

LWM

Consultants Ltd.
Investors in Values

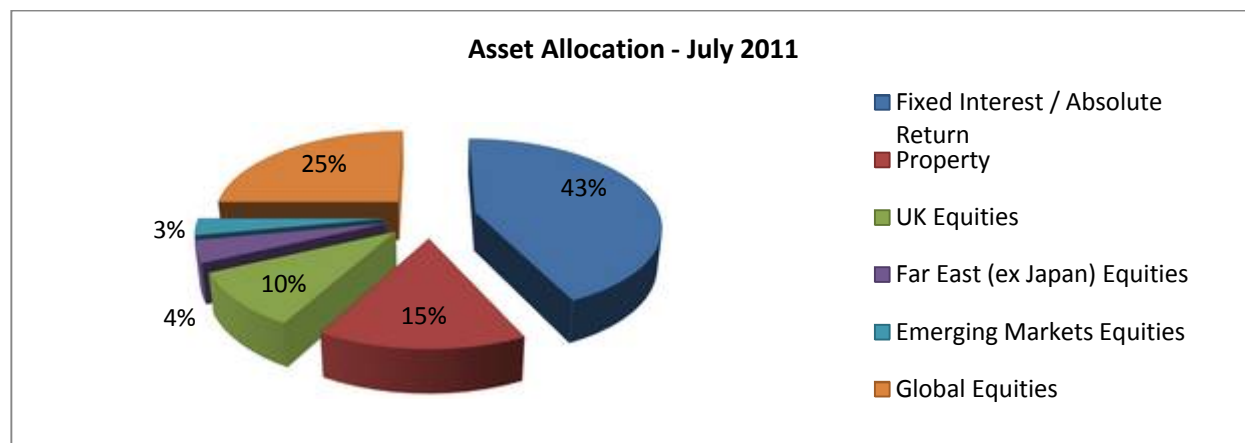


HALF YEARLY REPORT – JULY 2011 CAUTIOUS INCOME PORTFOLIO

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SUMMARY OF PORTFOLIO

The portfolio looks to deliver above inflation returns (through income and capital growth) whilst taking a level of risk consistent with a cautious risk attitude through a combination of fixed interest, equities and property investments. The new holdings have provided a historic yield of 3.2% in the previous twelve months.

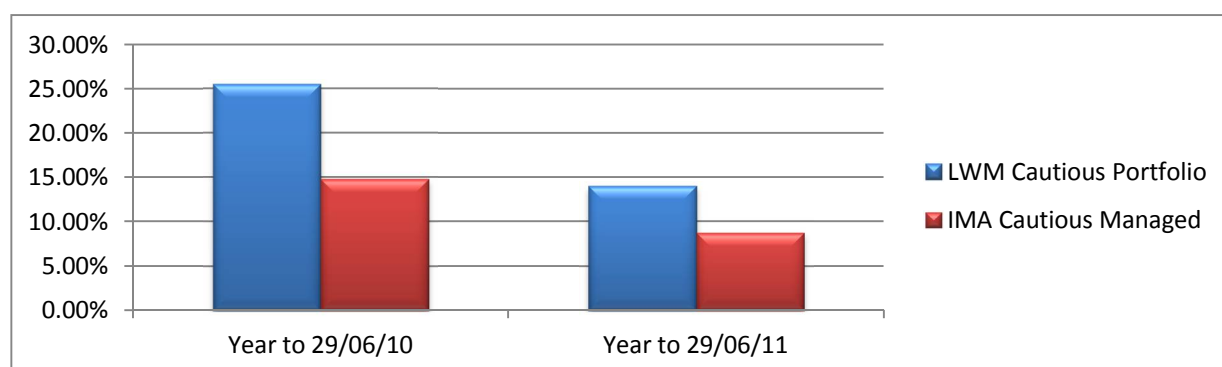


RISK AND BENCHMARK PERFORMANCE OF PORTFOLIO

We understand a cautious investor recognises that investment values will change but that they would feel very uncomfortable if investments rose and fell in value very rapidly. The portfolio we have constructed reflects this and has a low to medium risk score of 4 out of 10.

	Risk score (maximum 10)	Upper return	Average return	Lower return
LWM Cautious Income Portfolio	4	23.45%	5.95%	-11.55%

PERFORMANCE OF THE PORTFOLIO



	Year to 29/06/10	Year to 29/06/11
LWM Cautious Portfolio	25.52%	14.03%
IMA Cautious Managed	14.84%	8.78%

IMPORTANT NOTE

When reading the review of the Cautious Income Portfolio please refer to the important notes on pages 15 - 16. These provide further information on the performance figures quoted, what risk means and an explanation of the ratings used for some of the funds.

HOLDINGS FOR NEW PORTFOLIO – JULY 2011

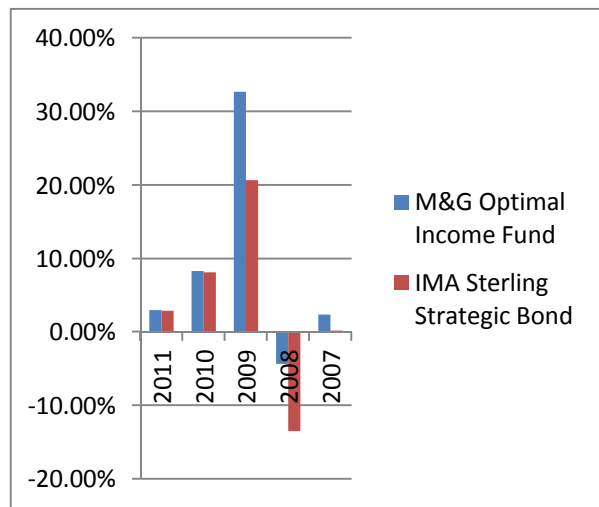
FIXED INTEREST / ABSOLUTE RETURN (ASSET ALLOCATION - 43%)				
Fund Manager	Fund Name	Holding	Historic Yield	
M&G	Optimal Income Fund	10%	3.69%	Factsheet
Baring	Absolute Return Bond Fund	5%	0.00%	Factsheet
Standard Life	Global Absolute Return Strategies (GARS) Fund	20%	0.00%	Factsheet
Invesco Perpetual	Corporate Bond Fund	8%	5.09%	Factsheet

M&G Optimal Income Fund
OBSR AARating, S&P AAARating

We have met and listened to Richard Woolnough on many occasions and we believe him (and the whole M&G bond fund team) to be amongst the very best in the industry.

The Optimal Income fund allows Richard to invest unconstrained, most bond funds have specific holding metrics (i.e. investment grade only or only 20% non-investment grade etc) which means that managers are compelled to hold classes of debt they may not want because it is mandated.

We believe that when you have a talented manager it is sensible to allow him the flexibility to invest without constraint. The fund has significantly outperformed the sector average and is highly rated by Morningstar, S&P and OBSR.



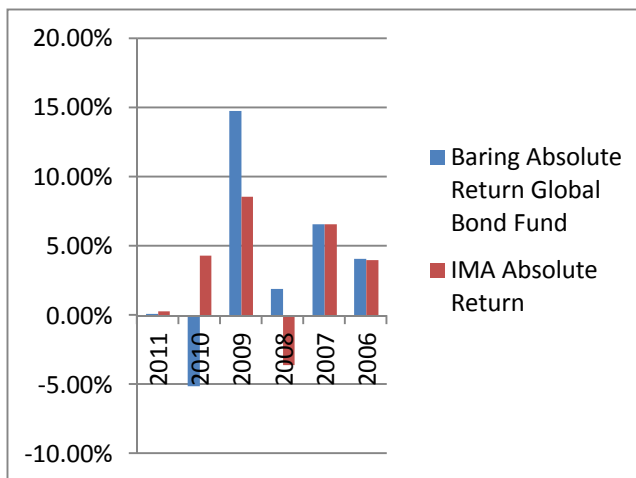
Discrete calendar year performance

Cumulative performance				
	6m	1y	3y	5yr
M&G Optimal Income Fund	3.5%	8.4%	42.6%	n/a
IMA Sterling Strategic Bond	3.6%	7.2%	20.9%	20.0%

Baring Absolute Return Fund

The inclusion of the Barings Absolute Return Global Fund is in a large part as a protective measure against the rise of interest rates which must at some point occur from their current levels of near zero and negative in inflation adjusted terms (i.e. holding cash will lose money because the interest payable is lower than the current rate of inflation).

Colin Harte is a renowned bond fund manager and economist. We have met him and discussed at length his views and analysis for the global fixed interest markets.



Discrete calendar year performance

Colin has positioned the fund as ‘negative duration’ meaning it will benefit from interest rate rises and we think it is correct to have this investment within the portfolio. The longer economic news remains negative in the developed world the longer interest rates will remain low but the longer this remains the greater the resultant inflation and interest rate rises may ultimately be.

The only intelligent analysis of the current situation is to conclude that nobody knows how it will develop, the fund may therefore lag for a period but its time will come.

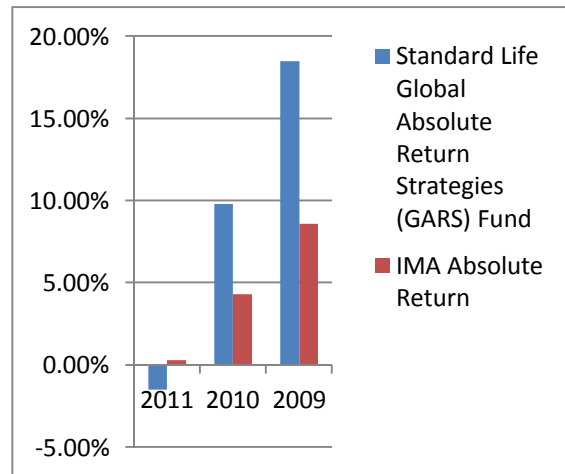
Cumulative performance				
	6m	1y	3y	5yr
Baring Absolute Return Fund	-1.50%	1.8%	25.7%	n/a
IMA Absolute Return	0.80%	4.2%	9.1%	22.5%

Standard Life Global Absolute Return Strategies (GARS) Fund

OBSR A Rating, S&P A Rating

The use of the term “Absolute Return” has proven contentious over the last year and rightly so. An Absolute Return fund should be able to demonstrate consistent positive returns when markets have been negative, otherwise using the term in their title is erroneous.

The Standard Life GARS Fund was originally created as an “in-house” fund to invest the Standard Life employees final Salary Pension. The aim was to produce a blended investment strategy across all markets and sectors which would enable the fund to produce a yearly average return of six month libor plus 6%.



Discrete calendar year performance

This was consistently achieved, the advent of UCITS 3 (new investment rules for OEICs) allowed the fund to be made available to the open market. The performance since inception in May 2008 has been a positive return of over 31%, this is additionally impressive if one remembers that September 2008 saw the markets fall due to the Lehman insolvency.

Cumulative performance				
	6m	1y	3y	5yr
Standard Life Global Absolute Return Strategies (GARS Fund)	-1.50%	1.8%	25.7%	n/a
IMA Absolute Return	0.80%	4.2%	9.1%	22.5%

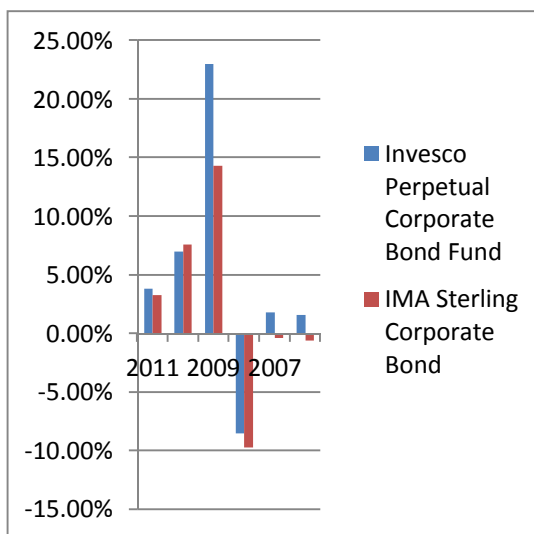
Invesco Perpetual Corporate Bond Fund

OBSR AAARating, S&P AAARating

Along with Richard Woolnough at M&G the two Pauls (Causer and Read) are amongst the very top corporate debt investors in the UK.

Their fund has a superb track record of outperformance over all time periods and over ten years it has returned nearly double the sector average (81% against 46%). The fund is rated triple A by S&P and OBSR.

As with all fixed interest securities we continue to monitor the interest rate situation closely as we are concerned that the cycle is at its low in terms of rates and they will rise. Rising interest rates are negative for fixed interest funds and however talented the managers they will in time be swimming against the tide and fighting to retain value not increase it. However, for now with the continuing poor economic data rates will remain low.



Discrete calendar year performance

Cumulative performance

	6m	1y	3y	5yr
Invesco Perpetual Corporate Bond Fund	4.2%	7.5%	28.4%	31.5%
IMA Sterling Corporate Bond	4.0%	6.2%	21.5%	16.8%

PROPERTY (ASSET ALLOCATION – 15%)				
Fund Manager	Fund Name	Holding	Historic Yield	
Schroder	Global Property Income Maximiser Fund	10%	7.00% (target yield)	Factsheet
L&G	UK Property Trust	5%	2.90%	Factsheet

Schroder Global Property Income Maximiser Fund

The fund is managed externally for Schroders by Jim Rehlander who has excellent experience of the markets he invests in. The fund invests in non UK property companies from large to small cap and has significant exposure to the US and Pacific ex Japan (circa 70% of total funds).

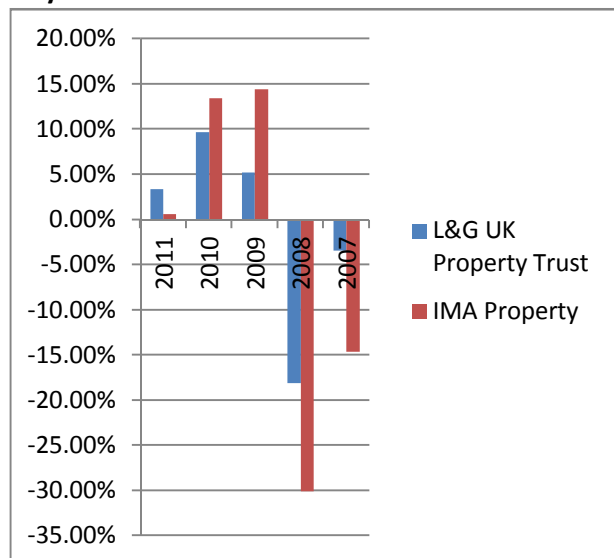
The fund is liquid, it has outperformed the Global property index since launch, it yields 2.5% and it and gives exposure to foreign currency (as it has not £ holdings) which spreads the risk of a falling pound in global terms.

The main difference between this and the Global Property Securities Fund is that options are sold to increase the yield to 7% so it's great for income. Although in times of rapid capital growth of property equities, the fund will not increase at the same rate as the Schroder Global Property Securities Fund.

L&G UK Property Trust

The fund was launched in 2006 and is managed by Michael Barrie. The property invests in physical property but also currently holds around 25% in liquid assets.

The team aim to deliver consistent performance through property selection and active management within a research driven risk/return framework. Over both 3 and 5 years the fund has outperformed the sector.



Discrete calendar year performance

Cumulative performance				
	6m	1y	3y	5yr
L&G UK Property Trust	4.5%	8.4%	4.1%	1.4%
IMA Property	3.0%	10.5%	-1.7%	-7.8%

UK EQUITIES (ASSET ALLOCATION – 10%)				
Fund Manager	Fund Name	Holding	Historic Yield	
Schroder	Income Maximiser Fund	5%	6.85%	Factsheet
Invesco Perpetual	Edinburgh Investment Trust plc	5%	4.20%	Factsheet

Schroder Income Maximiser Fund

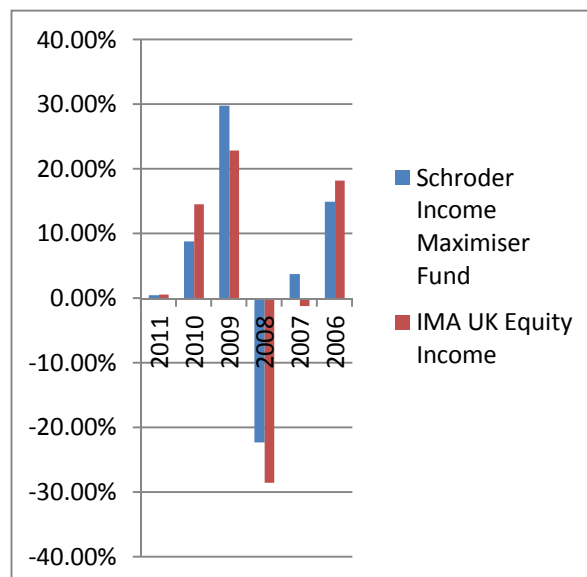
OBSR A Rating

The idea of the Schroder Income Maximiser Fund is very simple. An average UK Equity income fund yields around 3.5% in dividends. These funds also benefit from growth in the underlying equity holdings but equities can fall and if the equities decrease by more than the yield the overall result is a negative total return.

The Schroder Income Maximiser Fund sells some of the potential gains on the underlying equity holdings to increase the annual income. The sale of some of the potential profit (selling call options) generates a further 3 – 4% income per annum giving the fund a total income yield of circa 7%.

This increased yield gives the fund a return in excess of an investment grade bond fund but additionally it still retains the potential for capital growth. The fund has produced a five year total return of 29.4% which is nearly 20% ahead of the sector average and 7% ahead of the benchmark.

The fund will not match the growth achieved by a normal UK Equity fund in periods of rapid price appreciation but it will generate strong comparative returns in periods of flat and slowly rising markets.



Discrete calendar year performance

Cumulative performance				
	6m	1y	3y	5yr
Schroder Income Maximiser Fund	0.7%	5.6%	24.8%	30.6%
IMA UK Equity Income	1.0%	13.8%	15.4%	15.7%

UK EQUITIES

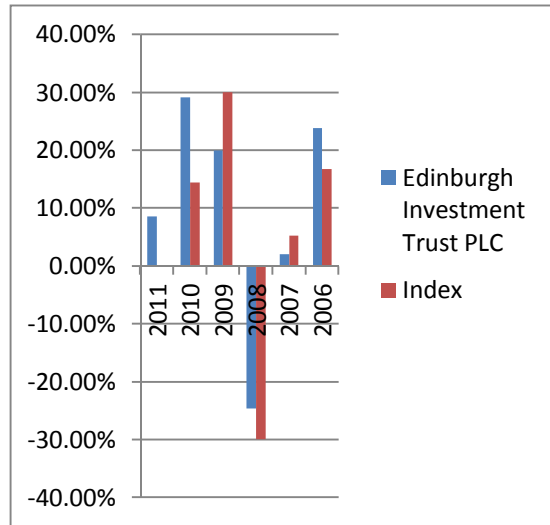
Edinburgh Investment Trust PLC

The trust is managed by Neil Woodford who is one of the UK's fund management Royalty.

He has compiled an impressive long term track record in the UK Equity Income sector and manages upwards of £17 billion.

We met Neil recently and he was extremely positive about his fund saying that he saw valuations at attractive levels he has not witnessed in the past 10 plus years.

The Trust pays a dividend of 4.5% and has gearing of 21%. The trust has returned a net asset value growth of 39% in the twelve months 31 March 2010, and 11.1% for the period end 31 March 2011.



Annual returns (price v index)

Trailing returns (price v index)				
	6m	1y	3y	5yr
Edinburgh Investment Trust PLC	9.06%	23.20%	13.56%	9.21%
Index	-0.54%	13.64%	5.47%	4.53%

FAR EAST (ex JAPAN) EQUITIES (ASSET ALLOCATION – 4%)				
Fund Manager	Fund Name	Holding	Historic Yield	
Schroders	Asian Income Maximiser Fund	4%	6.96%	Factsheet

Schroder Asian Maximiser Fund

The idea of the Schroder Asian Income Maximiser Fund is very simple. An average income fund yields around 3.5% in dividends. The funds also benefit from growth in the underlying equity holdings but the equities can also fall and if the fund decreases by more than the yield the overall result is a negative total return.

The Schroder Income Asian Maximiser Fund sells some of the potential gains on the underlying equity holdings to increase the annual income. The sale of some of the potential profit (done by selling call options) generates a further 3 – 4% income per annum giving the fund a total income yield of circa 7%.

This increased yield gives the fund a return in excess of an investment grade bond fund but additionally it still retains the potential for capital growth. The fund will not match the growth achieved by a normal sector fund in periods of rapid price appreciation but it will generate strong comparative returns in periods of flat and slowly rising markets.

Cumulative performance				
	6m	1y	3y	5yr
Schroder Asian Income Maximiser Fund	-2.4%	8.4%	n/a	n/a
IMA Asia Pacific ex Japan	-3.5%	9.7%	37.3%	95.9%

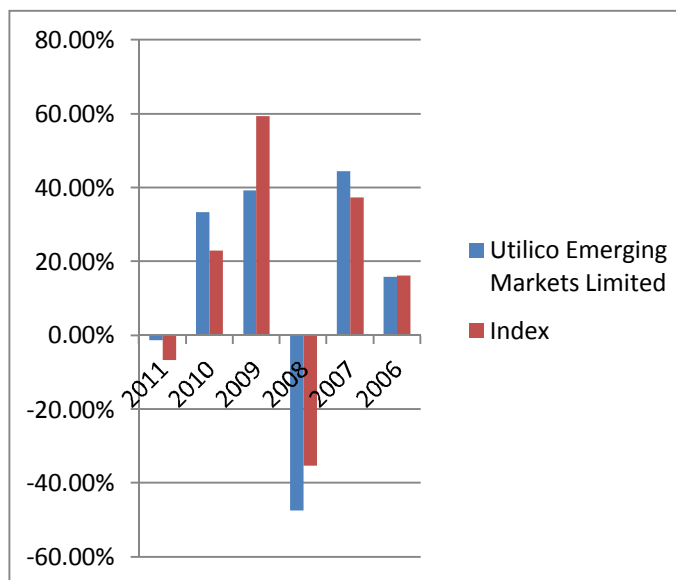
**EMERGING MARKETS EQUITIES
(ASSET ALLOCATION – 3.00%)**

Fund Manager	Fund Name	Holding	Historic Yield	
Ignot Capital Management	Utilico Emerging Markets	3%	3.00%	Factsheet

Utilico Emerging Markets Limited

We have met the fund managers who are focused and intelligent about their investments. The fund is a play on the Emerging Markets and growth therein but it accesses this by investing in infrastructure (ports, airports, utilities etc).

The idea of a toll bridge as an investment is a powerful one, as an example an investor in time of war will be best served by investing in munitions companies preferable selling to both sides (the products will be used and who wins is not relevant to the success of the investment). The fund trades at a discount to NAV of around 8 – 10% and pays a dividend of around 3%.



It has produced an average compound return of

Annual returns (price v index)

over 14% and buys back shares if the discount widens. The idea of this fund is that benefit is gained from what we know will happen (i.e. that actively will increase leading to growth) without having to predict who will be the winners (i.e. individual companies).

Trailing returns (price v index)				
	6m	1y	3y	5yr
Utilico Emerging Markets Limited	0.15%	26.48%	2.90%	10.20%
Index	-4.16%	7.92%	9.27%	15.38%

GLOBAL EQUITIES (ASSET ALLOCATION – 25%)				
Fund Manager	Fund Name	Holding	Historic Yield	
M&G	Global Dividends Fund	10%	3.19%	Factsheet
Newton	Balanced Fund	4%	2.90%	Factsheet
Baillie Gifford	Scottish Mortgage Investment Trust PLC	4%	1.50%	Factsheet
M&G	Global Basics Fund	4%	0.00%	Factsheet
3i	Infrastructure	3%	5.00%	Factsheet

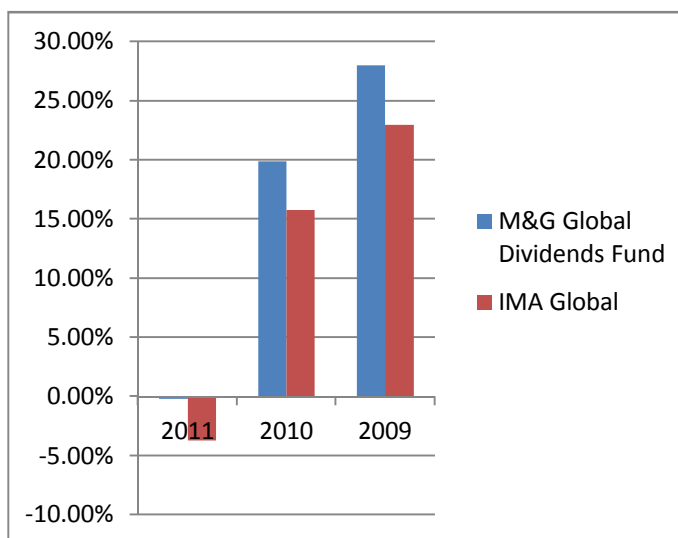
M&G Global Dividends Fund

OBSR A Rating

One of the most undervalued elements of a strong company performance is that of a strong rising dividend.

It can be seen from analysis that those Companies who consistently pay a rising dividend have a capital discipline within their business culture which creates excellent of capital allocation and thereby a growing valuation of the business as a whole.

Stuart Rhodes is a very clear thinking and impressive fund manager who has a passion for his fund and who employs a selection process and criteria for his investments that we believe will provide consistent outperformance against the benchmark. He invests globally in high quality companies and the fund has grown, since inception in 2008, by a little over 24% more than the sector. We view this fund with this fund manager as a long term core holding for all the portfolios.



Discrete calendar year performance

Cumulative performance				
	6m	1y	3y	5yr
M&G Global Dividends Fund	1.2%	13.3%	n/a	n/a
IMA Global	-1.9%	7.8%	11.4%	26.6%

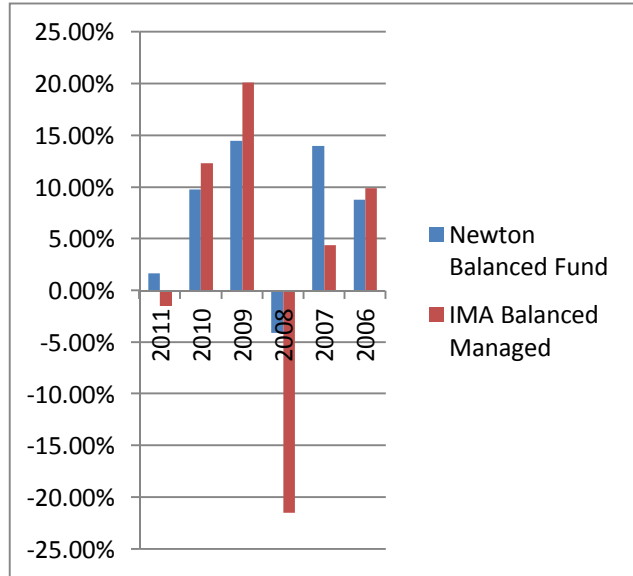
GLOBAL EQUITIES

Newton Balanced Fund

OBSR AA Rating, S&P AA Rating

The Newton Balanced Fund is managed by Iain Stewart who has over the last five years compiled a very impressive performance record. It is highly rated by S&P, OBSR and Morningstar.

The fund performed excellently during the downturn in 2008 due to its more conservative holdings, and has proved adept at capturing growth since with a return close to 32% over the last two years. It has a mixture of equities, bonds and commodities providing a yield annually close to 3%.



Discrete calendar year performance

Cumulative performance

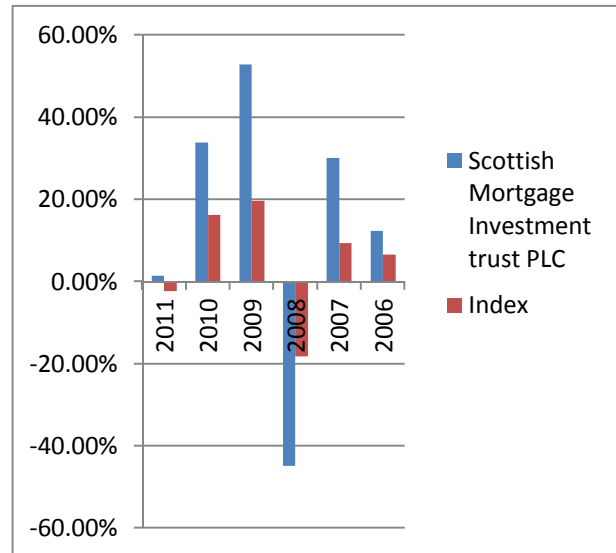
	6m	1y	3y	5yr
Newton Balanced Fund	-0.7%	7.0%	22.9%	48.6%
IMA Global	-0.5%	8.0%	11.3%	20.7%

Scottish Mortgage Investment trust PLC

The most impressive fund manager we have met is undoubtedly James Anderson. The Scottish Mortgage Trust is a Global Equity Fund which seeks to invest in the highest quality companies who are positioned to capitalise on economic and technological changes.

The fund is unconstrained (it can invest anywhere it finds compelling opportunities) and the performance has been consistently excellent.

We have met and listened to James talk on a number of occasions and our admiration grows each time. We have included his latest Annual Report in our half yearly investment letter which demonstrates his insight and clarity of vision.



Annual returns (price v index)

Trailing returns (price v index)

	6m	1y	3y	5yr
Scottish Mortgage Investment Trust PLC	2.35%	22.47%	5.25%	11.62%
Index	-1.38%	7.89%	6.44%	6.33%

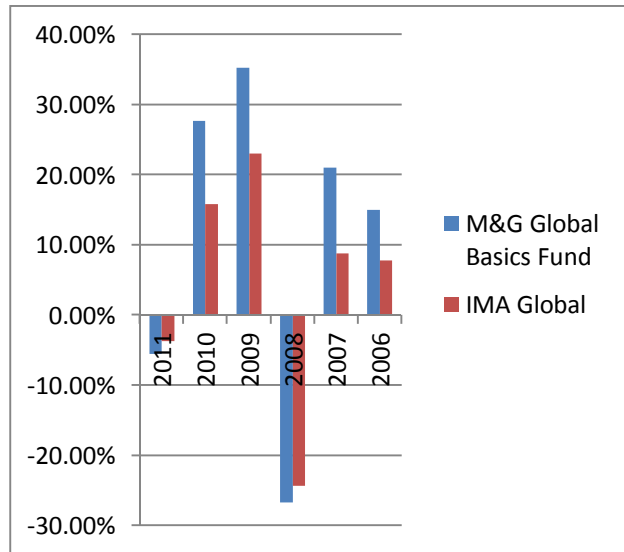
GLOBAL EQUITIES

M&G Global Basics Fund

OBSR AAA Rating, S&P AA Rating

The M&G Global Basics Fund is run by Graham French who has completed a tremendous 10 years track record. The fund invests in commodity based companies but defines both as basic commodity producers (i.e. Tullow Oil) but also secondary companies who are refiners of materials into usable products for industry and consumers (i.e. Unilever).

The fund has been selected because of the ability of the fund manager, the ever growing demand for commodities around the world and outstanding long term outperformance record. It is highly rated by S&P, OBSR and Morningstar.



Discrete calendar year performance

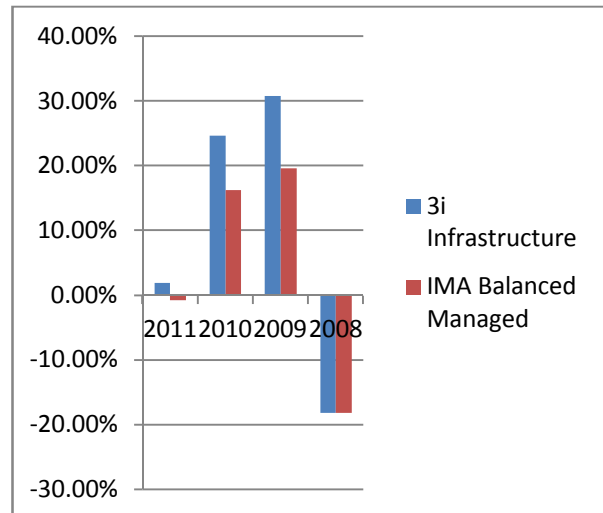
Cumulative performance				
	6m	1y	3y	5yr
M&G Global Basics Fund	-3.0%	13.6%	9.4%	62.6%
IMA Global	-1.9%	7.8%	11.4%	26.6%

3i Infrastructure

The attraction of an Infrastructure Company is that they provide the “essentials”, the things that support the economy and economic growth and that they must be in place before increased economic activity can flourish.

The 3i fund invests in companies who meet the above criteria across the globe and the fund has produced excellent results.

The stated aim of the fund is to produce a 12% per annum average return and the current dividend yield is 4.75% gross.



Annual returns (price v index)

Trailing returns (price v index)				
	6m	1y	3y	5yr
3i Infrastructure	1.90%	9.40%	5.97%	n/a
Index	-0.94%	8.96%	6.98%	n/a

IMPORTANT NOTES

Performance

The performance for the portfolio is based on the previous holdings for the portfolio. Data for performance is sourced from Financial Express. These figures are provided to give an indication of the performance of the portfolio. The Cautious Portfolio has now been split into an Income Portfolio and Growth Portfolio.

We show performance for the underlying funds on a discrete and cumulative basis. The data for funds is sourced from Financial Express. Where data is not shown this means either the fund has only recently launched or the fund manager has not subscribed to Financial Express to provide this information. The performance figures are up to 21 June 2011. For investment trusts we show annual returns and trailing returns. The data for investment trusts is sourced from Morningstar. The performance figures are up to 21 June 2011.

The performance figures take into account all fund / asset charges but do not reflect any additional charges, for example the cost of the investment plan and fees paid to LWM. These expenses may reduce the actual figures shown.

You should note that past performance is not a guide to future performance and the value of your investments can fall as well as rise. LWM only invests in UK based investments although some funds / assets may have overseas holdings, the performance of funds / assets where some holdings are denominated in foreign currencies will also be subject to variations in currency rates.

Yield

The yield is based on the historic yield, or target yields (where indicated), these are provided by the fund managers and do not guarantee future yields. These are shown purely to provide an indication of what may be payable.

Risk

The risk is to provide a guide; risk is set between 0 and 10. The higher the number the higher the risk, so for example ten is the highest level of risk and zero is minimal i.e. cash. The upper return is the expected upper maximum return for the given level of risk. The average of all returns is the possible returns within a risk level on one year. The lower level return is the lowest expected level of return. These are not guaranteed but provide a benchmark to measure performance of the portfolio.

This Cautious Income Portfolio has been given a rating of 4 out of 10 and aims to achieve annual average returns of around 5.95%, with a downside risk of -11.55% and upside growth potential of 23.45%. Although these returns are not guaranteed the investment committee will look to select assets which work within these boundaries.

Factsheets

These factsheets are provided by third parties for information. LWM is not responsible for these factsheets, has not reviewed them, and accepts no liability in connection with your use of them or any of their content. These factsheets display the fund manager's standard retail charges and please note that product charges and fees may replace the charges displayed.

Ratings

These are independent ratings. We use two ratings S&P and OBSR.

S&P Fund Management Ratings

The S&P Fund Management Ratings are based on an evaluation of quantitative and qualitative factors that contribute to long-term performance.

- AAA the fund demonstrates the highest standards of quality in its sector based on its investment process and management's consistency of performance.
- AA the fund demonstrates very high standards of quality in its sector based on its investment process and management's consistency of performance.
- A the fund demonstrates high standards of quality in its sector based on its investment process and management's consistency of performance.

OBSR Fund Ratings

The OBSR Ratings are based on a proven research process where qualitative research is supported by quantitative analysis, the ratings are evidence that OBSR believe a fund is, for its type, consistently producing the returns it set out to deliver, and will continue to do so. Categories for funds are:

- AAA Exceptional
- AA Very Good
- A Good

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