

International Investor

Issue No. 118

www.stockmarket.co.nz

October 11, 2005

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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	65%	Bullish	Bullish	Neutral	Bullish	+6.9%	+4.4%	+22.6%	4,399.90
Austria	66%	Bearish	Bullish	Bullish	Neutral	+9.4%	+16.1%	+53.7%	3,336.70
Belgium	76%	Neutral	Bullish	Bullish	Neutral	+8.8%	-1.3%	+17.7%	3,329.62
Canada	51%	Bearish	Bullish	Neutral	Neutral	+8.3%	+15.5%	+28.3%	10,612.15
Denmark	64%	Bearish	Bullish	Bullish	Bullish	+6.3%	+4.5%	+26.1%	366.21
Finland	75%	Neutral	Bullish	Bullish	Bullish	+5.3%	+8.6%	+26.2%	7,675.81
France	66%	Neutral	Bullish	Bullish	Neutral	+7.5%	+4.5%	+20.9%	3,165.33
Germany	68%	Bearish	Bullish	Bullish	Neutral	+10.6%	+7.3%	+21.7%	5,007.77
Ireland	71%	Bearish	Bullish	Bullish	Bullish	+6.2%	+4.6%	+18.4%	6,823.29
Italy	67%	Neutral	Bullish	Bullish	Bullish	+5.2%	-2.3%	+17.4%	25,966.00
Japan	56%	Bearish	Bullish	Neutral	Neutral	+12.6%	+6.3%	+12.4%	13,227.74
Netherlands	64%	Neutral	Bullish	Bullish	Neutral	+4.2%	+0.6%	+16.2%	398.66
New Zealand	57%	Bullish	Neutral	Neutral	Bullish	+6.6%	-0.0%	+8.2%	2,399.96
Norway	52%	Neutral	Bullish	Neutral	Bearish	+4.5%	+10.5%	+32.1%	1,034.97
Spain	77%	Neutral	Bullish	Bullish	Neutral	+10.9%	+8.2%	+28.4%	1,157.24
Sweden	65%	Bearish	Bullish	Bullish	Bearish	+9.9%	+4.1%	+19.9%	277.27
Switzerland	67%	Bearish	Bullish	Bullish	Neutral	+12.0%	+8.8%	+23.2%	6,946.95
Un. Kingdom	63%	Neutral	Bullish	Bullish	Bullish	+3.9%	+1.0%	+11.9%	5,362.30
USA	41%	Neutral	Bearish	Neutral	Bearish	-1.3%	+1.2%	+6.6%	1,195.90
Argentina	70%	Bearish	Bullish	Bullish	Bearish	+28.4%	+41.1%	+71.5%	4,852.54
Brazil	71%	Neutral	Bullish	Bullish	Neutral	+27.8%	+33.0%	+56.1%	29,972.99
Czech Rep.	59%	Bearish	Bullish	Neutral	Bearish	+17.8%	+11.7%	+63.3%	1,397.50
Chile	42%	Neutral	Bullish	Bearish	Bearish	+17.4%	+16.3%	+31.7%	10,080.32
China	54%	Neutral	Bearish	Bullish	Bearish	+13.5%	-16.9%	-27.0%	67.65
Greece	80%	Neutral	Bullish	Bullish	Neutral	+9.9%	+5.6%	+35.9%	3,353.84
Egypt	72%	Bearish	Bullish	Bullish	Neutral	+13.0%	+23.6%	+99.6%	1,991.10
Hong Kong	59%	Neutral	Bullish	Neutral	Neutral	+6.6%	+9.3%	+12.6%	14,847.79
Hungary	75%	Bearish	Bullish	Bullish	Bearish	+14.4%	+17.9%	+63.9%	22,199.60
India	54%	Bearish	Bullish	Bearish	Bearish	+15.8%	+29.4%	+51.7%	8,491.56
Indonesia	42%	Bullish	Neutral	Bearish	Neutral	-3.8%	-6.8%	+15.8%	1,094.65
Israel	41%	Bearish	Bullish	Bearish	Bearish	+16.6%	+7.2%	+29.1%	757.58
Korea	72%	Neutral	Bullish	Bullish	Neutral	+19.4%	+18.4%	+50.8%	1,201.01
Malaysia	53%	Neutral	Bullish	Neutral	Neutral	+3.2%	+7.9%	+8.3%	925.21
Mexico	62%	Bearish	Bullish	Neutral	Neutral	+10.8%	+27.5%	+47.2%	15,447.59
Philippines	65%	Bearish	Neutral	Bullish	Bullish	+4.5%	+0.1%	+7.2%	1,952.28
Poland	69%	Bearish	Bullish	Bullish	Bullish	+19.6%	+18.6%	+39.1%	32,700.71
Portugal	73%	Bullish	Bullish	Bullish	Neutral	+9.3%	-0.0%	+9.8%	2,448.93
Russia	71%	Bearish	Bullish	Bullish	Neutral	+33.6%	+37.0%	+37.3%	11,918.25
Singapore	52%	Bullish	Bullish	Bearish	Neutral	+5.0%	+4.0%	+14.8%	2,305.24
Sth Africa	60%	Bearish	Bullish	Bullish	Bearish	+17.7%	+14.3%	+32.9%	16,136.26
Taiwan	44%	Bullish	Bearish	Bearish	Bearish	-5.3%	-4.0%	+1.1%	6,081.84
Thailand	48%	Bullish	Neutral	Bearish	Neutral	+13.5%	+0.9%	+6.0%	708.98
Turkey	70%	Neutral	Bullish	Bullish	Bearish	+19.7%	+29.9%	+61.3%	33,413.61
Venezuela	23%	Bullish	Bearish	Bearish	Bearish	-14.6%	-29.0%	-43.1%	20,078.65

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

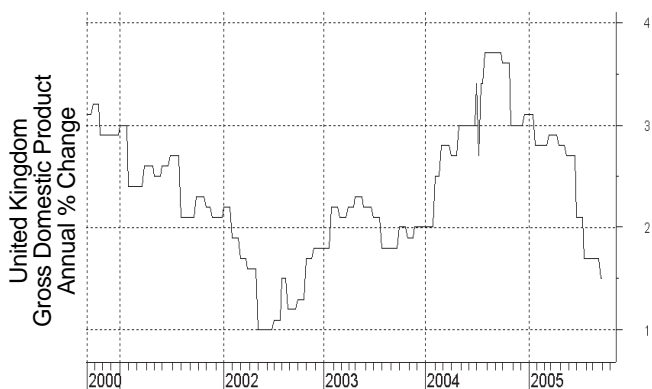
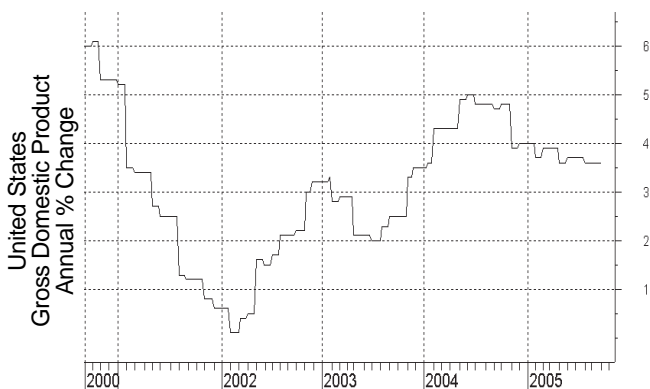
The United States stockmarket reached a four year high in early September but has since dipped to a three month low. This increases investor fears of a reversal in the long term uptrend - and most other world stockmarkets followed the US lower last week.

Over the last three year uptrend, however, the US stockmarket has recovered only slightly more than half of its decline of the previous three years (i.e. from 2000 to 2002). Valuations have improved from the over-valued levels in 2000, although are not cheap. The economy has recovered from the depth of the 2001-2 recession, but is not so buoyant that there is a serious risk of decline. Short term interest rates have risen from the extremely low 1% in 2003 and early 2004 to a more normal 4%, but this is not a good measure of market interest rates. Corporate Bond rates have trended down over the last five years, from around 8% to 5%, although rose to almost 5½% over the last six months.

The United States stockmarket therefore appears to be at about mid-point in a cycle. The market *could* drift lower for a few months but is unlikely to be at a major peak or at the start of a major long term decline. So overall the outlook for the US stockmarket remains relatively Neutral.

Over recent years we have considered the US stockmarket one of the less attractive markets - and, in fact, it has under-performed most other stockmarkets. So if the US market can continue to recover slowly over future years then we should be able to continue to enjoy better returns from other world markets that offer better value and where economies and currencies are more attractive for investment.

While our World Stockmarket Forecasts remain generally Neutral to moderately Bullish we shall continue to remain fully invested in Asian, Japanese, United Kingdom and European shares.



Recommended International Investment Funds

Venture Capital Investment Gains

Private Equity Investors plc will realise a further massive capital gain following plans by **eBay Inc** to acquire internet telephone company **Skype Technologies SA** for US\$2,600 million (in cash and shares) plus up to a further US\$1,500 million over the next three years based upon Skype achieving performance targets.

Private Equity Investor owns an interest in Skype through **Draper Fisher Jurvetson ePlanet Ventures** - the same venture capital partnership that owns **Baidu.com**. If the takeover is completed then Private Equity investor will receive "in excess of US\$13 million", prior to the venture capital fund manager's 25% profit share.

We don't know the cost price of this investment in Skype - except that it was not one of the company's top 25 investments, so was worth less than £590,000. After the 25% profit share, Private Equity Investor will receive

around US\$10 million initially. That adds a further US\$0.20 or 11 pence to the company's net asset value.

If Skype achieves its performance targets then the company could receive up to US\$7.5 million, or US\$5.6 million after the 25% profit share, over the next three years. That will add another US\$0.11 or 6 pence to net assets!

Fund Report

Eaglet Investment Trust plc performed very poorly for the year to 30 June, with net assets falling 5.7% despite a 14.8% gain by the UK smaller companies index. The company will pay a 0.5 pence dividend (down from 1.8 pence last year) on 17 November, with the shares trading ex-dividend from 7 October.

The shares trade at a significant discount to net asset value - so its re-purchase of 800,000 of its own shares on-market at 285½ pence during September is the safest and best investment for the trust.

Current Advice	Investment Fund	EPIC Code	<u>Initial Recommendation</u>		Prem/ Disc to Net Assets	<u>Recent Price</u>		Gain or Loss %	
			--- Date ---	<u>Offer Price</u>		Bid-Offer or Last Sale	NZ Cents		
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-3%	998.0p	2524.3	+96
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-14%	492.0p	1244.4	+62
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-8%	567.5p	1435.4	+38
HOLD	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-15%	281.0p	710.7	-39
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		161.5p	408.5	+95
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		228.12p	577.0	+448
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		51.05p	129.1	+21
HOLD	HSBC Greater China Fund	*	07/04/98	159.4p	481.6		187.2p	473.5	-2
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		337.9p	854.7	-24
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		118.5p	299.7	+42
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		9.375p	23.7	-69
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-4%	205.5p	519.8	+18
BUY	Invesco Japan Discovery Trust	JD	13/07/99	95.5p	284.0	-7%	113.0p	285.8	+1
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		146.2-155.2p	381.2	+82
International									
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		194.2p	491.2	+167
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-11%	345.5p	873.9	+7
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	+14%	141.75p	358.5	-15

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +54.6%. This is equal to an average annual rate of +8.4%, 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 +11.1%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 261 pence (trading at a 1% discount to net asset value), **Schroder Asia Pacific** shares at 109 pence (an 8% discount to net asset value) and **Scottish Oriental Smaller Companies** shares at 219 pence (a 5% discount to net assets)

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance			Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth
	Inscape Europe	Medium	+4%	0.85	23	8		Threadneedle Euro Growth	High	+4%	0.88	39	25	8	
	Insight Euro Discretionary	Medium	+4%	0.80	23	8		Threadneedle Euro Sel Growth	High	+4%	0.86	37	23	8	
	Insight European	Medium	+2%	0.56	31	21	8	Threadneedle Pan Euro Gth	Medium	+1%	0.90	24	17	7	
	Insight Pan Euro Sel Opps	Low	+2%	0.84	18	6		Tilney European Growth	Medium	+3%	0.84	33	19	6	
	Invesco Perp Euro Growth	Medium	+0%	0.80	23	21	6	UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
	Invesco Perp European Equity	High	+5%	0.78	37	21	5	Buy	ACM European Enhanced	Very High	+178%	0.00	2	6	
	Investec European	Medium	+4%	0.84	22	9		Buy	Artemis Alpha	High	+19%	0.11	36	5	
Buy	JPMF European Growth	High	+5%	0.89	44	30	11	Buy	Baring Emerging Europe	Very High	+25%	0.32	180	86	49
	JPMF New Europe	High	+21%	0.31	130	55	33	Buy	Blue Planet Gth & Inc	Very Low	+5%	0.01	28	46	36
	Jupiter European	Medium	+5%	0.73	39	19	5	Buy	Charter Pan European	High	+4%	0.79	45	25	10
	L & G (A & L) European	High	-2%	0.80	20	17	6	Buy	Eastern European	Very High	+29%	0.29	199	82	39
	L & G Euro Index	High	+1%	0.87	31	19	5	Buy	European Assets	Very High	+12%	0.66	91	41	9
	L & G European	High	-2%	0.88	22	19	6	Buy	F & C European	Very High	+2%	0.81	44	27	12
	Lazard European Growth	Medium	+3%	0.85	36	24	9	Buy	Gartmore European	High	+3%	0.80	28	29	11
	Lincoln European	High	+1%	0.87	28	19	5	Buy	Gartmore Irish Small	High	+26%	0.28	136	29	2
	M & G European	Very High	+1%	0.88	37	20	7	Buy	Henderson Eurotrust	High	+9%	0.39	40	18	
	M & G European Index Tracker	Medium	+4%	0.73	41	29	7	Buy	Invesco Perp European	Medium	+12%	0.48	81	29	2
	MFS Continental European	Low	+6%	0.80	21	8		Buy	JPMF Cont. Euro.	Very High	+6%	0.76	32	12	
	MSDW Europe (ex:UK)	High	-2%	0.86	18	8		Buy	JPMF Russia	Medium	+23%	0.08	59	50	
	Martin Currie European	Very High	+2%	0.89	38	20	9	Buy	Jupiter European Opps	High	+14%	0.40	82	30	6
	Merrill Continental Euro	High	+2%	0.84	26	8		Buy	SR Europe	Medium	+13%	0.37	81	59	24
Buy	Merrill European Dynamic	Very High	+7%	0.84	35	10		EUROPE SMALLER COS							
Buy	New Star European Growth	Low	+8%	0.62	23	6		UNITED KINGDOM BASED UNIT TRUSTS							
	New Star European Leaders	Medium	+3%	0.91	20	5		Buy	BG Euro Small Coys	Medium	+11%	0.57	86	38	14
Buy	New Star European Portfolio	Medium	+9%	0.73	29	11		Buy	DWS European Smaller Cos	Medium	+9%	0.74	77	37	12
	Newton Continental European	Medium	+2%	0.87	30	20	6	Buy	Henderson European Small Cos	Low	+13%	0.69	87	39	12
	Newton Pan-European	Medium	+1%	0.88	29	19	6	Buy	Insight European Small Cap	Low	+12%	0.54	33	10	
	Old Mutual European Equity	High	+0%	0.89	23	9		Buy	Invesco Perp Euro Smaller Cos	Medium	+10%	0.67	69	49	14
Buy	Premier European Growth	Medium	+8%	0.75	60	37	15	Buy	JPMF European Smaller Coys	Medium	+16%	0.73	96	49	14
	Prudential Euro Index	High	+2%	0.80	33	27	7	Buy	Jupiter Euro Spec Sits	Medium	+9%	0.75	59	30	9
	Prudential European	High	+0%	0.80	25	15	7	Buy	M & G European Smaller Coys	Medium	+12%	0.70	83	30	8
	Royal London European Gth	High	+2%	0.87	37	21	9	Buy	SWIP Pan-Euro Small Companies	Very High	+7%	0.66	39	13	
Buy	Ruffer European	Very Low	+11%	0.17	27	9		Buy	Schroder Euro Small Coys	Medium	+12%	0.68	87	42	13
	S & W European	High	+2%	0.89	30	15	6	Buy	Threadneedle Euro Small Cos	Medium	+17%	0.71	94	43	12
Buy	SG European	High	+13%	0.30	77	21	7	UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
Buy	SVM Continental European	Medium	+8%	0.46	35	14		Buy	F & C Smaller Companies	High	+12%	0.51	88	42	15
	SWIP European	Low	+6%	0.62	28	10		Buy	Fidelity Euro V.	Very High	+15%	0.59	88	41	13
	SWIP Pan Euro Equity	Low	+3%	0.68	20	9		Buy	JPMF Euro Fledgling	Very High	+23%	0.55	156	84	28
	Schroder European	Medium	+5%	0.83	46	18	5	Buy	TR European	Medium	+22%	0.52	162	51	16
	Scot Life European	High	+1%	0.86	38	21	9	GERMANY							
	Scot Mutual European	High	+1%	0.88	28	21	7	UNITED KINGDOM BASED UNIT TRUSTS							
	Scot Wid. Euro Select Gth	Low	+6%	0.63	28	10		Buy	Baring German Growth	Medium	+4%	0.82	55	27	7
	Scot Wid. Euroland	Medium	+3%	0.72	31	27	10								
	Scot Wid. European Growth	Medium	+4%	0.74	33	30	11								
Buy	Sing & Fried European Growth	Medium	+7%	0.80	30	10									
	Skandia Continental European	Medium	+1%	0.90	18	6									
	Sovereign European Gth	High	+1%	0.89	33	20	7								
	St James's Gtr Euro Prog.	Medium	+3%	0.81	33	22	6								
	Stan Life Euro Equity Gth	High	+4%	0.80	32	29	10								
	TU European	Medium	+2%	0.82	19	7									

Best Managed Funds

The Russian and Eastern European stockmarkets have performed strongly over the last 3-5 years. Emerging stockmarkets can yield above average long term returns - but can also be volatile - so it can be difficult to know whether this strong performance will continue or reverse! Nevertheless, investors with diversified portfolios may wish to have a small investment in this region.

Many Russian companies offer good value in terms of assets, but turning assets into profits and shareholder value will partially depend upon the country's long term success developing a market economy. Another problem is that many listed securities are inactively traded, often with a large spread between bid and offer prices.

Three funds that have performed well and are worth consideration include **CS European Frontiers Fund** (an unlisted OEIC), **Eastern European Trust plc** (a

listed investment trust) and **JPM Russian Securities plc** (a listed trust).



(Continued on Page 8)

Best Managed Funds*(Continued from Page 7)*

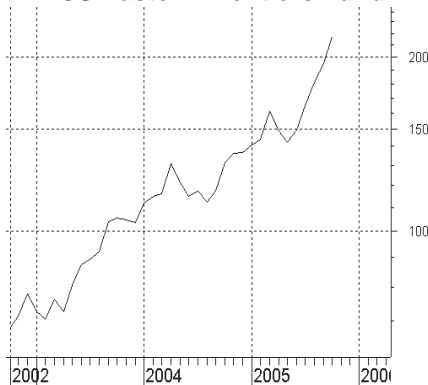
CS Eastern Frontiers Fund is a £27.9 million unlisted open ended investment company (i.e. similar to the old unit trusts) managed by Credit Suisse Asset Management.

The trust currently has its largest investments in Russia (38.3% of its portfolio), with smaller holdings in Hungary (16.5%), Poland (16.1%), Turkey (15.8%), Czech Republic (7.7%) and cash (5.6%). The ten largest holdings make up 49.3% of the portfolio.

The minimum investment is £1000, with the minimum additional investment £500. There is the usual 6% spread between the sales and redemption prices, which includes a 5¼% sales commission. A broker like Fastrade will rebate most of this commission (in the form of a lower buying price) but charges an additional £40 handling fee. The annual management fee is 1.5%.

The fund seeks long term capital growth and at this time there is no net income available for distribution.

CS Eastern Frontiers Fund rates as *High risk* in our *Investment Fund Survey* but has a Superiority Rating of +22%.

CS Eastern Frontiers Fund

Eastern European Trust plc (code EST) has a £151.6 million portfolio invested in Russia (42.9% of assets), Turkey (22.5%), Hungary (15.4%), Poland (7.6%), Ukraine (3.9%), Czech Republic (3.2%), Croatia (1.9%), Romania (1.2%) and other CIS (1.4%). The ten largest investments account for 41.7% of the portfolio.

The portfolio is slightly leveraged, with about 4% funded by debt. The shares also trade at a small 6% discount to net assets. Issued capital is 59,183,000 shares.

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The annual management charge includes a performance fee, so can vary from 0.5% to 2.6%. The investment objective is long term capital appreciation and there is no income (after the management fee and operating expenses) available for the payment of dividends.

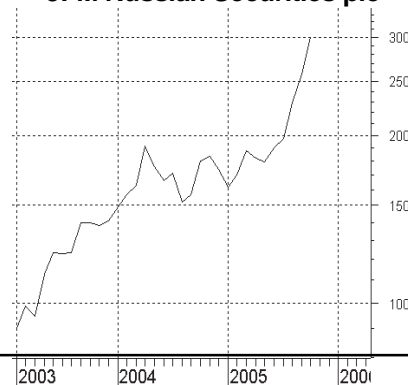
In our *Investment Fund Survey*, Eastern European Trust rates as *Very High risk*, but with a Superiority Rating of +29%.

Eastern European Trust plc

JFM Russian Securities plc (code JFR) has total assets of £181.8 million which is all invested in Russian shares. The portfolio is very concentrated, with 91.7% invested in just the ten largest holdings.

Debt funds around 9% of the portfolio - and the company can borrow up to 15%. The shares currently trade at a 5% discount to net asset value. The trust seeks capital appreciation and again there is no income for distribution to investors. The annual management fee is 1.5% of net assets. The capital consists of 56,162,812 shares.

Despite its more concentrated portfolio, JFM Russian Securities is rated as just *Medium risk* based upon its historic volatility by our *Investment Fund Survey*. The Superiority Rating is +23%.

JFM Russian Securities plc

Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday November 8, 2005 (and delivered in most areas on Wednesday 9).

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

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