

# JAPAN

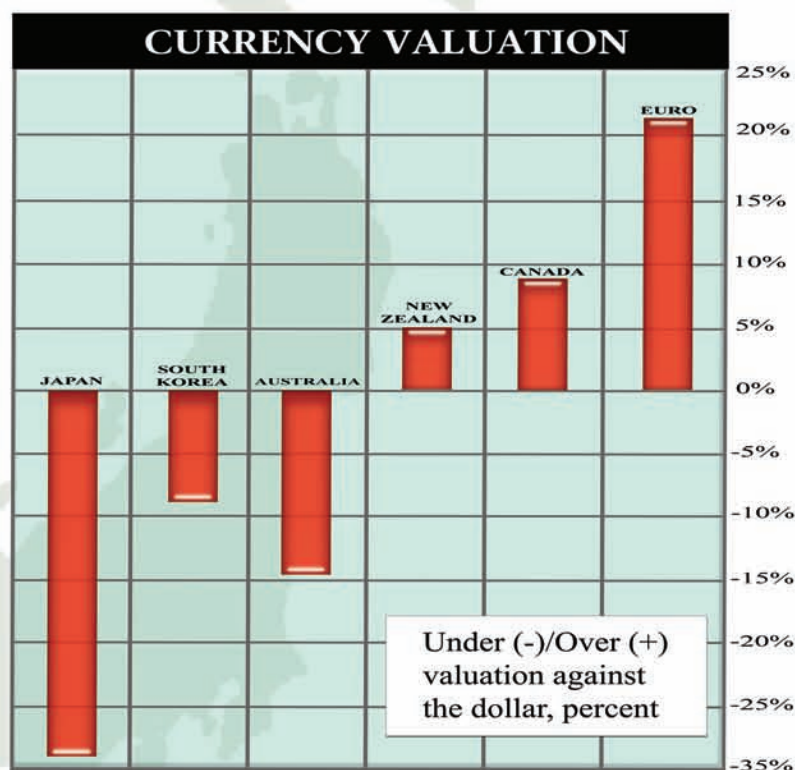


## Why We Like Japanese Stocks

The Japanese yen looks to be one of the most undervalued freely floating currencies in the world. The Economist does a semiannual survey of the cost of a McDonald's Big Mac in 46 different countries to estimate currency values. This Economist's survey is a nice back-of-the-matchbook indicator of currency values. In the latest survey, the yen comes up undervalued by 33% against the U.S. dollar.

We believe the yen is deeply undervalued because it is a victim of the so-called "carry trade." The carry trade is an aggressive leveraged investment strategy that requires investors to sell yen. The widespread use of the carry trade has been a force driving down the value of yen. The carry trade is a risky strategy that can turn sour quickly. At the first signs of bitterness, carry-trade investors are likely to close their positions by purchasing yen. The surge in demand for yen will likely cause the currency to appreciate versus the dollar.

Even if our currency expectations for the yen are not correct, we believe Japanese stocks are still an attractive investment. If the yen stays at its current undervalued level or depreciates further, Japanese exporters' profits are likely to increase. Higher corporate profits should lead to higher Japanese stock prices.



\*Source: Economist Big Mac index July 5th 2007

Richard C. Young & Co., Ltd. manages investment portfolios for families and individuals throughout the United States. To learn how we can help you become a more comfortable, successful, long-term investor, visit our website at [www.younginvestments.com](http://www.younginvestments.com), or call us at 800-843-7273.

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