



# Magellan Japan

"A decade of dedication to our clients"

*In our final Newsletter of the year we look back at the high points of 2005 including how different asset markets have performed. All time highs have been seen in equities, oil, natural resources and precious metals. Property too has had a good year with the much vaunted property bubble bursts not appearing despite tremendous media comment. Finally, our best wishes to you all for a very Merry Christmas and a prosperous New Year!*

In this month's edition:



Investment Property Search



- \*Hawaii
- \*Ulaanbaatar
- \*Cheltenham



What was hot and what was not in 05



10<sup>th</sup> Anniversary Party photos



Winter Seminar 2006

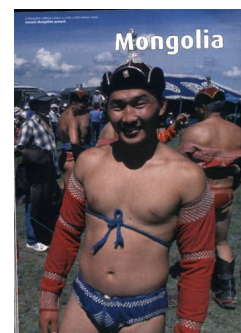
## Investment Property Search – New Frontiers

Our property team is at present involved in researching three contrasting property opportunities that we hope to present during the course of next year, due diligence permitting:

**Hawaii** - whilst not cheap Hawaii represents a great lifestyle property investment opportunity. Huge tourist growth particularly from the mainland US, strategic factors, renewed interest from Japan investors and fresh demand from Korea and China are all supportive of a diverse residential property sector. We are currently narrowing down our search for a suitable property investment project to fit the budget and aspirations of our clients.

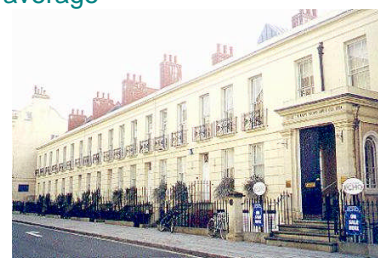


**Ulaanbaatar - Mongolia** - a ground floor opportunity for the property investor looking for returns associated with China ten years ago. Huge untapped mineral reserves are just beginning to be exploited in Mongolia underpinning a huge increase in demand for accommodation of western standard in the capital city. We are looking at a luxury apartment complex, as an off plan opportunity, currently available at \$750 per square metre. Gross yields are likely to be in the region of 17%, with double digit rises in capital values. Obviously with an opportunity of this nature thorough research and due diligence is required. If everything checks out, expect to hear more early in the New Year.



## Cheltenham – Regency Properties

The regency town of Cheltenham in South West England offers above average numbers of period properties only 1.5 hours from London. It has an affluent population with a strong employment and rental market. Large local employers are GCHQ (Government Communication HQ) and the Head Office of Zurich Life.



We are preparing a feasibility report to acquire a number of apartments in period properties in the town centre, in need of renovation hence the ability to buy at a discount to the market.

We are working closely with a specialist firm with excellent knowledge of the local market that will organise the renovation work that will add significant value to the properties and ensure a strong rental yield.

If any of these property investment ideas appeal please register your interest with your Private Client Manager so that you will have first sight of the units as they become available.

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## Advance Notice

In response to suggestions from many of our clients, our next event will be a panel discussion with leading fund managers and their views on the future of the markets in 2006.

It will be held end of February and full details will be provided in our January Newsletter including venue and timing.

Please mark your diaries now for what promises to be a very interesting evening.



## Japan Equities – where next?

The Nikkei has breached 15,000 and there appears to be no stopping there.

How can you find out more about an investment that has performed well in rising **and** falling markets?

Contact your Private Client Manager for more details.

## What was hot and what was not in 05?

You could say that 2005 was a year of the unexpected, especially amongst market pundits and economists alike. On fundamentals, those economies that were predicted to weaken did the opposite and similarly those currencies that were expected to trend.

At the beginning of the year the US dollar was going to weaken against the yen, some said to as low as 80 - are now nursing an f/x rate of 120 and rising. Sterling is trading at the higher end of its range and could be entering a new trading range.

Oil has had a turbulent year with supply and demand affected by natural disasters as well as the normal seasonal fluctuations.

Gold has risen to an all time high with precious metals and natural resources all showing increases with China as the chief importer to fuel the expansion of the seventh largest economy in the world.

Hedge Funds have not fared as well across the board. These funds need to see trends for them to maximize returns and this was not evident at the beginning of the year with indices globally swinging one way then another. These last few months have seen improvements with greater stability in markets, even the oil market.

Emerging Markets have been the rising stars in 2005 with BRIC countries (Brazil, Russia, China and India) in particular doing well followed by Eastern Europe.

Mature markets such as the US and Europe have had a torrid time in comparison even China has not delivered the goods this year compared to previous years.

The widely tipped global meltdown in property has similarly not come to pass. Good quality, well-located property is always a good investment and should be a part of any balanced portfolio. Excellent value can still be found around the world.

The key is diversity for your portfolio and preparedness to move funds as market conditions change.

So what next? How will 2006 fare? Contact your Private Client Manager for an early review in 2006 to see how your investments are fairing from an asset allocation as well as geographical perspective.

Make this your New Year resolution - don't allow passive investment to dictate your portfolio.

## Magellan 10<sup>th</sup> Anniversary Party Photos



For further information on any aspect of this Newsletter please contact your usual Private Client Manager or visit our website.

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### Important Notice:

We will be closed over Christmas from the 23<sup>rd</sup> December through to the 3<sup>rd</sup> January 2006

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