

# International Investor

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## Inside 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	62%	Bullish	Bullish	Bearish	Bullish	-0.7%	+7.0%	+16.1%	4,534.80
Austria	56%	Bearish	Bullish	Bullish	Bearish	+1.6%	+20.4%	+37.6%	3,591.04
Belgium	70%	Bullish	Bullish	Bullish	Neutral	+1.0%	+8.6%	+6.4%	3,448.05
Canada	64%	Bearish	Bullish	Neutral	Neutral	+3.5%	+22.7%	+31.6%	11,132.01
Denmark	69%	Bearish	Bullish	Bullish	Neutral	-1.8%	+11.2%	+21.8%	381.41
Finland	81%	Neutral	Bullish	Bullish	Neutral	+1.4%	+10.1%	+15.2%	8,041.17
France	60%	Bearish	Bullish	Bullish	Bearish	-0.8%	+9.7%	+12.8%	3,261.65
Germany	59%	Bearish	Bullish	Neutral	Neutral	+0.5%	+12.4%	+13.2%	5,282.13
Ireland	63%	Neutral	Bullish	Bullish	Neutral	-0.0%	+10.2%	+4.7%	7,150.71
Italy	60%	Neutral	Bullish	Neutral	Bullish	-4.0%	+4.7%	+3.3%	26,463.00
Japan	58%	Bearish	Bullish	Bullish	Bearish	+10.3%	+22.6%	+25.3%	15,404.05
Netherlands	63%	Neutral	Bullish	Neutral	Neutral	+3.9%	+11.9%	+12.9%	431.13
New Zealand	42%	Bullish	Bearish	Bearish	Bullish	-6.9%	-2.5%	-5.3%	2,237.63
Norway	67%	Neutral	Bullish	Bullish	Bearish	-2.5%	+17.8%	+28.6%	1,108.01
Spain	69%	Bullish	Bullish	Bullish	Bearish	-4.7%	+6.4%	+8.7%	1,132.02
Sweden	71%	Neutral	Bullish	Bullish	Bearish	+2.5%	+13.8%	+11.7%	295.69
Switzerland	53%	Bearish	Bullish	Neutral	Bearish	+7.8%	+18.1%	+20.9%	7,567.40
Un. Kingdom	76%	Bullish	Bullish	Bullish	Neutral	-1.8%	+6.2%	+7.8%	5,517.40
USA	56%	Bearish	Bullish	Neutral	Bearish	+1.4%	+5.1%	+6.0%	1,259.37
Argentina	55%	Bearish	Bullish	Bullish	Bearish	-1.8%	+26.3%	+57.7%	4,615.74
Brazil	79%	Bearish	Bullish	Bullish	Bullish	+16.0%	+45.1%	+62.6%	32,921.76
Czech Rep.	51%	Bearish	Bullish	Neutral	Bearish	-1.5%	+20.3%	+35.7%	1,425.10
Chile	25%	Bearish	Neutral	Bearish	Neutral	-0.8%	+15.0%	+20.1%	9,369.47
China	38%	Neutral	Bearish	Bullish	Bearish	-11.1%	-11.0%	-25.2%	59.92
Greece	79%	Bearish	Bullish	Bullish	Neutral	+2.6%	+11.1%	+17.2%	3,512.82
Egypt	63%	Bearish	Bullish	Bullish	Neutral	+17.7%	+34.2%	+100.8%	2,192.53
Hong Kong	50%	Neutral	Bullish	Bearish	Bearish	-1.5%	+7.3%	+7.5%	14,910.51
Hungary	61%	Bearish	Neutral	Bullish	Bearish	-17.3%	+7.9%	+26.6%	20,640.30
India	45%	Bearish	Bullish	Bearish	Bearish	+6.9%	+26.1%	+40.7%	9,067.28
Indonesia	50%	Bullish	Bullish	Bearish	Neutral	+11.3%	+4.8%	+17.3%	1,160.07
Israel	37%	Bearish	Bullish	Bearish	Bearish	+6.4%	+9.1%	+23.1%	798.70
Korea	67%	Bearish	Bullish	Bullish	Neutral	+13.4%	+29.5%	+61.0%	1,317.42
Malaysia	56%	Bullish	Bearish	Bullish	Bearish	-2.2%	+1.7%	+1.3%	898.30
Mexico	73%	Bearish	Bullish	Bullish	Bearish	+15.8%	+35.4%	+52.3%	17,554.48
Philippines	83%	Bullish	Bullish	Bullish	Bullish	+17.0%	+12.2%	+26.4%	2,100.25
Poland	71%	Bearish	Bullish	Bullish	Neutral	+3.5%	+26.5%	+30.4%	34,333.89
Portugal	71%	Bullish	Bullish	Bullish	Neutral	+1.2%	+9.0%	+2.6%	2,525.68
Russia	74%	Bearish	Bullish	Bullish	Neutral	+26.9%	+70.5%	+95.5%	14,223.17
Singapore	56%	Bullish	Bullish	Bearish	Bearish	+0.4%	+3.8%	+13.2%	2,321.10
Sth Africa	70%	Bearish	Bullish	Bullish	Bearish	+8.0%	+31.7%	+30.1%	17,393.99
Taiwan	61%	Bullish	Bullish	Bullish	Bearish	+0.1%	-5.5%	+2.7%	6,264.36
Thailand	55%	Bullish	Neutral	Neutral	Neutral	-2.8%	+1.0%	+3.5%	697.74
Turkey	80%	Neutral	Bullish	Bullish	Bearish	+14.8%	+46.8%	+73.3%	37,496.18
Venezuela	60%	Bullish	Bearish	Bullish	Bearish	-5.5%	-8.7%	-32.0%	19,811.08

**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

Our Stockmarket Forecasts remain generally favourable - and world stockmarket are in strong uptrends. The current stockmarket recovery uptrend is three years old and likely to continue for at least another couple of years. So investors should remain fully invested in world equities.



# Recommended International Investment Funds

## Schroder Asia Pacific Warrants

Our recommendation is to sell these warrants on-market in mid-January to realise any value, ahead of their 31 January 2006 expiry date. It is possible that the company will appoint a trustee to exercise any outstanding warrants at 31 January and distribute the net proceeds to warrant holders. *If this is the case, then the company will notify warrant holders at the end of December. Otherwise investors need to sell on-market or exercise the warrants which will otherwise cease to have value.*

The trust will pay a final 1.9 pence dividend, with the shares trading ex-dividend from 28 December and payable on 31 January. Warrants can be exercised at any time until 31 January 2006 so any investor planning to exercise the warrants and remain a shareholder should therefore exercise the warrants at least a month early (i.e. before 28 December) to participate in this dividend payout.

## Fund News

**JPMorgan Fleming European Fledgeling Investment Trust plc** performed well for its half year to 30 September, with net assets up 36.0% compared to 23.0% for its benchmark index.

During the period the trust re-purchased 785,000 shares (1.5% of its capital) at a discount - which added 0.1% to the net asset value of the remaining shares.

**Aberdeen Asian Smaller Companies** has issued and sold 250,000 new shares at 272 pence, 200,000 shares at 277 pence and 100,000 shares at 279½ pence during November. These new shares were issued at a premium of 4.3-5.1% to net asset value.

**Fidelity European Values plc** has borrowed a further Euro 35.0 million at 3.54% interest for three years. The trust now has bank debt of Euro 165 million.

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	
<b>Europe</b>									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	+1%	1064.00p	2652.0	+105
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-12%	483.50p	1205.1	+57
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-6%	609.00p	1517.9	+46
HOLD	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-16%	280.25p	698.5	-40
<b>Asian Regional</b>									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		176.25p	439.3	+110
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		234.03p	583.3	+454
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		53.85p	134.2	+26
HOLD	HSBC Greater China Fund	*	07/04/98	159.4p	481.6		189.40p	472.1	-2
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		350.70p	874.1	-22
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		122.50p	305.3	+44
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		10.13p	25.2	-67
<b>Japan</b>									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+2%	255.00p	635.6	+44
BUY	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-5%	132.25p	329.6	+16
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		169.20-179.50p	434.6	+108
<b>International</b>									
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		209.90p	523.2	+184
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-7%	377.25p	940.3	+15
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-6%	148.75p	370.8	-12

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +62.8%. This is equal to an average annual rate of +9.4%, 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 +11.5%.

## Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 277¼ (trading at a 4% premium to net asset value), **Schroder Asia Pacific** shares at 111½ pence (an 8% discount to net asset value) and **Scottish Oriental Smaller Companies** shares at 223¼ pence (a 5% discount to net assets)

# Liquidate 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 AT&T (formerly SBC Communications) (T)	\$3,237
103 shares in Pfizer (PFE)	\$2,124
100 shares in Merck (MRK)	\$2,913
30 shares in JP Morgan Chase (JPM)	\$1,174
Cash balance	\$329
<b>Total Value</b>	<b>US\$9,777</b>

Over the last three months we have collected regular quarterly dividends: 32¼ cents from AT&T (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\$329.

The Dow Jones Index is currently 10,778.58 and the S&P 500 Index is 1259.37.

Our "Dow Dividend" Portfolio fell 2.7% over the last

quarter, while the Dow Jones index rose 0.9% and the S&P 500 index was up 1.4%.

Over the last year our portfolio fell 5.1% in value while the Dow Jones Index rose just 1.8%, although the S&P 500 Index gained 5.7%.

Since inception in January 2002 our portfolio has fallen 2.2%. Over that period, the Dow Jones Index has risen 7.9% and the S&P 500 Index is up 9.9%.

The US dollar has also fallen sharply against the NZ dollar over the last four years, so this portfolio is worth just NZ\$13,911 - down 40.7%.

## Summary and Recommendation

Given its consistent poor performance we are going to discontinue this "Dow Dividend" portfolio and sell these shares.

We originally established this portfolio to expand our investments into an area complementary to our existing holdings of NZ, Australian and international funds by adding a *passively managed* portfolio of *larger company* shares. While exchange rate movements are unpredictable, this portfolio has *under-performed* its benchmark indices and very significantly under-performed our more actively selected UK based investment funds. Therefore we shall liquidate these US shares and use the money to add to our other international investments.

## 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	£99	10	30.2	0.0	14.4		8.0		11.6	16.2	11.2	3.2		17.0	Indo7.1%, Sri Lanka 6.1%
Baring Korea	£173	Nil	42.4	0.8					98.2						
Gartmore Pacific Opps	£100	Nil	30.0	1.5	20.1	3.4	5.7	14.3	27.9	8.5	3.3		8.4		
HSBC Asian Fund	£57	Nil	28.9	0.4	20.6		4.5	21.3	25.6	9.1	2.3		11.0		Indonesia 2.5%
HSBC Greater China Fund	£24	Nil	39.3	7.1	92.9										
Henderson Pacific Capital	£148	Nil	33.1	0.0	17.0	15.4	6.7	15.5	21.0	6.6	5.0		9.2		
Schroder Asia Pacific plc	£198	13	26.9	4.7	23.3		1.8	14.9	27.3	11.7	3.5	4.0	0.9	3.1	Indonesia 4.9%
Scottish Oriental Sm Coys plc	£70	5	19.7	7.6	18.3		7.4	7.1	16.0	10.2	10.1	3.2	7.2	6.6	Sri Lanka 3.5%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust plc	£639	Nil	21.5	5.3		94.7									
Baillie Gifford Shin Nippon plc	£91	18	21.2	5.2				94.8							
Eaglet Investment Trust plc	£111	24	63.2			100									
Fidelity European Values plc	£778	17	27.6	0.0			100.0								
Herald Investment Trust plc	£355	Nil	51.9	10.4	13.5	61.0	4.7		11.4						
JPM Fleming Euro Fledgling	£311	8	19.3				100.0								
Invesco Japan Discovery Trt	£38	Nil	34.0	0.0				100.0							
Private Equity Investor plc	£67	Nil	30.4	19.4	80.7										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen Emerging Markets	£237	Nil	35.2	2.0	49.5	24.1	5.4	19.0							

**Fidelity European Values plc** continues to have its largest investments in France (21.7% of the portfolio), followed by Netherlands (14.3%), Germany (14.1%) and Switzerland (12.2%). It has smaller holdings in Italy (6.9%), Norway (4.9%), Sweden (4.0%), Denmark (4.0%), Austria (3.0%), Spain (2.9%), Ireland (2.0%), UK (2.0%), Hungary (2.0%), Turkey (1.2%), Poland (1.0%), Luxembourg (1.0%), Belgium (1.0%), Finland (1.0%) and Portugal (1.0%).

**JPMorgan Fleming European Fledgling** has its largest investments in the Netherlands (16.1% of the portfolio), Luxembourg (11.9%), France (9.9%), Norway (8.0%), Spain (7.9%), Sweden (7.3%), Italy (6.0%), Finland (5.9%), Switzerland (5.8%), Austria (4.1%), Denmark (4.0%), Greece (3.0%), Germany (3.0%), Belgium (3.0%) and European regional funds (4.0%).

# Listed Investment Trust

## Warrant Analysis

### Review of Speculative Warrants

**Perpetual Income & Growth** shares continued to appreciate in value over the last quarter: up 4.5% to 214½ pence. This lifted the warrants a further 9.6% to 111¾ pence - so they are now up 212.6% on our initial purchase price of 35¾ pence exactly four years ago!

This trust has been a steady performer, appreciating at a compound rate of 12.7% per annum. Leverage has produced the significantly higher 33.0% per annum compound rate of return from the warrants.

The warrants (to buy new shares at 100 pence) will reach their final exercise/expiry date on 31 August 2006. As long as the UK stockmarket performs well these warrants should remain an attractive investment - appreciating in value at about *twice* the rate of the trust's ordinary shares. We shall let profits run until close to the final exercise date - unless the UK market outlook deteriorates when we may consider taking profits.

**Finsbury Worldwide Pharmaceuticals** warrants were informally recommended just three months ago. Since then the share price has risen 8.0% to 553 pence, which has resulted in a 22.4% increase in our warrants

to 131 pence.

While warrants are risky investments, these Finsbury Worldwide Pharmaceuticals warrants are an attractive high risk "Buy" for long term capital appreciation. The warrants have three years and seven months until their final expiry date, so that is plenty of time for the shares to grow in value and produce a significant leveraged gain on the warrants. The warrants also trade at a large 34% *discount* to their *fair value*. The under-valuation helps produce the low *Break-Even Rate* of just 2%. If the shares rise *greater* than 2% per annum then the warrants will be worth *more than* their current value of 131 pence at the final exercise date. The warrant leverage is also high at 2.3 times, so if the shares perform well then the warrants will appreciate in value by a much larger percentage.

Overall, if the shares appreciate just 5% per annum over the next 3¾ years then the warrants will appreciate by 11.7% per annum. Historically stockmarkets have risen by around 10% per annum. Investors may look for higher 20% per annum gains from riskier technology shares. If Finsbury Worldwide Pharmaceuticals can achieve gains of these magnitudes, then the warrants will appreciate 27.6% per annum or 52.8% per annum.

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	Break-Even Rate
<b><u>UNITED KINGDOM</u></b>												
Blue Chip Value & Inc	18.3p	75.0p	5-3	0.13p	1.81p	-93	0.438	2.7	-100.0	-100.0	-100.0	+31%
Edinburgh Smaller Coys	79.0p	100.0p	2-9	10.00p	15.99p	-37	0.372	2.9	-100.0	-38.1	+49.9	+13%
Equity Partnership	85.0p	100.0p	0-8	7.50p	0.90p	+736	0.156	26.6	-100.0	-100.0	-100.0	+42%
ISIS UK Select	75.0p	104.0p	1-10	2.50p	2.31p	+8	0.200	9.1	-100.0	-100.0	-47.5	+21%
Perpetual Income & Gth	214.5p	100.0p	0-8	111.75p	117.51p	-5	0.194	1.8	+13.5	+23.4	+43.6	-2%
Utilico	177.0p	100.0p	1-4	81.50p	84.22p	-3	0.349	2.0	+6.7	+17.4	+38.4	+2%
<b><u>EUROPE</u></b>												
Blue Planet Gth & Inc	1502.5p	1000.0p	4-7	685.00p	709.71p	-3	0.206	2.0	+5.6	+15.5	+32.2	+3%
SR Europe	166.8p	100.0p	0-8	67.50p	69.77p	-3	0.209	2.4	+10.8	+23.5	+49.6	+1%
<b><u>FAR EASTERN</u></b>												
Aberdeen Asian Small	277.3p	100.0p	4-11	176.25p	197.48p	-11	0.192	1.4	+7.6	+14.5	+27.4	-0%
Fidelity Asian Values	96.8p	100.0p	0-8	7.62p	9.79p	-22	0.315	6.1	-100.0	-74.1	+33.8	+17%
Schroder Asia Pacific	111.5p	100.0p	0-1	10.12p	12.18p	-17	0.277	8.9	+637.5	1032.4	+2338.6	-14%
Scottish Oriental Sm Co	223.3p	100.0p	1-1	122.50p	128.10p	-4	0.195	1.7	+9.7	+18.7	+36.8	-0%
New India	122.8p	100.0p	4-6	45.50p	47.92p	-5	0.250	2.2	+3.4	+15.9	+35.5	+4%
<b><u>GOLD &amp; MINING</u></b>												
City Nat Res High Yld	89.0p	85.0p	3-10	18.00p	22.18p	-19	0.180	3.3	+5.8	+25.7	+53.9	+4%
<b><u>TECHNOLOGY</u></b>												
Finsbury Worldwide Pharm.	553.0p	464.0p	3-7	131.00p	199.50p	-34	0.287	2.3	+11.7	+27.6	+52.8	+2%

# World Stockmarket Capitalisations

The world stockmarket capitalisation rose 5.0% over the last three months to US\$37,586 billion. The United States share of that total continued to decline slightly, from 43.19% to 42.59%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	16,008	42.59	Greece	121	0.32
Japan	4,326	11.51	Turkey	120	0.32
United Kingdom	2,951	7.85	Austria	117	0.31
France	1,528	4.07	Ireland	107	0.29
Canada	1,313	3.49	Chile	105	0.28
Germany	1,077	2.87	Thailand	92	0.24
Switzerland	953	2.54	Israel	92	0.25
Italy	767	2.04	Poland	75	0.20
Australia	740	1.97	Portugal	60	0.16
China	690	1.84	Indonesia	57	0.15
Spain	632	1.68	Egypt	42	0.11
South Korea	576	1.53	New Zealand	34	0.09
Russia	470	1.25	Czech Republic	33	0.09
Netherlands	464	1.23	Argentina	31	0.08
Hong Kong	447	1.19	Hungary	31	0.08
Brazil	439	1.17	Jordan	30	0.08
Taiwan	437	1.16	Columbia	29	0.08
India	399	1.06	Philippines	29	0.08
Sweden	381	1.01	Pakistan	27	0.07
South Africa	278	0.74	Luxembourg	26	0.07
Mexico	254	0.68	Peru	24	0.06
Belgium	246	0.65	Morocco	22	0.06
Finland	198	0.53	Iceland	20	0.05
Singapore	185	0.49	Nigeria	11	0.03
Norway	181	0.48	Slovenia	4.8	0.01
Denmark	162	0.43	Venezuela	2.4	0.01
Malaysia	141	0.38			
			TOTAL	\$37,586	100.00%

## Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday January 10, 2006 (and delivered in most areas on Wednesday 11).

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