

International Investor

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World Stockmarket Forecasts

Stockmarket	One-Year Forecast	Fundamental Indicators	Technical Indicators	Monetary Indicators	Economic Indicators	Historical Performance (in US\$)			Share Index
						3 mths	6 mths	12 mths	
Australia	71%	Bullish	Bullish	Neutral	Bullish	+8.6%	+34.5%	+29.8%	4,201.90
Austria	59%	Bearish	Bullish	Bullish	Bearish	+16.3%	+50.1%	+59.1%	2,755.33
Belgium	69%	Bearish	Bullish	Bullish	Bearish	+6.8%	+30.9%	+32.4%	3,121.66
Canada	60%	Bearish	Bullish	Neutral	Bearish	+6.8%	+25.9%	+20.2%	9,927.20
Denmark	69%	Bearish	Bullish	Bullish	Neutral	+11.2%	+29.5%	+22.8%	321.44
Finland	82%	Bullish	Bullish	Bullish	Bearish	+4.8%	+33.5%	-1.5%	6,771.20
France	75%	Bullish	Bullish	Bullish	Bearish	+8.1%	+24.7%	+17.1%	2,833.26
Germany	69%	Bearish	Bullish	Bullish	Neutral	+4.1%	+25.7%	+14.3%	4,423.52
Ireland	72%	Neutral	Bullish	Bullish	Bullish	+1.6%	+23.9%	+28.3%	6,264.84
Italy	77%	Bullish	Bullish	Bullish	Bullish	+7.6%	+29.4%	+24.4%	24,577.00
Japan	61%	Bearish	Bullish	Bullish	Neutral	+5.2%	+13.7%	+9.4%	11,873.05
Netherlands	72%	Bullish	Bullish	Bullish	Neutral	+9.2%	+26.6%	+12.2%	378.65
New Zealand	52%	Neutral	Bullish	Bearish	Bearish	+8.6%	+29.1%	+38.9%	2,515.59
Norway	80%	Bearish	Bullish	Bullish	Neutral	+13.4%	+37.6%	+36.4%	914.22
Spain	79%	Neutral	Bullish	Bullish	Bullish	+8.8%	+31.6%	+24.6%	1,019.77
Sweden	62%	Bearish	Bullish	Bullish	Bearish	+5.1%	+28.9%	+21.9%	244.97
Switzerland	62%	Bearish	Bullish	Bullish	Neutral	+5.7%	+18.9%	+10.9%	6,009.34
Un. Kingdom	59%	Neutral	Bullish	Neutral	Bearish	+5.5%	+20.0%	+15.4%	5,036.30
USA	63%	Neutral	Bullish	Bullish	Bearish	+2.6%	+9.7%	+5.6%	1,222.12
Argentina	72%	Bearish	Bullish	Bullish	Bearish	+28.5%	+53.5%	+34.5%	3,722.84
Brazil	62%	Neutral	Bullish	Neutral	Bearish	+18.1%	+44.0%	+39.1%	29,197.19
Czech Rep.	84%	Neutral	Bullish	Bullish	Bullish	+21.8%	+75.4%	+82.5%	1,217.60
Chile	50%	Neutral	Bullish	Bearish	Bearish	+2.3%	+20.2%	+22.4%	9,284.77
China	41%	Bearish	Bearish	Neutral	Bearish	-0.6%	-5.4%	-29.3%	81.91
Greece	77%	Bearish	Bullish	Bullish	Neutral	+15.2%	+46.2%	+33.0%	3,105.77
Egypt	58%	Bearish	Bullish	Neutral	Bullish	+46.6%	+73.8%	+101.9%	1,614.05
Hong Kong	49%	Neutral	Bullish	Bearish	Bearish	-3.7%	+6.0%	+1.9%	13,730.78
Hungary	77%	Bearish	Bullish	Bullish	Neutral	+26.2%	+66.2%	+86.1%	18,061.84
India	65%	Bearish	Bullish	Bullish	Neutral	+9.2%	+39.1%	+20.7%	6,849.48
Indonesia	62%	Bullish	Bullish	Neutral	Bearish	+8.7%	+39.0%	+30.3%	1,103.01
Israel	67%	Bearish	Bullish	Bullish	Neutral	+14.9%	+29.6%	+23.2%	681.82
Korea	83%	Bearish	Bullish	Bullish	Bullish	+19.2%	+40.8%	+30.1%	1,012.96
Malaysia	49%	Bullish	Bearish	Neutral	Neutral	-3.5%	+5.2%	-0.1%	885.33
Mexico	65%	Bearish	Bullish	Bullish	Bearish	+15.3%	+39.8%	+34.5%	13,862.75
Philippines	77%	Bearish	Bullish	Bullish	Neutral	+19.4%	+33.3%	+47.9%	2,124.69
Poland	74%	Bearish	Bullish	Bullish	Neutral	+13.0%	+41.3%	+54.3%	27,841.23
Portugal	67%	Neutral	Bullish	Bullish	Neutral	+5.7%	+22.8%	+14.3%	2,325.81
Russia	62%	Bearish	Bullish	Bullish	Neutral	+12.7%	+21.8%	+8.8%	8,509.63
Singapore	61%	Bullish	Bullish	Neutral	Neutral	+5.2%	+16.7%	+19.6%	2,154.55
Sth Africa	75%	Neutral	Bullish	Bullish	Bearish	+7.6%	+37.1%	+38.1%	13,634.73
Taiwan	60%	Bullish	Bullish	Neutral	Bearish	+9.8%	+17.8%	-3.8%	6,193.62
Thailand	63%	Bullish	Bullish	Neutral	Neutral	+11.7%	+25.2%	+6.4%	728.42
Turkey	75%	Bearish	Bullish	Bullish	Bearish	+33.9%	+58.9%	+50.6%	27,663.22
Venezuela	69%	Neutral	Bullish	Bullish	Bearish	-12.1%	+1.0%	+37.6%	30,639.85

One Year Forecasts predict the probability that a stock-market will rise over the next year. Investors should seek to invest in markets with forecasts of 60-100%, while avoiding markets with forecasts of 0-40%. Bullish = Favourable. Bearish = Unfavourable.

Stockmarket Charts

United States Stockmarket



United Kingdom Stockmarket



Hong Kong Stockmarket



Japan Stockmarket



Recommended Funds Geographic Portfolio Spread

Fund Name	Size (Mil)	Leverage (% debt)	Top 10 Hldgs (%)	Portfolio invested in (%):-												
				Cash	HK	Australia	Malay	Taiwan	Korea	Sing.	Thail'd	Phil.	China	India		
Aberdeen Asian Sm Coys plc	£77	12	32.1	1.9	16.9	2.0	3.8		10.7	12.0	14.2	4.0		14.1	Indonesia 10.0%	
Baring Korea	£146	Nil	40.8	5.9					94.1							
Gartmore Pacific Opps	£104	Nil	27.9	4.7	22.3			7.1	18.0	24.3	4.8	5.9		6.8	2.8	Indonesia 2.3%
HSBC Asian Fund	£56	Nil	27.5	4.6	19.0			5.9	18.0	26.0	10.0	3.7		9.4		Indonesia 3.4%
HSBC Hong Kong Gth Fund	£24	Nil	53.8	2.2	97.8											
Henderson Pacific Capital	£200	Nil	33.0	2.2	15.4	16.9		4.5	18.1	12.9	9.3	12.1		8.6		
Schroder Asia Pacific plc	£163	13	30.0	5.9	25.6			1.9	15.2	22.9	11.5	4.0		2.1	4.0	Indonesia 7.0%
Scottish Oriental Sm Coys plc	£59	6	19.7	5.7	18.7			9.1	6.1	17.6	9.5	8.7	1.9	7.1	8.7	Sri Lanka 3.9%
				Cash	USA	UK	Europe	Japan	Other							
Aberforth Small Cos Trust plc	£587	Nil	23.1	2.6		97.4										
Baillie Gifford Shin Nippon plc	£68	26	20.9	14.0					86.0							
Eaglet Investment Trust plc	£137	23	56.5			100										
Fidelity European Values plc	£607	11	23.0	1.0					99.0							
Herald Investment Trust plc	£371	7	22.2	11.0	13.8	61.0		6.1	1.0	8.1						
JPM Fleming Euro Fledgling	£270	20	21.7						100.0							
Invesco Japan Discovery Trt	£31	0	40.8	0						100.0						
Private Equity Investor plc	£59	Nil	-	27.8	72.2											
				Cash	Asia	Latin Amer	Africa	Europe & Middle East								
+Aberdeen Emerging Markets	£145	Nil	35.5	3.0	53.0	14.7	7.0	22.3								

Fidelity European Values plc continues to have its largest investments in France (24.8% of the portfolio), followed by Germany (9.9%), Netherlands (9.1%), Italy (8.7%), Denmark (8.4%), Switzerland (7.0%), Sweden (4.8%), Austria (4.1%), Norway (4.0%), Spain (2.9%), Ireland (2.6%), Hungary (2.2%), Finland (2.1%), Greece (2.0%), Estonia (1.1%), Russia (1.1%), Poland (1.0%), Belgium (1.0%), Luxembourg (1.0%) and Portugal (0.9%).

JPMorgan Fleming European Fledgling has its main investments are in France (12.8%), Finland (12.1%), Luxembourg (11.9%), Germany (11.1%), Netherlands (11.0%), Italy (7.7%), Norway (6.2%), Spain (6.0%), Greece (5.0%), Sweden (3.1%), Switzerland (3.0%), Denmark (2.1%), Austria (2.1%) and Portugal (1.0%).

Recommended International Investment Funds

Fund Reports

Baillie Gifford Shin Nippon plc recorded a 23.0% gain in net assets for its financial year to 31 January 2005. Although the Japanese stockmarket has been volatile, the Fund Manager is "optimistic about future returns in Japanese small capitalisation equities", especially as "valuations are low by historical standards".

The trust is leveraged with Yen 2.8 billion (£14.4 million or 27% of net assets) of bank debt, but this is offset with £9.1 million in cash holdings. The gross income yield on the trust's portfolio was about 1.0%, so after the payment of management fees, interest and other operating expenses there is no net income to be distributed.

Fidelity European Values plc lifted its net asset value 25.9% over the year to 31 December - outperforming the 13.2% rise in its benchmark European index. A final dividend of 1.75 pence - making 3.25 pence for the year - will be paid in May. The trust has bank debt equal to £63.6 million (12% of net assets).

The companies in which **Herald Investment Trust plc** invests recorded "outstandingly strong trading performances" in 2004, with aggregate profitability up about 90%. This, however, wasn't reflected in share prices, with the trust managing only a 5.2% gain in net asset values. Consensus forecasts predict a further 68% growth in profitability during 2005 - and eventually this profit growth *must* be reflected (Continued on Page 4)

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price		Prem/ Disc to Net Assets	Recent Price		Gain or Loss %
				Foreign	NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-2%	849.0p	2227.2	+73
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-16%	356.5p	935.2	+22
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-9%	544.0p	1427.1	+37
HOLD	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-17%	329.5p	864.4	-26
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		129.5p	339.7	+62
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		201.02p	527.3	+400
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		44.65p	117.1	+10
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		165.10p	433.1	-10
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		295.0p	773.9	-31
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		93.5p	245.3	+16
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		10.5p	27.5	-64
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-9%	160.0p	419.7	-5
BUY	Invesco Japan Discovery Trust	JD	13/07/99	95.5p	284.0	-9%	97.75p	256.4	-10
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		122.80-130.40p	332.1	+59
International									
BUY	Aberdeen Prolific Emerging Markets	*	13/08/91	61.7p	184.0		154.3p	404.8	+120
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-15%	338.0p	886.7	+8
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-11%	103.5p	271.5	-35

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +36.9%. This is equal to an average annual rate of +6.2%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 17 current and 43 closed out) is +10.4%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 226½ (+4%, i.e. 4% above net asset value), **Schroder Asia Pacific** shares at 100½ pence (-5%), **Scottish Oriental Smaller Companies** shares at 194 pence (-3%) and **Baillie Gifford Shin Nippon** warrants at 0.02 pence which will expire worthless next month.

Recommended Investment Funds*(Continued from Page 3)*

in share prices - so "the prospects for progress" in net asset values "in 2005 are exceptionally promising".

Herald Investment Trust has US\$47.35 million of bank debt (7% of net assets), but this is more than offset with £36.1 million (11% of assets) held in the UK. This provides a currency hedge for the US investments in its portfolio.

"Capital appreciation remains the primary objective" and a small 0.3 pence dividend will be paid in April to distribute the net income of the trust.

Aberdeen Asian Smaller Companies Investment Trust plc has continued to issue and sell new shares

on-market at a premium to net asset value. During the last month its sold 100,000 shares at 221 pence, 200,000 shares at 222¾ pence, 100,000 shares at 222½ pence and 100,000 shares at 223½ pence. The issued capital is now 28,054,100 shares, with net asset value around 217¾ pence.

Eaglet Investment Trust plc has been re-purchasing shares at a discount to its net asset value. It bought 380,000 shares and 150,000 shares at 333 pence and then a massive 1,216,919 shares at 332 pence. This reduces the issued capital 5.8% to 28,193,926 shares. Net asset backing is about 397 pence. These re-purchases have increased the net assets of the remaining shares by £1.1 million or about 4 pence per share.

World Stockmarket Capitalisations

The world stockmarket capitalisation rose 7.1% over the last three months to US\$34,626 billion. The United States share of the total slipped from 45.17% to 43.87%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	15,190	43.87	Malaysia	141	0.41
Japan	3,642	10.52	Greece	116	0.34
United Kingdom	2,836	8.19	Ireland	106	0.31
France	1,449	4.19	Thailand	104	0.30
Canada	1,095	3.16	Austria	91	0.26
Germany	1,058	3.06	Turkey	85	0.25
Switzerland	864	2.49	Chile	85	0.24
Italy	804	2.32	Israel	79	0.23
Australia	711	2.05	Portugal	69	0.20
Spain	644	1.86	Indonesia	60	0.17
Netherlands	581	1.68	Poland	60	0.17
Hong Kong	556	1.61	New Zealand	36	0.10
Taiwan	452	1.31	Hungary	32	0.09
South Korea	429	1.24	Czech Republic	28	0.08
Sweden	384	1.11	Argentina	25	0.07
China	334	0.96	Philippines	23	0.07
Brazil	320	0.93	Pakistan	22	0.06
Belgium	311	0.90	Egypt	21	0.06
India	310	0.90	Morocco	19	0.06
Russia	270	0.78	Columbia	17	0.05
South Africa	240	0.69	Peru	16	0.04
Mexico	199	0.58	Iceland	15	0.04
Finland	190	0.55	Jordan	12	0.03
Singapore	172	0.50	Nigeria	6.8	0.02
Denmark	157	0.45	Slovenia	5.1	0.01
Norway	152	0.44	Venezuela	4.0	0.01
			TOTAL	\$34,626	100.00%

Listed Investment Trust Warrant Analysis

Review of Speculative Warrants

Perpetual Income & Growth shares rose 6.8% over the last quarter, lifting the value of our warrants 22.5% to 88½ pence. That is up 147% on our purchase price of 35¾ pence in December 2001.

These warrants will allow us to buy shares at 100 pence in December 2006 and until then offer good leverage (i.e. 2.1 times) and have a low break-even rate (i.e. 3% per annum). Hold for further gains.

Polar Capital shares increased just 2.9% over the last three months, with the warrants up 7.6% to 77½ pence. This is up 84% on our purchase in December 2002.

The final exercise/expiry date is 30 September 2005 - which is now just six months away. The warrants offer 2.2 times leverage and a break-even rate of zero. Hold.

Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Warrant Share Price 5%pa	Warrant Share Price 10%pa	Warrant Share Price 20%pa	Return (%p.a.) from Break-Even Rate
<u>UNITED KINGDOM</u>												
Blue Chip Value & Inc	18.0p	75.0p	6-0	0.55p	2.85p	-81	0.471	2.3	-100.0	-100.0	-100.0	+27%
Blue Planet Gth & Inc	1165.0p	100.0p	5-4	417.50p	1088.04p	-62	0.186	1.1	+25.7	+32.0	+44.6	-14%
Edinburgh Smaller Coys	66.8p	100.0p	3-6	10.00p	13.60p	-26	0.386	2.7	-100.0	-100.0	+31.9	+15%
Equity Partnership	83.5p	100.0p	1-5	9.75p	3.37p	+189	0.173	10.4	-100.0	-100.0	-12.2	+21%
Invesco City & Com.	83.5p	100.0p	0-3	2.75p	2.73p	+1	0.453	10.4	-100.0	-100.0	-100.0	+129%
ISIS UK Select	65.3p	104.0p	2-7	2.25p	2.27p	-1	0.214	7.2	-100.0	-100.0	-43.9	+21%
Perpetual Income & Gth	191.5p	100.0p	1-5	88.50p	98.23p	-10	0.198	1.9	+13.0	+23.4	+43.7	-1%
Utilico	150.8p	100.0p	2-1	59.50p	65.11p	-9	0.349	2.1	+5.8	+17.9	+40.3	+3%
<u>LATIN AMERICA</u>												
Deutsche Latin America	94.5p	100.0p	5-3	28.25p	33.80p	-16	0.316	2.1	-4.6	+13.9	+36.8	+6%
<u>EUROPE</u>												
SR Europe	125.0p	100.0p	1-5	28.75p	33.26p	-14	0.208	3.5	+12.4	+33.0	+71.7	+2%
<u>JAPAN</u>												
B Gifford Shin Nippon	160.0p	200.0p	0-1	1.15p	0.02p	+6540	0.285	247.4	-100.0	-100.0	-100.0	+1457%
Martin Currie Japan 05	74.8p	100.0p	0-7	1.37p	1.00p	+36	0.283	14.2	-100.0	-100.0	-100.0	+69%
<u>FAR EASTERN</u>												
Aberdeen Asian Small	226.5p	100.0p	5-8	129.50p	151.00p	-14	0.198	1.5	+7.8	+15.2	+28.5	+0%
Fidelity Asian Values	75.0p	100.0p	1-5	4.75p	5.75p	-17	0.326	5.3	-100.0	-100.0	-100.0	+27%
Schroder Asia Pacific	100.5p	100.0p	0-10	10.50p	12.68p	-17	0.288	5.4	-62.2	-19.0	+78.2	+12%
Scottish Oriental Sm Co	194.0p	100.0p	1-10	93.50p	102.64p	-9	0.201	1.9	+10.4	+20.2	+39.0	-0%
<u>GOLD & MINING</u>												
City Nat Res High Yld	85.5p	85.0p	4-7	17.25p	23.62p	-27	0.200	2.9	+5.4	+24.6	+50.5	+4%
Merril World Mining	234.0p	219.0p	0-1	16.00p	17.93p	-11	0.286	12.0	-3.4	+88.3	+502.4	+5%
<u>TECHNOLOGY</u>												
Polar Capital	177.3p	100.0p	0-6	77.50p	79.70p	-3	0.311	2.2	+10.9	+22.9	+47.6	+0%

The “Dow Dividend” Portfolio

Our “Dow Dividend” Portfolio

Our “Dow Dividend” portfolio was started with US\$10,000 (NZ\$23,450) in January 2002 when the Dow Jones Industrial Index was 9987.53 and the S&P 500 Index was 1145.60.

The portfolio currently consists of:

130 shares in SBC Communications (SBC)	\$3,184
103 shares in Pfizer (PFE)	\$2,766
100 shares in Merck (MRK)	\$3,168
30 shares in JP Morgan Chase (JPM)	\$1,125
Cash balance	<u>\$50</u>
Total Value	US\$10,293

Over the last three months we have collected regular quarterly dividends: 32 cents from SBC Communications (US\$41.60) and 34 cents from JP Morgan Chase (US\$10.20). After 15% non-resident withholding tax was deducted, that raised our cash holding by US\$44 to US\$50.

The Dow Jones Index is currently 10,940.55 and the S&P 500 Index is 1222.12.

Our “Dow Dividend” Portfolio slipped 0.1% over the last quarter, while the Dow Jones index rose 3.3% and the S&P 500 index rose 2.6%.

Over the last year our portfolio has performed poorly, rising only 0.6% in value while the Dow Jones Index is up slightly at 3.3% and the S&P 500 Index up 5.6%.

Since inception in January 2002 our portfolio has risen just 2.9%. Over that period, the Dow Jones Index has risen 9.5% and S&P 500 Index is up 6.7%.

Current Data and Annual Update

Investors can find the current ten highest yielding Dow stocks by visiting a site such as **Dogs of the Dow** (www.dogsofthedow.com/doggishy1.htm). The five *lowest priced* shares are also identified as “Small Dogs”.

If the stock with the *highest yield* is also the *lowest priced* stock, remove it from this list - as this company

is often *distressed* rather than simply *depressed*. Then select the four *lowest priced* “small dogs”:

<u>Company</u>	<u>Price</u>	<u>Yield</u>	<u>“Small Dog”</u>
General Electric	US\$34.84	5.74%	Yes
SBC Communications	\$24.49	5.27%	Yes
Merck	\$31.68	4.80%	Yes
Altria	\$66.05	4.42%	No
Verizon	\$36.42	4.23%	Yes
Citigroup	\$48.40	3.64%	No
JP Morgan Chase	\$37.51	3.63%	No
Pfizer	\$26.85	2.83%	Yes
Coca-Cola	\$43.64	2.57%	No
Dupont	\$54.55	2.57%	No

The *highest yielding* stock is General Electric while the *lowest priced* is SBC Communications, so make no change to the list. Then invest in the *four lowest priced* stocks, labelled as “Small Dogs” which are SBC Communications, Pfizer, General Electric and Verizon.

We are, however, only updating our “Dow Dividend” portfolio once per year, in December, but if we were starting today the portfolio would be:

<u>Company</u>	<u>Price</u>	<u>Percent</u>
SBC Communications	\$24.49	40%
Pfizer	\$26.85	30%
General Electric	\$34.84	20%
Verizon	\$36.42	10%

Next Issue

The next issue of *International Investor* will be posted in five weeks time on Tuesday April 12, 2005 (and delivered in most areas on Wednesday 13).

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