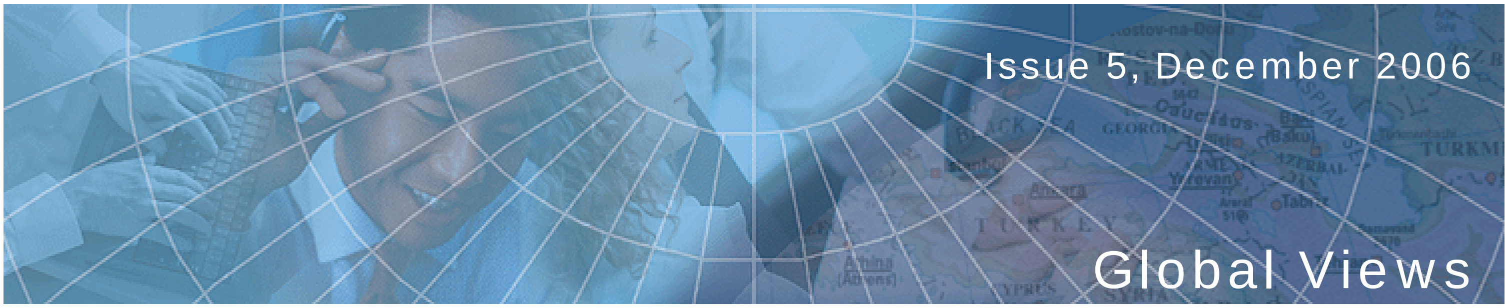
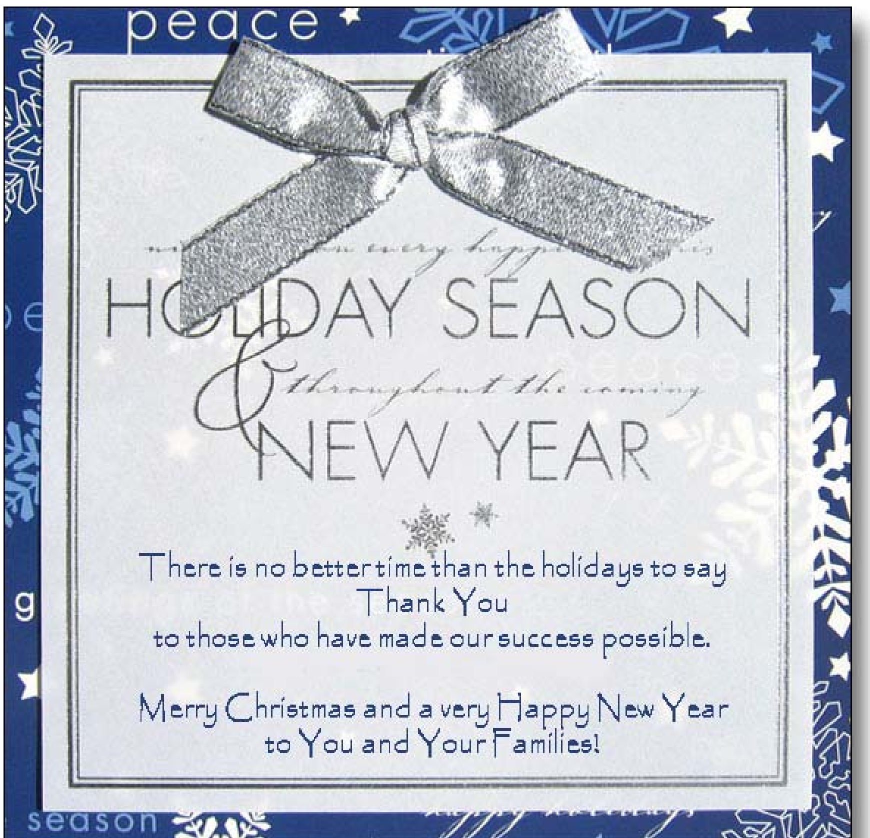


Issue 5, December 2006

Global Views

The Elite Asset Management Group offers clear, concise investment advice to expatriates and international investors worldwide. As an independent specialist company, we provide full access to a comprehensive range of prestigious, international, offshore investment products and services. The continued loyalty of our extensive, global client base is testament to our professionalism and dedicated service.



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With the New Year quickly approaching, - whether you are a new or seasoned Investor - now is an ideal time to review your portfolio!

Contact us!

The Rich Pay Less Tax!

The above statement is certainly true when it comes to UK Inheritance Tax (IHT). Over the past five years, the number of estates worth less than £500,000 that paid IHT jumped by 75%. However, the number of estates worth in excess of £2.0 million paying tax rose by just 33%. House prices are frequently the asset which pushes the estate into 40% Inheritance Tax.

Why the disparity?

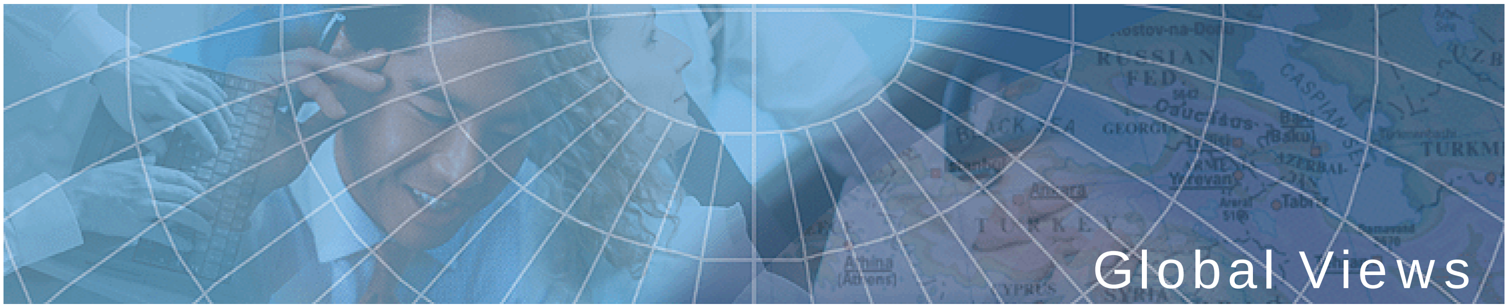
A recent report points to the fact that larger estate owners frequently plan for the eventuality. Holders of smaller estates, however, frequently think they are not that rich and/or that IHT will not affect them. Or - as expatriates - they believe that, because they are not resident in the UK, the tax does not apply. Thus, individuals who have been basic rate tax payers all their lives, suddenly find themselves paying 40% tax.

Peter Bolton, Chief Executive of The National Association of Estate Agents, described the figures as "truly shocking."

Planning ahead can help alleviate IHT. Contact us for advice.

Market View

"In the event of the crisis worsening, I'd be prepared to buy equities on any significant weakness. UK equities look particularly attractive on valuation grounds!"
Ian Kernohan of Royal London
Quoted in The Sunday Times



FMG

FMG Fund Managers began in 1989 as a private family office, initially investing with some of the more active Hedge Fund Managers in existence at that time. FMG's founder had previously been a trader with his own company on Wall Street for some 14 years. The company was early in investing in Russia, back in 1995, and currently has a very eclectic mixture of Sector-to-Country Specific Funds. At the same time, FMG started to put together Fund of Funds and launched one of the world's first Bio-Med Fund of Hedge Funds. Since its inception, many industry insiders have viewed FMG as a boutique Fund Management House, specialising in innovative investment themes. Today, the company maintains four offices located in London, Oslo, Stockholm and Stamford in Connecticut (U.S.A.)

Featured Funds

In 2003, a Russia, India and China FoF was launched - the FMG **Rising 3 Fund** - using traditional equity and Hedge Fund Managers in order to reduce risk and market volatility. These three countries will be providing strong domestic demand for the next decade and beyond. Since November 2003 to the end of October 2006, the Fund is up in excess of 90%.

Alternatively, those wanting a country-specific Fund other than the FMG **Russia Fund** can also invest directly into the FMG **China Fund** or the FMG **India Fund**, with the same underlying managers as in the Rising 3 Fund.

The company's concept of developing new funds continues and, in April 2006, FMG launched its **Middle East and North Africa (MENA) Fund of Funds**, seen by many as 'one of the last investable frontiers'.

Finally, for those looking for something that can provide a spicier specialty fund (again a FoF) and higher returns (but not suitable for widows and orphans) is the FMG **Special Opportunity Fund**.

One important and absolute pre-requisite that FMG maintains for investing into Funds: All of the underlying managers in the respective Funds must have some of their own money invested in the funds they manage.

Please contact us for more details.

First-Time Buyers Abroad

The number of young Britons looking abroad to buy their first property has increased over the past few years, as more and more first-time buyers find they are priced out of the UK market and struggle to get a deposit together.

Conti Financial Services Ltd. has received an increase in applications from first-time buyers who want to buy a property abroad. There are several reasons why people are choosing this route. Among them:

- Property prices can be cheaper in certain areas. With the increase in low cost flights to France, Spain, etc., it means travel to the property is reasonably cost-effective. This is also an advantage if the intention is to rent out the property.
- Many first-buyers purchase a property abroad with the full intention of renting it out to gain rental income, which can be used to pay the mortgage on the property, whilst they continue to live in the UK. The benefit of this is that they have bought their first property knowing that it will fund itself whilst continuing to grow in value. When the time is right, say two or three years down the line, they sell the property and use the equity they've gained to fund a deposit on a property in the UK.
- Some couples with young families choose to change their lifestyle, leave the UK and move to France, for example, so they can start a new life. For some, one partner will continue to work in the UK during the week, whilst returning home to France at the weeken ds to rejoin the family.
- As a result of buying a property abroad, the buyers build up a credit record, which is a benefit when they decide the time is right to apply for a mortgage in the UK.
- Funding a mortgage abroad can be less expensive than in the UK. Euro mortgages are generally cheaper than Sterling mortgages, as the Euro interest rates are lower. Take Spain, for example. The majority of buyers take out a Euro mortgage because the interest rate is lower than a Sterling mortgage. Currently, the interest rate for a Sterling mortgage in Spain is approximately 6.25%, compared with rates from 4.05% for a Euro mortgage.
- If taking out a Euro mortgage, the monthly repayments must be made in Euros, and can be subject to currency fluctuations. However, if the intention is to rent out the property through an Agent in Spain, the rental income will be in Euros. Therefore, it makes sense to take out a Euro mortgage. In addition to the lower Euro interest rate, the rent received can be held in a Spanish bank account to service the monthly mortgage repayments, thus avoiding the fluctuation in currency when transferring Euros to the UK each month.

Please contact us for more information.

Relocation Alert

Just because you have moved abroad does not necessarily mean that you have left the clutches of the UK Inland Revenue. In fact, what has become abundantly clear over the past few months and weeks - and further endorsed by Mr Brown's latest budget - is the fact that the tax man is after you!

Most certainly, provided specific conditions are met, it is relatively easy to escape UK Income Tax and UK Capital Gains Tax. However, UK Inheritance Tax is not so easily avoided.

Nowadays people living in Europe also have to put up with the EU Savings Directive which, for most of us, means that we will currently have a deduction of 15% from our interest. There are, of course, perfectly legal ways around this. It just takes a small amount of effort.

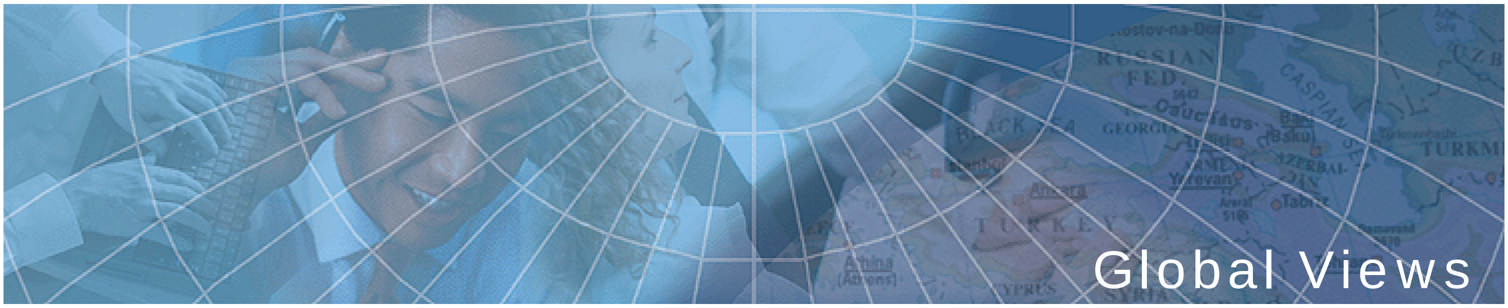
Financial Planning can help alleviate, mitigate or even remove some tax liabilities. You may have liabilities and do not even know it.

The solution is simple: Seek advice NOW.

Market View

"Underperformance of the ten biggest 'super heavy-weight' UK stocks has gone too far."
Robert Parkes of HSBC
Quoted in The Sunday Telegraph

"The US slowdown will have a crucial impact… If it proves less severe than some fear, there is a large amount of investor cash… that could easily take the UK market higher."
Chris Brown-Humes - FT



Inheritance Tax Planning: The Loan Trust

There still remains many UK Expatriates, working or retired, who believe that - as they live outside of the UK and are not liable for UK Income Tax - they have escaped UK Inheritance Tax.

In point of fact, very few escape.

There are classic stories regarding high profile individuals, such as Sir Richard Burton, who thought they were out of the net. And even Robert Maxwell, who of course escaped without his estate being liable (He equally escaped with a lot of other things!).

Thus, in broad terms, unless you have written evidence that you are deemed non-domicile, your estate is most likely liable. It should also be stated that if you are married to a non-UK citizen, it could be even worse.

If your estate is in excess of around £400,000, you should seek advice. There are mechanisms that can be employed to relieve the liability, and below is just one you may wish to consider.

The Loan Trust

Loan Trust arrangements are designed to assist those individuals who wish to undertake some Inheritance Tax planning, but do not feel able to make significant gifts.

The settlor (investor) makes an interest-free loan to the trustees, who invest in an offshore bond for the benefit of the specified beneficiaries, such as children. The settlor retains access to the value of the outstanding loan and has the right to have the loan re-paid in whole or in part at any time.

Any growth on the loan accumulates for the beneficiaries, is outside of the settlor's estate and is therefore free of Inheritance Tax on the settlor's death. The balance of the outstanding loan remains in the settlor's estate for Inheritance Tax purposes.

By establishing a trust under which the settlor does not have any beneficial interest, the settlor will effectively remove the trust fund (after deduction of any outstanding loan) from his taxable estate for Inheritance Tax. The settlor has full access, at any given time, to the amount of the loan outstanding but the remainder of the trust fund (incorporating the growth on the investment) is outside the settlor's estate for Inheritance Tax purposes.

Also, the fact that the investment is held subject to trust means that the investment will not be in the settlor's estate for the purposes of probate.

Benefits for You and Your Family

The investor establishes the Loan Trust under which trustees are appointed.

The trust is for the initial benefit of specified beneficiaries, usually the settlor's children. However, the trustees have power to benefit any person who falls within one of the specified classes of discretionary beneficiaries.

The settlor is not (and cannot be) a beneficiary under the trust, and so cannot benefit from the trust. Although the settlor's spouse is a potential beneficiary, payments to the spouse during the settlor's lifetime could trigger the 'gift with reservation' rules, if the settlor were to derive any benefit. Great care should be taken, therefore, to ensure that any payment made by the trustees to the settlor's spouse cannot benefit the settlor, however indirectly. An appointment to the settlor's widow after the settlor's death would not carry this risk.

The Loan

The settlor grants an interest-free loan, repayable on demand, to the trustees. The making of the loan is evidenced by a written loan agreement. We can provide such an agreement for you.

The trustees invest the amount of the loan in an offshore bond, on the lives of the named beneficiaries under the trust, on a last survivor basis.

If the settlor appoints himself as one of the trustees, he, together with the other trustees, retains legal control over the trust fund. The flexibility of the Loan Trust allows variation of the beneficiaries under the trust, should this be desired.

Loan Repayments

The settlor may request repayment of the loan in whole or in part. The trustees request a part-surrender from the bond and pay this to the settlor.

When loan repayments are kept within the 5% per annum limit, under current legislation, there is no immediate charge to income tax, although the amounts withdrawn will be taken into account for tax purposes on the eventual encashment of the bond. This favourable tax position may not be maintained in the future.

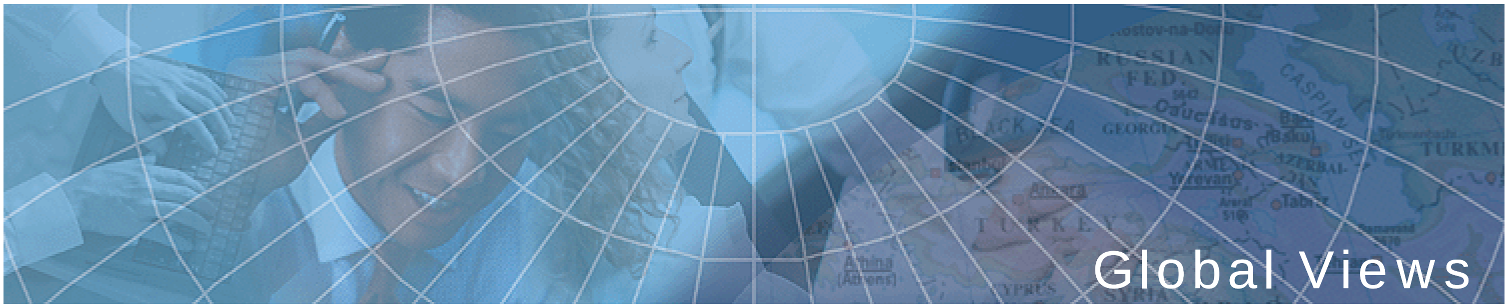
However, if more than the allowable cumulative 5% is withdrawn, a chargeable event will occur. Under current legislation, all chargeable policy gains made under the bond would be assessed on the settlor during his lifetime and whilst he remains a UK resident; thereafter, on the trustees whilst UK residents.

Summary

Benefits of the Loan Trust:

- As legal ownership of the bond is with the trustees, once the trust is established, the growth on the investment is outside of the estate of the settlor for Inheritance Tax purposes.
- The investor retains full access to an amount equal to the outstanding loan.
- The growth on the investment is held for the benefit of named beneficiaries, such as extended family, but the trustees have power to benefit others at any time during the trust period.
- The investor can maintain a degree of legal control by being one of the trustees.
- The trustees cannot distribute assets without the settlor's prior consent.
- As the trustees have power to make loans (as well as advances) to any beneficiary, further Inheritance Tax planning can be undertaken, thus increasing the overall tax-effectiveness of the arrangement.
- As the investment is held subject to trust, the investment will not form part of the investor's estate for the purposes of probate.

Please call us now for further information about the best Inheritance Tax Planning for your individual needs and requirements.



How to Construct a Portfolio…
… or Why You Need Assistance

Building a successful Investment Portfolio is all about asset allocation.

Let us assume that you have established an investment platform - a structure from which to work. In essence, the structure - regardless of its format - is a cost. However, you require that cost if you wish to build a Portfolio across various asset classes, using a number of Fund Managers. Therefore, your aim is to ensure that the growth on the funds will outweigh the cost.

With the structure or platform in place, you now need to establish exactly where you wish to invest your money, and with which Managers.

You may make a decision to invest purely in Treasury Bonds, which itself is a choice of asset allocation. Clearly, you should not be expecting much capital growth from a portfolio like this. Nevertheless, you have made an asset allocation decision.

The goal of successful asset allocation is to achieve the maximum amount of growth possible with the minimum of risk, and within your individual risk profile. You cannot expect to make double-digit returns without any risk whatsoever, and anyone who tells you differently is most certainly someone from whom you should run.

A methodology used by many Investment Advisers is what is termed an *Efficiency Frontier Graph.* An example of one appears below.

In order to explain how this very useful tool operates, we need to understand a couple of technical terms. One is *standard deviation*. Standard deviation is best explained as a measure of risk. The horizontal axis above indicates the standard deviation, or risk. The vertical bar axis reflects the percentage of return.

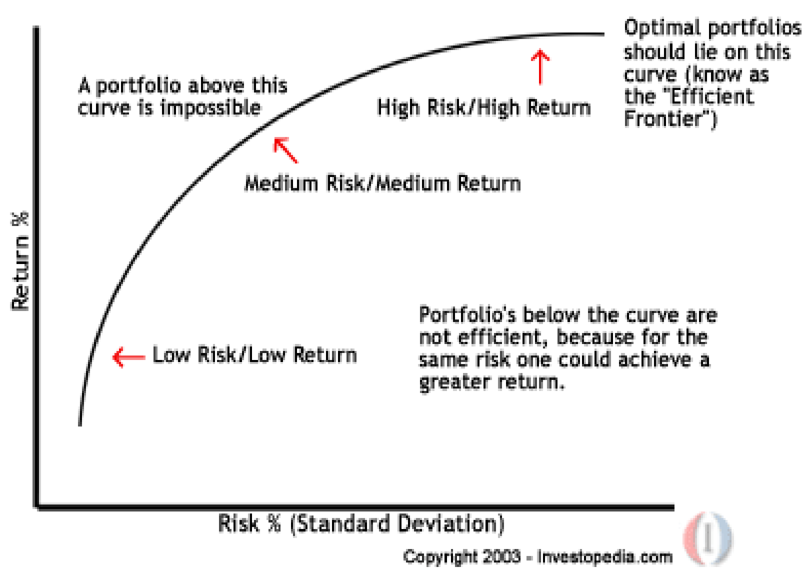
Our aim is to select funds and assets, which are as close to the top left corner as possible: i.e. the highest possible return, with the lowest possible risk. Therefore, our Client who chose Treasury Bonds could expect to be in the bottom left corner - very low risk and very low returns.

If we were to add Property to the graph, we would expect to see that asset at a slightly higher risk rating, but also with a somewhat higher return. We could then create a portfolio of, say, 50% Commercial Property and 50% Treasury and plot where the portfolio appeared on the Efficiency Frontier Graph.

Thus, what we would seek to achieve for a Client is a portfolio that reflects the compromise that the Client desires between risk and reward. This is accomplished by altering the percentage mixture of the assets within the fund, while plotting the risk and the potential return.

Clearly, nothing is forever. And, as the world changes, Clients' needs and desires may alter their appetites for risk - and the portfolio, therefore, changes. Throw into the equation the fact that there are numerous asset classes, and within those classes, numerous different Fund Managers and sectors, and it all becomes amazingly apparent why most investors need just a little help.

Contact us if you are just starting to build your portfolio, or if you are an experienced investor and want to see what's new on the market. Whatever your position, we are confident we can add value to your asset allocation process.



Recent Research to Investment Products – British nationals move overseas

Recent research by Clerical Medical suggests one in three Brits wants to retire abroad, with 49% selecting Spain or elsewhere in Europe, 9% Australia and 6% the US as their preferred destination.

As many as one in 12 British nationals now lives abroad, according to Catherine Drew, researcher for think-tank the Institute for Public Policy Research, which conducted a research project to find out more about UK expats and their lifestyles.

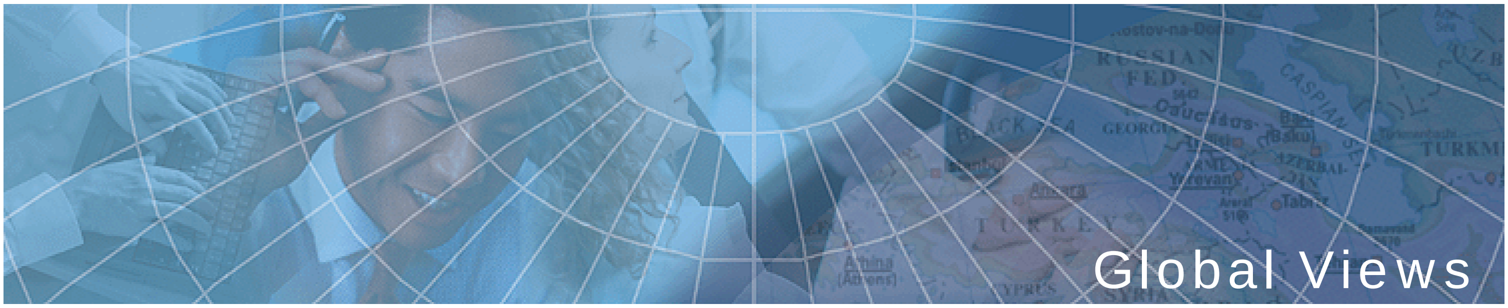
She said: "The estimates range from 3.5 million to 14 million and there has been a substantial increase in recent years. People are moving for positive reasons – the weather and climate, new opportunities and employment, rather than negative feelings about what Britain has become."

As a consequence, British Wealth Managers are spreading their wings, converting different jurisdictions and even investment products.

Market View

"Buy out funds have too much money to play with. They feel obliged to spend. Add those animal spirits to historically cheap debt and you get stock market rally."
John Authers
Quoted in Financial Times

"Never turn a trade into an investment. Make a trade because you believe a catalyst will move the stock. If the catalyst doesn't materialize, sell."
Jim Cramer
Quoted in Kiplinger's



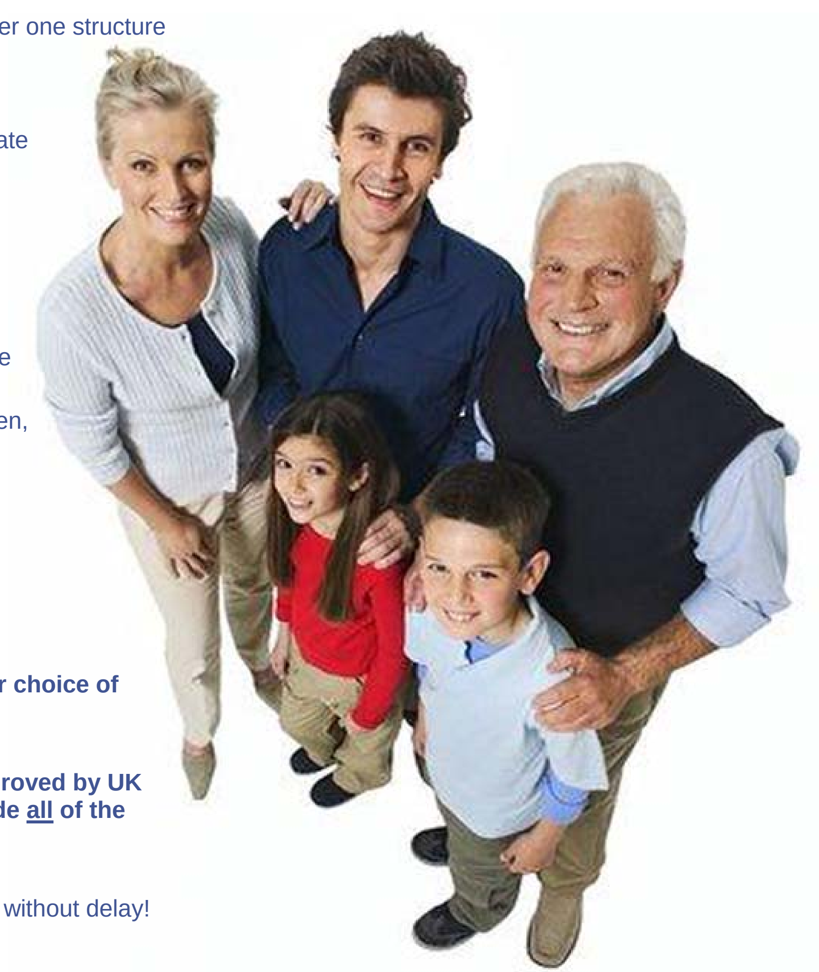
Notice to the British Expatriates

Do you possess any old UK Pension Plans?

Recent legislation may enable you to make improvements to your Pension schemes, while still retaining all UK tax benefits!

Among the advantages, the legislation enables you to:

- Bring all existing pension plans under the new rules
- Cluster all schemes created through your life into one plan
- Unify retirement ages
- Review costs and benefits under one structure
- Receive benefits from age 50
- Obtain tax-free benefits
- Leave investments to accumulate (i.e. no requirement to take income every year)
- Gain early access to, and cash from, previously inaccessible funds
- Create a Family Pension
- Assure no loss of residual value on death
- Leave pension assets to children, spouse, grandchildren, etc.
- Diversify your pension assets across a wide range of asset classes



As an Expatriate, you have a wider choice of options than most.

We are able to offer you a plan - approved by UK Inland Revenue - which can provide <u>all</u> of the above benefits.

For more information please contact us without delay!