

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	74%	Bullish	Bullish	Neutral	Bullish	-5.6%	+2.5%	+30.8%	4,149.20
Austria	70%	Bearish	Bullish	Bullish	Bearish	-5.1%	+10.4%	+51.5%	2,822.69
Belgium	68%	Neutral	Bullish	Bullish	Neutral	-8.5%	-2.2%	+25.6%	3,083.54
Canada	57%	Bearish	Bullish	Neutral	Bearish	-3.8%	+2.7%	+25.6%	9,671.17
Denmark	75%	Bearish	Bullish	Bullish	Bullish	-5.3%	+5.3%	+27.1%	328.38
Finland	81%	Bullish	Bullish	Bullish	Neutral	-3.0%	+1.7%	+25.9%	7,089.07
France	71%	Bullish	Bullish	Bullish	Bearish	-5.7%	+1.9%	+14.9%	2,882.39
Germany	67%	Neutral	Bullish	Bullish	Neutral	-5.5%	-1.6%	+14.1%	4,510.39
Ireland	71%	Neutral	Bullish	Bullish	Bullish	-6.9%	-5.4%	+18.9%	6,294.07
Italy	67%	Bullish	Bullish	Bullish	Bullish	-7.9%	-0.9%	+18.4%	24,428.00
Japan	48%	Bearish	Bearish	Bullish	Bearish	-7.6%	-2.7%	+5.2%	11,300.05
Netherlands	73%	Bullish	Bullish	Bullish	Bullish	-9.1%	-0.7%	+9.9%	371.52
New Zealand	42%	Neutral	Bearish	Bearish	Bearish	-13.6%	-6.1%	+25.1%	2,276.98
Norway	75%	Neutral	Bullish	Bullish	Bearish	-6.7%	+5.8%	+34.4%	882.29
Spain	71%	Neutral	Bullish	Bullish	Bearish	-6.6%	+1.6%	+22.3%	1,027.66
Sweden	60%	Bearish	Bullish	Bullish	Neutral	-8.7%	-4.0%	+16.9%	244.09
Switzerland	66%	Bearish	Bullish	Bullish	Neutral	-3.5%	+2.0%	+8.8%	6,210.27
Un. Kingdom	53%	Neutral	Bullish	Neutral	Bearish	-6.4%	-1.3%	+11.0%	4,999.40
USA	54%	Neutral	Bullish	Bullish	Bearish	-2.1%	+0.4%	+6.5%	1,196.02
Argentina	62%	Bearish	Bullish	Bullish	Bearish	-0.9%	+27.3%	+69.7%	3,626.43
Brazil	61%	Bullish	Bullish	Bearish	Neutral	+0.0%	+18.1%	+74.6%	26,365.62
Czech Rep.	63%	Neutral	Bullish	Bullish	Bearish	-13.3%	+5.7%	+54.4%	1,162.10
Chile	35%	Neutral	Bullish	Bearish	Bearish	-0.0%	+2.3%	+43.9%	9,317.79
China	53%	Bullish	Bearish	Bullish	Bearish	-22.2%	-22.7%	-37.2%	63.70
Greece	78%	Bearish	Bullish	Bullish	Neutral	-9.9%	+3.8%	+23.9%	3,019.09
Egypt	48%	Bearish	Bullish	Bearish	Bullish	-0.6%	+45.8%	+91.5%	1,603.22
Hong Kong	43%	Neutral	Bullish	Bearish	Bearish	+0.9%	-2.9%	+15.2%	13,818.45
Hungary	75%	Bearish	Bullish	Bullish	Bullish	-12.5%	+10.5%	+59.7%	17,631.61
India	50%	Bearish	Bullish	Bearish	Neutral	-1.2%	+7.9%	+42.9%	6,748.85
Indonesia	51%	Bullish	Bullish	Bearish	Bearish	-3.3%	+5.1%	+54.3%	1,092.50
Israel	50%	Bearish	Bullish	Bearish	Neutral	+1.3%	+16.4%	+26.0%	702.23
Korea	79%	Neutral	Bullish	Bullish	Bullish	-3.5%	+14.9%	+44.4%	976.09
Malaysia	55%	Bullish	Bearish	Bullish	Neutral	-2.2%	-5.6%	+7.9%	865.88
Mexico	67%	Neutral	Bullish	Bullish	Neutral	-2.6%	+12.4%	+38.8%	13,204.39
Philippines	77%	Bearish	Bullish	Bullish	Neutral	-4.1%	+14.5%	+35.9%	2,022.49
Poland	68%	Bearish	Neutral	Bullish	Bullish	-14.3%	-3.2%	+30.5%	26,974.61
Portugal	50%	Neutral	Bearish	Bullish	Neutral	-9.7%	-4.5%	+8.0%	2,267.02
Russia	67%	Bearish	Bullish	Bullish	Bullish	-6.1%	+5.9%	+17.7%	8,187.22
Singapore	62%	Bullish	Bullish	Neutral	Neutral	-0.7%	+4.5%	+25.7%	2,192.67
Sth Africa	71%	Neutral	Bullish	Bullish	Bearish	-10.9%	-4.1%	+31.2%	14,020.86
Taiwan	68%	Bullish	Bullish	Bullish	Neutral	-2.9%	+6.6%	+13.9%	6,107.95
Thailand	46%	Bullish	Bearish	Bearish	Neutral	-12.4%	-2.1%	+7.9%	676.70
Turkey	80%	Bullish	Bullish	Bullish	Bearish	-12.7%	+16.9%	+61.2%	26,051.55
Venezuela	38%	Neutral	Bearish	Bullish	Bearish	-21.6%	-31.1%	-3.6%	22,191.94

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 Outlook

Most stockmarkets have rallied over the last few weeks, ending the "correction" of recent months and improving the Technical market indicators. The overall outlook is for moderate gains over the next year as stockmarkets continue to recover from the 2000-2002 decline and appreciate in value.

United Kingdom Stockmarket



United States Stockmarket



Hong Kong 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	£81	11	30.3	0	16.6	1.0	6.7		11.3	12.8	11.6	4.1		14.7	Indonesia 10.3%
Baring Korea	£136	Nil	42.0	0.8					99.2						
Gartmore Pacific Opps	£95	Nil	27.4	3.9	19.4		4.6	18.3	26.4	5.0	5.6	1.0	10.9	4.7	
HSBC Asian Fund	£54	Nil	27.4	3.0	19.1		4.3	20.2	26.0	9.9	3.2		11.9		Indonesia 1.6%
HSBC Hong Kong Gth Fund	£24	Nil	55.1	3.4	96.6										
Henderson Pacific Capital	£166	Nil	33.3	4.1	13.8	11.5	6.1	22.3	12.1	6.5	11.9		11.6		
Schroder Asia Pacific plc	£174	12	25.7	1.8	25.4		1.9	17.3	21.6	11.7	3.8	2.1	1.9	5.3	Indonesia 7.2%
Scottish Oriental Sm Coys plc	£60	6	20.3	6.6	18.6		8.8	7.2	16.5	10.0	8.8	2.1	6.6	7.6	Sri Lanka 4.1%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust plc	£576	Nil	24.3	0.9		99.1									
Baillie Gifford Shin Nippon plc	£69	26	18.3	7.7					92.3						
Eaglet Investment Trust plc	£115	29	57.2			100									
Fidelity European Values plc	£617	11	23.1	0.9				99.1							
Herald Investment Trust plc	£342	8	21.5	7.9	13.5	63.5		6.1		9.0					
JPM Fleming Euro Fledgling	£238	2	17.1					100.0							
Invesco Japan Discovery Trt	£33	Nil	40.7	0					100.0						
Private Equity Investor plc	£60	Nil	-	29.1	70.9										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen Emerging Markets	£168	Nil	33.4	0.9	52.5	22.6	5.1	18.9							

Fidelity European Values plc continues to have its largest investments in France (21.9% of the portfolio), followed by Netherlands (12.1%), Germany (9.2%), Switzerland (9.0%), Denmark (7.1%), Italy (6.8%), Sweden (4.9%), Norway (4.2%), Ireland (4.1%), Spain (4.0%), Austria (3.1%), Finland (2.0%), UK (2.0%), Hungary (2.0%), Greece (1.9%), Poland (1.0%), Luxembourg (1.0%), Russia (1.0%), Belgium (1.0%) and Portugal (0.9%).

JPMorgan Fleming European Fledgling has its largest investments in the Netherlands (14.2% of the portfolio), Luxembourg (12.9%), France (10.9%), Spain (10.0%), Norway (8.3%), Germany (7.0%), Italy (6.8%), Finland (6.0%), Switzerland (5.8%), Denmark (4.1%), Sweden (3.0%), Greece (2.9%), Austria (1.0%) and European regional funds (7.0%).

Recommended International Investment Funds

Our investment in **Schroder Asia Pacific** warrants has not worked out as well as we would have hoped over the last six years. Now there is only 7½ months until the final 31 January 2006 exercise date - but these warrants are very finely balanced. The shares currently trade exactly on the exercise price of 100 pence - so *if* the share price rises from here then the warrants will have some value, but if the share price dips the warrants will expire worthless.

This has become a very high risk/high return situation - but Asian stockmarkets are volatile so there is the potential to recover significant value over the months immediately ahead. "Hold".

Aberdeen Asian Smaller Companies Investments Trust plc has repaid a £2.5 million term loan facility. The trust's sole loan is now a revolving

Schroder Asia Pacific



credit facility that has been increased from £6.0 million to £10.0 million. Total borrowings are currently £8.3 million.

Current Advice	Investment Fund	EPIC Code	Initial Recommendation		Prem/Disc to Net Assets	Recent Price		Gain or Loss %
			--- Date ---	Offer Price		Bid-Offer or Last Sale	NZ Cents	
Europe								
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-4%	855.0p	2218.5 +72
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-15%	375.5p	974.3 +27
United Kingdom								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-8%	539.5p	1399.8 +34
HOLD	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-16%	263.5p	683.7 -41
Asian Regional								
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		131.5p	341.2 +63
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		205.38p	532.9 +406
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		46.12p	119.7 +13
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		176.0p	456.7 -5
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		301.6p	782.6 -30
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		99.5p	258.2 +22
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		9.25p	24.0 -68
Japan								
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-13%	157.5p	408.7 -7
BUY	Invesco Japan Discovery Trust	JD	13/07/99	95.5p	284.0	-12%	99.5p	258.2 -9
Korea								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		121.30-129.50p	325.4 +55
International								
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		158.6p	411.5 +124
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-14%	312.5p	810.8 -1
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-12%	108.75p	282.2 -33

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +36.5%. This is equal to an average annual rate of +5.9%, 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 +10.3%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 232¼ (trading at an 8% discount to net asset value), **Schroder Asia Pacific** shares at 100 pence (an 8% discount to net asset value) and **Scottish Oriental Smaller Companies** shares at 198¾ pence (a 4% discount to net assets)

Listed Investment Trust

Warrant Analysis

The number of warrants of UK listed investment trusts continues to dwindle. Eventually these warrants reach their final exercise/expiry date and are either exercised (i.e. an investor subscribes for the shares) or expire worthless. As the listed investment trust sector has been depressed and out of favour with investors for 4-5 years there have been very few New Issues by investment trust companies. Most warrants are issued with ordinary shares in the initial public offering - so there have been few issues of new warrants. Sometimes warrants are issued as a free "bonus" to existing shareholders in an existing trust - but, as this sector has been depressed, that has also been rare over recent years. So, at this point in time, the range of warrants is very limited.

Review of Speculative Warrants

Perpetual Income & Growth shares rose 1.8% over the last quarter, with our warrants slipping 0.8% in value to 87¾ pence. That is still up 145% on our purchase price of 35¾ pence in December 2001.

These warrants will allow us to buy shares at 100 pence on 31 August 2006 and until then offer good leverage (i.e. 1.9 times) and are a little under-valued resulting in an unusual *negative* low break-even rate (i.e. *minus* 3% per annum). This actually means that

the shares could *fall* slightly in price (i.e. to 187¾ pence) and the warrants would still be worth their current value at the final exercise date. If the shares *rise* by just 5% per annum, then our warrants will appreciate 18% per annum. Hold for further gains.

Polar Capital shares increased 4.6% over the last three months, with the warrants up 10.0% to 85¼ pence. This is up 103% on our purchase in December 2002 at 42 pence.

The final exercise/expiry date is 30 September 2005 - which is now just over three months away. Investors therefore need to consider whether to (1) sell these warrants on-market over the next few months or (2) exercise them and buy Polar Capital shares at 100 pence.

Polar Capital is a £304 million technology fund that rates well in our *Investment Fund Survey* with a *Superiority Rating* of +6%. The trust's portfolio is very well diversified, with the ten largest holdings making up only 14.3% of the portfolio. Most of its investments are in the United States (40.3% of the portfolio), with smaller holdings in Japan (8.8%), the United Kingdom (8.1%), Europe (13.1%) and Asia (7.3%) plus a large 22.4% in cash.

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 Return (%p.a.) from Share Price appreciation of:	Break-Even Rate		
									5%pa	10%pa	20%pa	
<u>UNITED KINGDOM</u>												
Blue Chip Value & Inc	15.8p	75.0p	5-9	0.55p	1.79p	-69	0.459	2.5	-100.0	-100.0	-100.0	+31%
Blue Planet Gth & Inc	1100.0p	1000.0p	5-1	375.00p	365.30p	+3	0.191	2.6	+1.8	+15.7	+35.8	+4%
Edinburgh Smaller Coys	64.3p	100.0p	3-3	7.25p	10.88p	-33	0.376	2.9	-100.0	-100.0	+28.1	+17%
Equity Partnership	82.0p	100.0p	1-2	9.00p	1.92p	+368	0.166	14.2	-100.0	-100.0	-79.3	+28%
ISIS UK Select	62.8p	104.0p	2-4	2.25p	1.22p	+85	0.206	9.1	-100.0	-100.0	-100.0	+25%
Perpetual Income & Gth	195.0p	100.0p	1-2	87.75p	100.46p	-13	0.194	1.9	+18.0	+28.8	+50.4	-3%
<u>EUROPE</u>												
SR Europe	125.3p	100.0p	1-2	30.50p	31.88p	-4	0.206	3.7	+5.8	+26.1	+65.6	+4%
<u>JAPAN</u>												
Martin Currie Japan 05	74.0p	100.0p	0-4	1.25p	0.25p	+400	0.288	27.6	-100.0	-100.0	-100.0	+156%
<u>FAR EASTERN</u>												
Aberdeen Asian Small	232.3p	100.0p	5-5	131.50p	155.33p	-15	0.195	1.5	+8.3	+15.7	+29.1	-0%
Fidelity Asian Values	75.5p	100.0p	1-2	3.00p	4.57p	-34	0.323	6.1	-100.0	-100.0	-100.0	+31%
Schroder Asia Pacific	100.0p	100.0p	0-7	9.25p	9.96p	-7	0.283	6.8	-86.4	-56.2	+39.3	+16%
Scottish Oriental Sm Co	198.8p	100.0p	1-7	99.50p	106.09p	-6	0.200	1.9	+9.4	+19.0	+37.8	+0%
<u>GOLD & MINING</u>												
City Nat Res High Yld	75.3p	85.0p	4-4	14.00p	15.27p	-8	0.200	3.5	-12.2	+18.0	+49.9	+7%
<u>TECHNOLOGY</u>												
Polar Capital	185.3p	100.0p	0-3	85.25p	86.45p	-1	0.306	2.1	+11.1	+22.7	+47.1	+0%

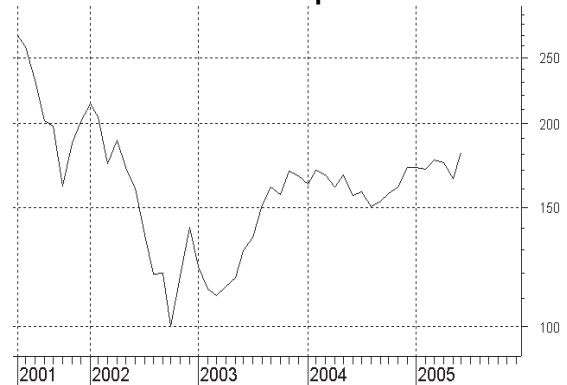
The shares trade at a 10% discount to net asset value, so Polar Capital is actively re-purchasing its own discounted shares. Since the beginning of April the trust has re-purchased 3,737,000 shares and 600,000 warrants.

So Polar Capital is an attractive fund for investors who want to continue to hold an investment in the Technology sector. The decision whether to sell the warrants to realise the gain, or to exercise them and continue our investment as a shareholder will therefore need to be determined by an individual investor's personal financial situation.

These warrants have already doubled in value - and exercising the warrants would require doubling that again with new cash to buy the shares. Your Editor will probably seek to sell about half of his warrants in late August or early September - thereby realising enough cash to exercise the remaining warrants. Subscribers

may choose to do similarly, or sell all of the warrants, or exercise all of the warrants, depending upon their personal circumstances and/or the size of their existing holdings in these informally recommended warrants.

Polar Capital



World Stockmarket Capitalisations

The world stockmarket capitalisation fell 4.1% over the last three months to US\$33,199 billion. The United States share of that total rose from 43.87% to 45.06%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	14,959	45.06	Greece	103	0.31
Japan	3,405	10.26	Ireland	99	0.30
United Kingdom	2,635	7.94	Austria	96	0.29
France	1,380	4.16	Thailand	90	0.27
Canada	1,049	3.16	Chile	84	0.25
Germany	991	2.99	Israel	80	0.24
Switzerland	830	2.50	Turkey	73	0.22
Italy	736	2.22	Portugal	61	0.18
Australia	656	1.98	Indonesia	54	0.16
Spain	605	1.82	Poland	49	0.15
Hong Kong	567	1.71	New Zealand	31	0.09
Netherlands	531	1.60	Hungary	26	0.08
Taiwan	430	1.29	Argentina	25	0.08
South Korea	410	1.23	Philippines	24	0.07
Sweden	351	1.06	Czech Republic	24	0.07
China	310	0.93	Egypt	22	0.07
India	304	0.92	Morocco	19	0.06
Brazil	299	0.90	Pakistan	17	0.05
Belgium	268	0.81	Columbia	17	0.05
Russia	249	0.75	Jordan	16	0.05
South Africa	205	0.62	Iceland	15	0.05
Mexico	191	0.58	Peru	14	0.04
Finland	187	0.56	Nigeria	6.9	0.02
Singapore	169	0.51	Slovenia	4.3	0.01
Denmark	147	0.44	Venezuela	3.4	0.01
Norway	142	0.43			
Malaysia	135	0.41			
			TOTAL	\$33,199	100.00%

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)	\$3,034
103 shares in Pfizer (PFE)	\$2,880
100 shares in Merck (MRK)	\$3,209
30 shares in JP Morgan Chase (JPM)	\$1,067
Cash balance	<u>\$143</u>
Total Value	US\$10,333

Over the last three months we have collected regular quarterly dividends: 32¼ cents from SBC Communications (US\$41.92), 19 cents from Pfizer (US\$19.57), 38 cents from Merck (US\$38.00) 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\$93 to US\$143.

The Dow Jones Index is currently 10,460.97 and the S&P 500 Index is 1196.02.

Our “Dow Dividend” Portfolio managed to rise 0.4% over the last quarter, while the Dow Jones index slipped 4.4% and the S&P 500 index fell 2.1%.

Over the last year our portfolio has performed relatively well, rising 12.1% in value while the Dow Jones Index rose just 2.1% and the S&P 500 Index gained 6.5%.

Since inception in January 2002 our portfolio has risen just 3.3%. Over that period, the Dow Jones Index has risen 4.7% and the S&P 500 Index is up 4.4%.

Unfortunately, however, the US dollar has weakened significantly against the NZ dollar over the last 3½ years - so in NZ dollar terms our Portfolio is down 36.9% to NZ\$14,787.

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”:

Company	Price	Yield	“Small Dog”
General Motors	US\$330.93	6.47%	Yes
SBC Communications	\$23.34	5.53%	Yes
Merck	\$32.09	4.74%	Yes
Verizon	\$35.17	4.61%	Yes
Altria	\$67.24	4.34%	No
JP Morgan Chase	\$35.55	3.83%	No
Citigroup	\$47.56	3.70%	No
Dupont	\$46.10	3.21%	No
Pfizer	\$27.96	2.72%	Yes
Coca-Cola	\$44.23	2.53%	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 Motors and Merck.

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

Company	Price	Percent
SBC Communications	\$23.34	40%
Pfizer	\$27.96	30%
General Motors	\$30.93	20%
Merck	\$32.09	10%

Next Issue

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

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.