolated problem or the tip of the iceberg. To cover the iceberg scenario, the analyst prepared figures showing the current known financial position of the company, as well as figures showing the company's position should the situation be 5 times worse than currently reported. (Total asset impairment of US \$400M (rather than \$80M) and all of the loans secured by these assets going sour.). Even on this worst-case basis, the stock looks to be tremendous value, trading below its tangible asset value. This would normally suggest a strong buy. However, when we voted on the stock, the results were widely dispersed and the stock failed to secure the necessary votes to initiate an additional purchase.

The reason is that as a result of this and other, lesser issues, we do not feel confident that the management can be trusted. Therefore, it is impossible to know if even the worst-case scenario given the published figures is a true reflection of possibility. When Fremont General fell drastically a few months ago, the analysis suggested the market had massively overreacted and we bought more of the company on two occasions. This was rewarded by a 75% increase in the price of Fremont last month. With WHI, without feeling able to be sure of the information presented to the market, we do not feel able to purchase more shares. We suspect that the company is indeed oversold and that it will rise dramatically going forward. But our first goal is to minimize the risk of loss – do this and good returns



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will follow. Hence, for existing clients we have decided to hold. But we will not buy more shares at this time.

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 we began trading, we have been able to generate superb performance whilst being able to protect our clients from losses when markets have underperformed.

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,

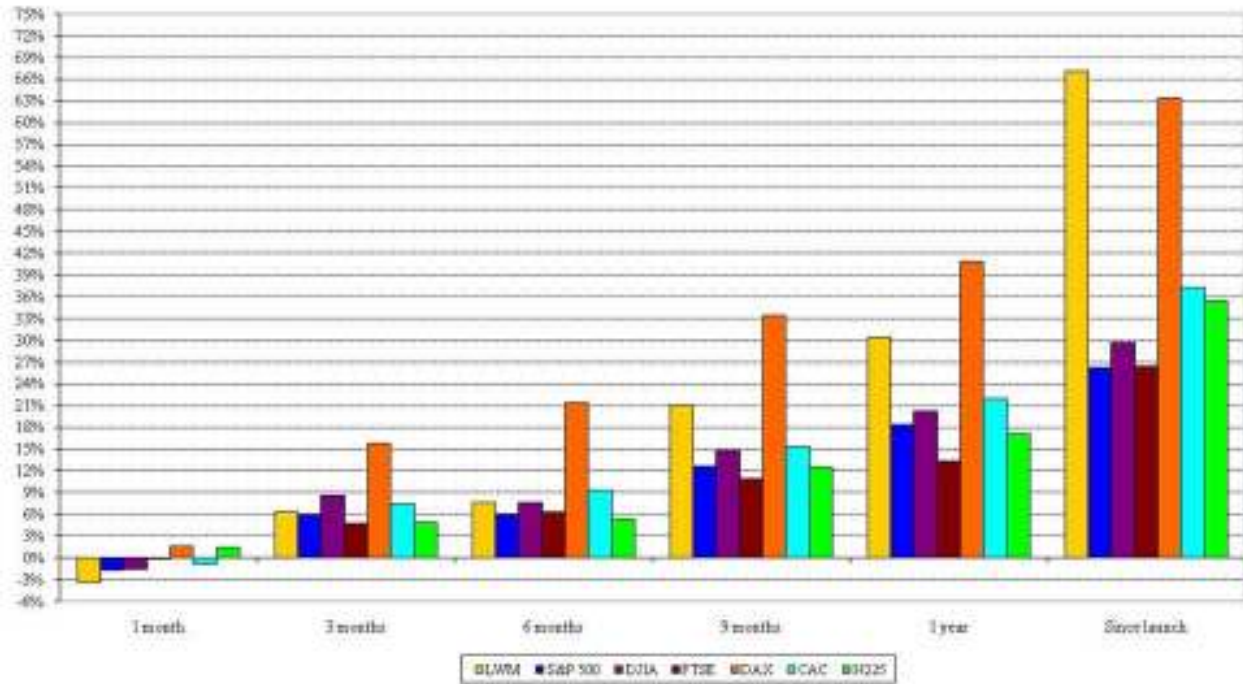
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Performance as of June 30, 2007



	LWM	S&P 500	DJIA	FTSE	DAX	CAC	N225
1 month	-3.42%	-1.78%	-1.61%	-0.20%	1.58%	-0.80%	1.47%
3 months	6.27%	5.81%	8.53%	4.75%	15.76%	7.47%	4.92%
6 months	7.52%	6.00%	7.59%	6.22%	21.38%	9.26%	5.30%
9 months	21.12%	12.54%	14.81%	10.86%	33.36%	15.33%	12.47%
1 year	30.43%	18.36%	20.25%	13.28%	40.89%	21.93%	16.98%
Since launch	67.01%	26.19%	29.61%	26.40%	63.39%	37.22%	35.41%

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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*** 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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