



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.

China's Bull Run: Should We be Worried?

The incredible performance of the stock market in China - indeed the rapid growth of the country's economy - seems to hit the news every few days. There is talk of China overtaking the US as the global economic power. Is this something we should concern ourselves with? Should we be investing into the Chinese market? Or is this a bubble about to burst and cause pandemonium in the broad market place?



Firstly, it is important to note that the Chinese market - which has grown so rapidly - is not generally available to outside investors, but only to the Chinese. The China CSI 300 Index, which tracks renminbi-denominated A Shares listed in Shenzhen and Shanghai, has roughly doubled between the start of 2007 and May 2007. The index has risen four fold in three years.

The Chinese authorities have expressed concern, if not alarm, over the growth of the index. Indeed, the tripling of stamp duty on share purchase sparked a fall of almost 7% on the day, was designed to calm the growth of the market. Most analysts would suggest that Chinese stocks are over-valued, and that we are looking at a classic bubble situation - not dissimilar to the dot com bubble from 1995 - 2001 in the technology

sector, which ultimately led to a worldwide crash in stock markets.

The Organisation for Economic Cooperation and Development has stated that there appears to be the risk of a "marked correction". So, should investors be concerned as regards the the potential impending collapse? Certainly a correction in the A Shares of 9% in February did cause a sell off in global markets, but the effect was short-lived. In addition, as the purchase of A Shares is to a restricted market, this should provide some protection to the wider market. China's market capitalisation is about 7% of the global total. This compares with 39% for the technology sector in 2001. Chinese investors continue to hold significant levels of cash, which again provides the general markets with some degree of protection, according to analysts.

Finally, should investors be buying into the China Story right now? Well, certainly this would not be an investment for widows and orphans. However, there continues to be a compelling story for China. Despite the strategies that the authorities have put into place to slow the economy down, it continues to grow rapidly.

The economy continues to grow in excess of 10% per annum, but many believe that this level is supportive within the region. The World Bank has recently raised its estimates for China growth - to 10.7%. Growth in Asia appears to be slowing, but remains robust.

Perhaps the threat to China will come not from within, but from outside, as the largest economy in the world wobbles with the sub-prime mortgage lending crisis, and just how deep that wound will hurt the great American consumer, and will he continue to have an appetite for spending and buying what China is producing?

Market View

"the Bank of England was sent to raise interest rates to 6%... the global credit crunch has done the job for them."

Diana Choyleva of Lombard Street Research quoted in the FT

"I think a lot of the woes are priced in and the majority of the panic is out of the way."

Nell Woodford of Investco Perpetual High Income fund Quoted in The Sunday Telegraph

Exciting New Offering From Royal Bank of Scotland

Royal Bank of Scotland (RBS), one of the most respected and trusted names in banking and investments, has launched a new investment for the risk adverse, Autopilot.

With a strongly diversified portfolio, and what RBS calls 'Dynamic Allocation', Autopilot allocates assets across the whole spectrum of investments - from raw materials, property, developed markets, emerging markets, cash and gold.

Using historic returns, RBS calculates that the fund would have averaged a return of 14.8% per annum through the period 1997 to 2007. This is no mean achievement, given the considerable falls in the broad equity markets within this period.

The fund is available in US\$ and GBP, and carries with it a 100% Capital Guarantee, over a five-year term.

Overall, we consider this product to a very attractive proposition, with considerable growth opportunities, and at the same time the comfort of a 100% capital guarantee.

The Bottom Line

£42m How much a country house near Henley-on-Thames has sold for - the most ever paid in Britain for a house outside London. After 40 years as a boarding school the house is in a bad state of repair and further millions are expected to be spent on it.

£4.26 The average spending per head at Heathrow airport.

£1.3bn What the founders of private - equity firm Blackstone stand to make when they sell the majority of their shares to the public

£140bn The combined wealth of Russia's 53 billionaires. Many made their fortunes when the country sold off state assets, including oil, gas and metal companies.

£14m What the time spent rebooting computers costs British businesses daily.

£1.50 The price of a cup of tea at the Labour party conference in Bournemouth.



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Why Has the US Sub Prime Mortgage Failures Shaken Global Markets

The 19th July saw global stock markets peak, then the big sell off, then some recovery, sell off, recovery, and who knows what the future holds?

The seeds of the problem date back to 2001-2002 when central banks cut interest rates to stimulate the economies. With ample money around for companies and individuals, some lenders looked to increase their yield by lending money to some riskier profile customers, at higher rates. Many of these loans were still at relatively low rates of interest, and were written with fairly lax underwriting procedures. Consequently as interest rates rise, and lenders come to the end of their fixed rate period, defaults start appearing.

In addition as the lenders built up their book on lending, they frequently securitised them, (sold them on to someone else), which then enabled them to lend more.

As interest rates rose and defaults started to appear, it was initially restricted very much to the sub prime market. However, as indicated many of the sub prime lenders had sold their book of business to other institutions, and suddenly these institutions, found that what they were now holding weak or non performing assets, plus many of these institutions had geared up these investments to buy more.

It was late June when it emerged that two large funds operated by Bear Sterns which had invested in these assets, were close to worthless. This in turn prompted a number of other institutions to face the same truth, and many funds have faced a painful repricing, with significant losses.

So, the US has a number of funds with major

problems, a large and increasing number of households facing forced sales of their property, (at discount prices), the banks have tightened up severely on their lending, and Central Banks have been forced to step in to ease liquidity problems, to ensure an orderly functioning of the financial markets, which is crucial to ensure some stability stays in the market.

The impact generally for investors outside the US has been limited. It must be considered that when the US sneezes the rest of the world catches a cold, which is simply being a product of being the largest economy in the world. The danger that exists for world markets is what will become of the US consumer? Those who have not had their properties taken away, have almost certainly seen large chunks of their equity disappear one month you think your property is worth \$500,000 the next month they are selling the house next door for \$250,000. Will the great US consumer continue to consume?

The second potential impact will be the effect on the banks. Broadly the banks are a major sector of most equity markets, and large falls in their stock value could drag down the general market, plus within the US, what will be the appetite for the banks to provide financing for businesses?

Finally, it has to be considered that we have enjoyed a considerable bull run in the market, and that at this stage of an economic cycle we should expect some upheaval. The good news is that fundamentals of the market remain strong, even the fact that the fall in values have left some companies at a very attractive prices, perhaps a good time to buy?

If you have concern over the way the broad equity markets may perform, check out our range of guaranteed products available.

Another One Bites the Dust

Amidst the potential fall out of the sub prime mortgage lenders, yet another Hedge Manager appears to have fallen foul of the Regulator. Sentinel Management Group of Washington has filed for bankruptcy, at virtually the same time as The Securities & Exchange Commission is suing the company for misleading investors and misappropriating funds.



In the same week a significant mortgage lender is closing for business, laying off 1900 employees and closing its 19 offices.

Caveat Emptor, Latin for "Let the buyer beware". Frequently if something appears too good to be true, that is entirely the case. As a

company we are offered numerous funds and initiatives which would appear to meet the needs of our clients perfectly.

However, they are not always what they would appear to be. At the end of the day, we have a duty of care to try to ensure that what is on the label is what is in the tin. Sometimes it is better to walk away from an offering, than perhaps to find out that in three years time our client's money has evaporated into providing yachts and sports cars for some unscrupulous fund manager.

The question is for a client, are they better served by a reputable fund manager, who we have every confidence will be there in 10 years time, paying 7% pa. Or would clients be better served investing in a fund paying 12% per annum, but will that manager be there in three years time, and where will our clients investments be?

A to Z Jargon

Financial Services Terms and Concepts

Bear Market

A nickname investors give the stock market when security prices are generally declining over an extended period of time. Down markets got nicknamed bear markets because of the popular myth that bears attack with their paws pointing down.

Best Execution

The obligation of intermediaries to execute customer's orders at the best price available at the time the trade is entered.

Bonus Issue

You will see a bonus issue described as a free issue, a capitalisation issue and a stock dividend. These are new shares issued by a company to its existing shareholders, usually in a mathematical proportion to the number of shares already held. What the company is doing is turning part of its reserves it will have accumulated into "issued capital. The shareholders do not pay for the new shares and appear to be no better off. However, in a 1 for 3 bonus issue, for example, the shareholders receive one new share for every three existing shares they own. Hence, a shareholder owning 99 shares will receive 33 bonus shares in return. This will reduce the price of the shares by 25% (assuming a price of Lm1 per share, the amount of the new shares, 33, divided by the total amount of shares owned, 132), catering to the preference of shareholders to hold lower priced shares whilst encouraging them to hope that the price will gradually climb to its former value, which will of course make them 25% better off.

Blue Chip

Securities of a big, well-known company that has a history of good earnings. Some examples of blue chip companies are Disney, Microsoft and British Telecom.

Bond(s)

A long-term security in which the issuer agrees to pay the owner the amount of the "face value on a future date and to pay interest at a specified rate at regular intervals.

Bull Market

A nickname investors give the stock market when stock prices are generally rising over an extended period of time. The bull market got its name by the popular myth that bulls raise their heads up high when they charge.





The Seven Deadly Sins of Savings & Investing

Whether it's a financial spring clean or an annual review with a financial adviser, it is always a good time for investors to take-stock - not only of their existing portfolio, but of their approach to investing for the future. We set out below the seven common errors to avoid when investing for the future.

1. Trying to Time the Markets

Waiting for the perfect moment to invest may sound like a good idea, but it is impossible to be sure how the markets are going to move. If an investor has decided a particular fund is right, they should go ahead and invest. Research shows that missing out on these good days can have a significant effect. Someone who invested £3,000 in a fund tracking the FTSE UK All-Share Index for the ten years to the end of 2005 would have seen the value of the investment rise to £6,418.01. But missing just the ten best days over this period would have reduced the final total to £4262.50.

2. Being Distracted by Recent Performance

Past performance is not a guide to future returns, a warning all investors are familiar with. Performance figures should be treated carefully – good returns over six months could be down to good luck, while lacklustre results may just be a bad patch. Investors should look back over several years, perhaps as far as the current manager has been in the job.

3. Investing with No Plan

Many people start investing when they realise how important it is to save for the future, but they don't necessarily take the time to think about the best way to achieve their goals. The secret of successful investing is devising a plan and sticking to it over the years. This may mean going through thick and thin!

4. Focusing Only on Charges

While charges do make a difference to the returns of the fund, the fund with the lowest charges is not necessarily the right choice; charges are only one of the things to consider. It can also help to see

how a fund manager chooses investments and what sort of service the company provides. Paying a little extra may bring extra benefits.

5. Duplicating Investments

Diversification is key to investing – a range of sectors and regions enables risk to be spread. But a variety of different funds does not mean that diversification has been achieved – funds may invest in similar companies or have a disproportionate focus on one area.

6. Failing to Review

Making an investment is just the first step towards securing the financial future. It is just as important to review holdings as often as possible.

7. Trusting the Future to Cash

While deposit accounts are very secure, this security comes at a price. Returns on cash are much lower than what could potentially be achieved from a fund that invests in shares. Part of the problem is inflation, which eats into the value of any long-term investment. Relying on a deposit account could mean ending up with less money than is needed.



Commercial Property, Where Next?

During the last few months, it seems that - for some people - a dark cloud has been hanging over the commercial property sector. Perhaps part of this can be attributed to the relaxation of the performance, given that the sector has enjoyed three years of double digit growth - whereas 2007 has seen an average return of just under 5% year to date.

However, the turbulence in the broad equity markets has left property as one of the best performing British asset classes in 2007.

One of the principle arguments for holding property funds within a portfolio is diversification away from the traditional equity and bond portfolio, and that rationale remains today. However, the investor must be certain that any property holdings are actual property holdings and not what is termed property equity, i.e. an investment into the stock market investing into companies whose business focus is anything to do with property and land.

In addition, different sectors of property funds will also perform very differently. A fund which specialises in high-end office locations in London will undoubtedly have a very different profile of returns against a fund specialising in small factory units in the North East.

One point that is certain is the fact that, to benefit from the asset class diversification away from equities and bonds, the exposure to property needs to be over a much longer term, as in the short-term the markets can move in a similar way.

It is suggested by one particular property research department, that over the medium-term property will outperform cash, and should deliver returns somewhere between equities and bonds, which - taking out the halcyon last few years - is broadly where the sector has been for an extended period.

Money Talk...

"The safest way to double your money is to fold it over and put it in your pocket."
American humourist Kin Hubbard
Quoted in the Barclays Equity Gilt Study

"I like being able to go out for dinner and have holidays whenever I like. I like living in a nice house and having a place in France. But I've always told my children that I've failed because I don't have a private plane."
Terry Wogan,
Quoted in the Daily Mirror

"I always invest in firms an idiot could run, because one day one will."
Warren Buffett
Quoted in The Mail on Sunday

"If you marry for money, you will earn it."
Author Ezra Bowen
Quoted on Global-investor

"I'd like to live as a poor man with lots of money."
Pablo Picasso
Quoted in The Times

"The only thing that can console one for being poor is extravagance."
Oscar Wilde
Quoted in The Times

"When I have money, I get rid of it quickly, lest it find a way into my heart."
Methodist John Wesley
Quoted in The Times

"Money is only an extreme and specialised form of ritual."
Damien Hirst
Quoted in The Daily Telegraph

"If inflation continues to soar, you're going to have to work like a dog just to live like one."
Comedian George Gobel
Quoted in The Times

"Life is not all about success and winning - it's about challenges and testing yourself."
Rugby player Jonny Wilkinson
quoted in The Observer

"The more famous you become the more money you actually need."
Singer Mariah Carey
Quoted in the FT

