

# International Investor

Issue No. 125

www.stockmarket.co.nz

May 8, 2006

## Inside International Investor

International Investment Tax of  
\$617,000 to Retire to the Gold Coast?..... 8

Investment Fund Survey: ..... 4 - 7  
New Zealand, Australia, Mining, Emerging Markets, Latin  
America, Far Eastern, Japan, South Africa, Technology.

Editor and Research Director: James R Cornell (B.Com.)

## 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	Neutral	+11.2%	+22.8%	+31.2%	5,209.50
Austria _____	62%	Bearish	Bullish	Bullish	Bearish	+16.1%	+39.0%	+69.0%	4,325.59
Belgium _____	66%	Neutral	Bullish	Bullish	Bearish	+12.2%	+29.9%	+27.4%	3,982.17
Canada _____	55%	Neutral	Bullish	Neutral	Neutral	+6.4%	+22.1%	+44.7%	12,270.11
Denmark _____	60%	Bearish	Bullish	Bullish	Neutral	+8.2%	+19.9%	+28.0%	405.73
Finland _____	76%	Bearish	Bullish	Bullish	Bearish	+19.6%	+34.2%	+41.1%	9,585.64
France _____	67%	Neutral	Bullish	Bullish	Neutral	+14.4%	+28.4%	+32.9%	3,736.91
Germany _____	62%	Bearish	Bullish	Bullish	Bearish	+14.7%	+32.0%	+40.6%	6,113.29
Ireland _____	65%	Neutral	Bullish	Bullish	Bearish	+10.4%	+28.7%	+30.5%	7,961.02
Italy _____	68%	Bullish	Bullish	Bullish	Neutral	+14.3%	+26.2%	+23.4%	29,839.00
Japan _____	49%	Bearish	Bullish	Neutral	Bearish	+9.2%	+28.3%	+43.0%	17,153.77
Netherlands _____	57%	Neutral	Bullish	Bullish	Bearish	+11.0%	+27.3%	+31.2%	471.72
New Zealand _____	70%	Bullish	Bullish	Bullish	Bullish	+0.6%	-1.5%	-3.9%	2,426.74
Norway _____	79%	Bullish	Bullish	Bullish	Bearish	+30.4%	+46.3%	+71.3%	1,415.04
Spain _____	74%	Bullish	Bullish	Bullish	Bearish	+15.3%	+25.9%	+30.4%	1,311.68
Sweden _____	60%	Bullish	Bullish	Neutral	Bearish	+17.8%	+36.0%	+41.3%	342.60
Switzerland _____	45%	Bearish	Bullish	Neutral	Bearish	+8.7%	+19.3%	+31.5%	8,058.06
Un. Kingdom _____	68%	Bullish	Bullish	Neutral	Neutral	+11.7%	+19.3%	+21.6%	6,091.70
USA _____	52%	Bearish	Bullish	Bearish	Bearish	+4.9%	+8.7%	+13.2%	1,325.76
Argentina _____	67%	Bearish	Bullish	Bullish	Bearish	+23.2%	+35.8%	+78.6%	6,548.00
Brazil _____	66%	Bearish	Bullish	Bullish	Neutral	+20.0%	+45.3%	+93.1%	41,417.27
Czech Rep. _____	57%	Neutral	Bullish	Bullish	Bearish	+6.3%	+19.5%	+41.9%	1,513.90
Chile _____	52%	Bearish	Bullish	Bearish	Bullish	+10.9%	+12.0%	+21.9%	10,202.57
China _____	51%	Bearish	Bullish	Bearish	Bearish	+5.5%	+51.8%	+24.5%	90.74
Greece _____	78%	Bearish	Bullish	Bullish	Neutral	+12.4%	+35.3%	+48.4%	4,285.93
Egypt _____	39%	Bearish	Neutral	Bearish	Neutral	-16.9%	+10.1%	+31.2%	2,179.37
Hong Kong _____	55%	Bearish	Bullish	Neutral	Bearish	+10.3%	+16.7%	+21.9%	17,013.93
Hungary _____	70%	Bearish	Bullish	Bullish	Bearish	+16.9%	+20.1%	+45.8%	25,415.64
India _____	47%	Bearish	Bullish	Bearish	Bearish	+24.9%	+55.3%	+87.4%	12,359.70
Indonesia _____	66%	Bearish	Bullish	Neutral	Neutral	+26.3%	+59.4%	+49.9%	1,483.06
Israel _____	39%	Bearish	Bullish	Bearish	Bearish	+11.1%	+21.0%	+26.2%	896.34
Korea _____	59%	Bearish	Bullish	Bullish	Bearish	+8.3%	+31.5%	+62.7%	1,441.02
Malaysia _____	64%	Bullish	Bullish	Neutral	Bearish	+7.7%	+10.2%	+12.4%	961.38
Mexico _____	71%	Bearish	Bullish	Bullish	Bearish	+7.9%	+31.1%	+68.1%	21,237.45
Philippines _____	73%	Neutral	Bullish	Bullish	Neutral	+16.4%	+30.1%	+35.3%	2,470.24
Poland _____	79%	Neutral	Bullish	Bullish	Neutral	+28.7%	+52.8%	+85.1%	45,070.86
Portugal _____	84%	Bullish	Bullish	Bullish	Neutral	+22.7%	+37.9%	+32.5%	3,076.02
Russia _____	68%	Bearish	Bullish	Bullish	Bearish	+39.6%	+91.4%	+189.9%	22,485.00
Singapore _____	60%	Bullish	Bullish	Neutral	Bearish	+12.7%	+25.8%	+27.2%	2,632.42
Sth Africa _____	72%	Bearish	Bullish	Bullish	Bearish	+12.8%	+42.8%	+67.8%	21,822.24
Taiwan _____	58%	Bullish	Bullish	Neutral	Bearish	+13.5%	+32.7%	+21.9%	7,370.44
Thailand _____	76%	Bullish	Bullish	Bullish	Neutral	+8.0%	+18.5%	+16.7%	768.22
Turkey _____	75%	Neutral	Bullish	Bullish	Bearish	+0.9%	+36.9%	+81.8%	44,212.76
Venezuela _____	84%	Bullish	Bullish	Bullish	Bearish	+23.0%	+76.2%	+37.6%	30,974.14

**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.

# *World Stockmarket Outlook and Investment Strategy*

World stockmarkets have performed well over the last three years, so at this stage many investors are asking “How long can this Bull Market last”?

That scepticism is, of course, favourable - so stockmarkets are likely to continue rising at this stage. When share prices have been rising for five years (or 20 years as they did during the 1980's and 1990's) then people start *expecting* that they will go higher forever. That is the time to start worrying!

In fact, the recovery over the last three years simply takes most stockmarkets back to their levels of 1998-2000. With relatively good economic growth over most of that period - and a lot of uneconomic businesses cleared aside in the 2000-2002 decline - world stockmarkets currently offer reasonable value.

So we don't see any significant risk of a major decline - and stockmarkets will likely continue to grow in value over future years.

## **Country and Sector Selection**

Given this generally favourable outlook, we are seeking to improve our long term returns through country and sector selection. The United States has many economic imbalances and is a mature economy. So it will likely produce *lower* economic growth and *lower* investment returns *in the future* than many other countries.

We continue to believe that the Asian region offers strong growth potential - not driven by exports (i.e. excessive US consumption) but by an increase in low levels of domestic consumption. There is huge growth potential in Asia from increasing the investment in housing towards standards enjoyed in North America, Europe and other Western economies. Along with this investment in real estate will go massive growth in mortgage lending and other financial services.

Japan is attractive for long term investment as this economy has under-performed for the last two decades but is now making progress towards a recovery.

Korea built itself up from a rural economy to an

industrialised and wealthy nation by copying manufacturing and ship building. That, however, will not create *future* wealth as no-one can compete (nor should they want to) with the cheap labour in China. Korea's competitive advantage lies in using intelligence to create new technologies and wealth. The country invests heavily in education but individuals need to work hard as they are rewarded only on merit and success. This may be tough, but the result is probably the most highly educated population in the world. Individuals can then enter the workplace or set up business ventures and succeed or fail, again based upon merit - not government subsidy or support to “disadvantaged” sectors. This is an economy that will grow, create new wealth and hopefully we can participate through investing in Korean companies.

We also see the potential for Technology shares. This sector has under-performed since the 1999-2000 boom, but this is the sector that will create future wealth. For example, improved energy technology (i.e. energy efficiency or alternative energy technologies) will solve the energy crisis, not drilling more oil wells. Unfortunately, most current alternative energy technologies are not economic. As always, picking the eventual winners in this sector is never easy!

So while we believe Technology shares are important in a portfolio it is difficult turning this belief into attractive investment opportunities. We have two Technology funds - so about 10-15% of the International Portfolio - which gives us a reasonable exposure to this sector.

As is usually the case, our Portfolio is weighted towards *smaller* and *medium sized companies*, rather than the largest companies. Smaller and medium sized companies tend to have better long term growth potential *and* tend to trade on lower valuations than larger companies. Smaller companies are more volatile, but over the medium to longer term offer higher investment returns. And we are investing for the long term.

# Recommended International Investment Funds

## Share Buy-Back and Issues

**Invesco English and International Trust plc** redeemed 6,098,850 shares - or 9.99% of its capital - at 329.53 pence in its quarterly redemption on 19 April. This is about an 11% discount to net asset value, so increases the net asset value of the remaining shares by around 1%. On an annual basis this could add around 4% to the net asset value. This benefit from the quarterly redemptions makes this trust especially attractive for investors *retaining* their shares and will help boost long term returns.

On 26 April the company repurchased a further 150,000 shares on-market at 328½ pence.

**JPMorgan Fleming European Fledgeling** repurchased 100,000 shares at 662 pence on 19 April, re-issued 75,000 of these shares at 671 pence on 20 April and then re-purchased a further 150,000 shares at 655½ pence on 5 May.

## Recent Results

**Aberdeen Asian Smaller Companies Investment Trust plc** increased diluted net assets 12.9% for the six months to 31 January - approximately in line with the market index. The Fund Manager remains optimistic about long term economic growth in Asia, share prices are supported by “improving quality of corporate earnings” and valuations remain “reasonable”.

The trust's portfolio trades at about 18 times 2006 earnings with a dividend yield of 3.2%. The Manager continues to invest in “attractively valued companies with sound business models and strong balance sheets” and “professional management”.

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	
<b>Europe</b>								
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-3%	1223.0p	3534.7 +174
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-10%	657.5p	1900.3 +148
<b>United Kingdom</b>								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-9%	677.0p	1956.6 +88
BUY	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-11%	327.0p	945.1 +35
<b>Asian Regional</b>								
BUY	Aberdeen Asian Sm Co WARRANTSAASW		09/09/03	75.3p	209.1		213.0p	615.6 +194
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		284.83p	823.2 +681
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		62.43p	180.4 +70
HOLD	HSBC Greater China Fund	*	07/04/98	159.4p	481.6		215.5p	622.8 +29
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		406.3p	1174.3 +5
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		168.5p	487.0 +130
<b>Japan</b>								
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-2%	266.75p	771.0 +75
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-3%	108.25p	312.9 -3
BUY	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-4%	143.0p	413.3 +46
<b>Korea</b>								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		198.9-211.1p	592.5 +183
<b>International</b>								
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		249.4p	720.8 +292
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-8%	392.75p	1135.1 +38
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	+4%	163.0p	471.1 +12

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +129.2%. This is equal to an average annual rate of +20.5%, 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 45 closed out) is +15.1%.

## Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 315 pence (trading at a 4% premium to net asset value) and **Scottish Oriental Smaller Companies** shares at 269 pence (a 1% discount to net assets).

# Investment Fund Survey

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
<b>NEW ZEALAND</b>															
<b>NEW ZEALAND BASED UNIT TRUSTS</b>															
	AMP NZ Share	Very Low	-1%	0.74	50	19	10		BT Smaller Companies	Low	+1%	0.14	110	36	21
	AMP Passive NZ Shares	Medium	-3%	0.87		21	11		BT Split Trust Growth	Very Low	-1%	0.32	78	46	18
	ASB NZ Shares	Low	-1%	0.57	59	22	12		Challenger Aust Shares	Medium	-3%	0.35	79	37	18
	Fisher Fledgling Fund	Very Low	+0%	0.41		32	12		Col First State Aust Sh.	Low	-2%	0.39	82	31	14
	Fisher NZ Growth Fund	Medium	+0%	0.59		33	19		Col First State Dev. Coys	Very Low	-5%	0.07	75	26	20
	ING NZ Share	Medium	-4%	0.52	54	17	7		Col First State Future Ld	Low	-1%	0.25	101	39	21
Buy	NZ Guardian NZGT 30	Low	-3%	0.77	54	18	10		Col First State Imput'n	Low	-5%	0.40	67	33	15
	NZ Guardian Small Coys	Very Low	+9%	0.26	117	29	11		Commonwealth Aust Share	Medium	-6%	0.59	77	37	18
	Thoroughbred NZ Equity	Very Low	-1%	0.71	52	18	10		Commonwealth Share Income	Medium	-5%	0.56	77	37	18
	Tower New Zealand Equity	Very Low	-1%	0.65	51	17	7		Gold Sachs Emerging Lead.	Very Low	-3%	0.05	76	5	16
<b>NEW ZEALAND LISTED INVESTMENT TRUSTS</b>															
Avoid	Mid-Cap Index	Medium	-8%	0.60	50	22	19		Gold Sachs Leaders Trust	Low	+0%	0.30	97	36	20
	TeNZ	Medium	-6%	0.78	47	14	9		Hunter Hall Value Growth	Medium	-2%	0.32	100	51	26
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>															
Buy	NZ Investment Trust	Very Low	+8%	0.24	126	31	14		ING Australia Share	Low	-5%	0.17	78	27	25
<b>AUSTRALIA</b>															
<b>AUSTRALIAN BASED UNIT TRUSTS</b>															
	AMP Blue Chip Trust	Low	-2%	0.32	91	35	21		ING Blue Chip	Very Low	-4%	0.19	73	29	22
	AMP Equity Trust	Medium	-1%	0.41	102	39	22		ING Emerging Companies	Very Low	+1%	0.07	118	11	22
	AMP FLI Aust	Medium	-2%	0.51	94	43	19		Inv Mutual Aust Share	Very Low	+1%	0.28	81	32	16
	AMP FLI Small Companies	Low	+0%	0.19	102	34	23		Inv Mutual Aust Small	Very Low	-2%	0.16	75	22	17
	ANZ Equity Imputation Trt	Low	-5%	0.35	73	30	20		JB Were Investment	Low	-2%	0.26	90	30	19
	ANZ Equity Trust No 1	Medium	+0%	0.48	110	44	23		MLC Aust Tr - Aust Share	Very Low	-3%	0.23	69	29	18
	ANZ ING Aust Shares	Medium	+0%	0.45	112	44	24		MLC Aust Trust - Index	Low	-0%	0.66	104	51	18
	ANZ ING Blue Chip	Low	-0%	0.40	96	40	21		Macquarie Active Aust Equ	Medium	-0%	0.65	114	52	20
	AXA Australia Industrial	Very Low	-4%	0.13	70	22	19	Avoid	NAFM In Trt - Equities	Very Low	-7%	0.09	60	14	18
	Advance Imputation Fund	Very Low	-4%	0.29	65	27	16		NAFM Inv Trust - Div Imp	Low	-3%	0.34	68	30	16
	Allianz Australian Gth	Low	-0%	0.36	106	45	24		Parker Enhanced Leaders	Low	-3%	0.27	76	37	24
	Aust Ethical Equities	Very Low	-5%	0.11	52	12	17		Perpetual ICSav - Aust	Low	+4%	0.44	120	46	22
	BT Australia	Low	-0%	0.29	96	50	22	Avoid	Perpetual ICSav - Sm Coys	Very Low	-1%	0.23	98	30	21
								Avoid	Perpetual ICSav - Indust.	Very Low	-9%	0.02	36	-4	17
								Avoid	Portfolio Ptnrs Emerging	Low	-9%	0.11	67	8	16
<b>NEW ZEALAND BASED UNIT TRUSTS</b>															
	AMP Australian Shares	Very Low	-1%	0.54	62	32	13		<b>NEW ZEALAND BASED UNIT TRUSTS</b>						
	ANZ TranzEquity	Low	-12%	0.49	7	9			AMP Australian Shares	Very Low	-1%	0.54	62	32	13
	ING Australian Share	Very Low	+2%	0.23	77	37	16		ANZ TranzEquity	Low	-12%	0.49	7	9	
	Thoroughbred Aust Equity	Medium	+0%	0.55	88	39	15		ING Australian Share	Very Low	+2%	0.23	77	37	16
	Thoroughbred Trans Tas.	Very Low	+2%	0.30	66	31	14		Thoroughbred Aust Equity	Medium	+0%	0.55	88	39	15
<b>UNITED KINGDOM BASED UNIT TRUSTS</b>															
	Martin Currie Australasian	Medium	+1%	0.65	45	17			Thoroughbred Trans Tas.	Very Low	+2%	0.30	66	31	14

## Investment Fund Survey Information.

**Fund Listings.** Unit trusts are listed under the country where they invest, and then sub-divided according to the country where the Fund Manager is based. For example, "Australian Funds" hold principally Australian shares and other Australian investments although these funds may be based in either the UK, NZ or Australia.

**Risk Ratings.** Most equity funds follow general stockmarket trends but some are far more volatile than others. The "Risk Rating" measures just how volatile a fund is relative to the stockmarket in the country where it invests. "Very High" and "High" risk funds will usually rise very fast during a Bull Market (i.e. during a rising stockmarket trend) but will also fall fastest in value when the stockmarket dips. "Low" and "Very Low" risk funds will experience smaller price fluctuations.

**Superiority Ratings.** The "Superiority Rating" is the most important statistic for selecting the best managed funds to buy and the worst managed funds to avoid. The "Superiority Rating" shows whether a fund's actual return was above or below its expected return based upon its volatility. For example, if the stockmarket rises 10% then a fund with a volatility of 1.5 would be expected to rise 15% (i.e. 10% x 1.5). If the fund rose 20% it would have a "Superiority Rating" of +5%. On the other hand, if the fund rose only 10% it would be given a "superiority rating" of -5%. (Actually, the "Superiority Ratings" are calculated from a statistical analysis of each fund's monthly performance over the last three years, with extra importance given to its performance over the latest twelve month period.)

Many funds can beat the stockmarket by a substantial margin during a Bull Market simply invested in very risky, volatile shares but these are not managed in a superior way. Only funds that perform better than can be expected from their volatility (or risk exposure) can be said to be benefiting from genuinely superior management.

**Current Advice.** The "Superiority Rating" measures the annual amount by which a fund's performance is above or below its expected return based upon

its level of risk exposure. As a high "Superiority Rating" indicates excellent management of the fund's investment portfolio these trusts are automatically given "Buy" ratings. A negative "Superiority Rating" shows poor investment results and the funds with the worst management record have been given an "Avoid" rating.

**Market Correlation.** The "Market Correlation" measures how closely a fund's price follows general stockmarket movements (in the country where it invests). Correlations, which statisticians call R<sup>2</sup> ("R-squared"), vary from 0 (no correlation) to 1 (100% correlation). Most equity funds have "Market Correlations" between 0.60 and 0.95.

Investors who buy and sell funds on the basis of "market timing" should choose funds with high market correlations. The performance of these funds will closely reflect general stockmarket movements. Other investors may wish to minimise the impact of general stockmarket fluctuations and buy funds with lower market correlations.

### How to Maximise Profits from this Investment Fund Survey.

First decide whether you want to invest in a fund that holds New Zealand, Australian, International, United Kingdom, European, Japanese or Gold & Mining shares, then turn to the appropriate section.

If you expect the stockmarket to rise strongly (in the country where the fund invests) the "High" and "Very High" risk funds with high superiority ratings and high market correlations will be your choice.

If uncertain about the general stockmarket trend then "Medium", "Low", or even "Very Low", risk funds with the highest superiority ratings will be the best investments.

Most NZ based and Australian based unit trusts are sold through sharebrokers and other commission sales organisations. UK based trusts are not sold through NZ agents but may be bought and sold (by telephone or by post) directly from the management organisations or through a stockbrokers like FasTrade ([www.fastrade.co.uk](http://www.fastrade.co.uk)). Prices can also be found at the TrustNet web site ([www.trustnet.com](http://www.trustnet.com)).

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
<b>AUSTRALIAN LISTED INVESTMENT TRUSTS</b>							
	Argo Investments	Very Low	+4%	0.06	80	47	15
	Australian Foundation	Very Low	-0%	0.15	64	48	14
Buy	Choiseul Plantation	Very Low	+7%	0.05	93	27	6
Buy	Diversified United Inv.	Low	+8%	0.14	116	57	7
	Huntley Investment Coy	Very Low	-1%	0.19	82	34	15

<b>NEW ZEALAND LISTED INVESTMENT TRUSTS</b>							
	Ozzy Tortis	Low	+0%	0.52	79	52	20
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>							
Buy	Stocks Convertible	Very Low	+30%	0.00	274	35	3

**GOLD & MINING**

<b>AUSTRALIAN BASED UNIT TRUSTS</b>							
Avoid	BT Natural Resources	Medium	-2%	0.52	182	60	32
	Col First State Glb Res.	Medium	-10%	0.86	126	76	19
	Gold Sachs Resources	Medium	+6%	0.76	211	77	20
Avoid	ING Resources	Very High	-9%	0.60	187	50	39
	Lowell Aust Resources	Very Low	-2%	0.07	78	4	8

<b>UNITED KINGDOM BASED UNIT TRUSTS</b>							
Buy	First State Global Resources	Medium	+7%	0.75		97	16
	JPM Natural Resources	High	+5%	0.87		115	28
	Merrill Gold & General	Very High	-5%	0.77	159	146	27

<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>							
Buy	City Nat Res High Yld	Low	-1%	0.73		69	31
	Merrill World Mining Resources Invest Trust	Medium	+14%	0.57	260	123	17
		Very High	-1%	0.74		139	51

**EMERGING MARKETS**

<b>AUSTRALIAN BASED UNIT TRUSTS</b>							
	Macquarie S/M Emerging	Medium	+4%	0.79	210	82	18
<b>UNITED KINGDOM BASED UNIT TRUSTS</b>							
	Aberdeen Emerging Markets	Medium	+1%	0.89	169	88	15
	BG Emerging Markets	High	-1%	0.89	197	95	19
	CS MM Emerging Markets	Low	-3%	0.84		70	19
	Dimensional Emerging Markets	Medium	-2%	0.93		74	13
Avoid	F & C Emerging Markets	High	-7%	0.96	139	80	13
	First State Global E/M Leaders	Medium	-2%	0.94		73	13
	First State Global Emerg Mkts	Medium	-3%	0.93	137	75	13
	Framlington Emerging Markets	Medium	+1%	0.89	177	89	19
	Frank Tem Glb E/Markets	Medium	-3%	0.97		78	17
	Gartmore Emerging Markets Opps	High	-4%	0.98		89	16
	Gartmore PP E/Markets Opps	High	-4%	0.98		90	16
Avoid	Henderson Emerging Markets	High	-7%	0.92	144	81	12
	Invesco Perp Emerging Country	Medium	-4%	0.95	153	87	13

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	JPM Emerging Markets	High	+1%	0.94	197	91	12
	Lazard Emerging Markets	Medium	-0%	0.94	181	83	15
	Lincoln Emerging Markets	Medium	-3%	0.96		62	12
	Lloyd George E/Markets	High	-3%	0.95		81	14
	Martin Currie Emerging Mkts	Very High	-6%	0.94	187	101	19
	Merrill Emerging Markets	High	-5%	0.94	171	91	17
	SG Global Emerging Markets	High	-3%	0.94		86	18
	SWIP Emerging Markets	High	+2%	0.94		94	14
	Schroder Gbl Emerging Mkts	High	-5%	0.97	158	83	14
	Scot Wid. Emerging Markets	Medium	-3%	0.92	146	73	10
	UBS Global Emerging Markets	High	-3%	0.97		88	16

<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>							
Buy	Advance Developing Mkts	Medium	+4%	0.82	224	101	20
	Genesis Emerging Mkts	Low	+14%	0.68	249	92	13
Buy	JPMF Emerging Mkts	Very High	+5%	0.83	262	105	7
	Tea Plantations	Very Low	+31%	0.00	188	59	18
	Templeton Emerging Mkts	High	+1%	0.86	194	103	18

**LATIN AMERICA**

<b>UNITED KINGDOM BASED UNIT TRUSTS</b>							
	F & C Latin American Equity	Medium	-1%	0.94		96	11
	Invesco Perp Latin America	High	-0%	0.96	257	121	16
	Scot Wid. Latin America	High	-3%	0.97	225	113	12
	Threadneedle Latin America	High	-3%	0.97	236	120	15

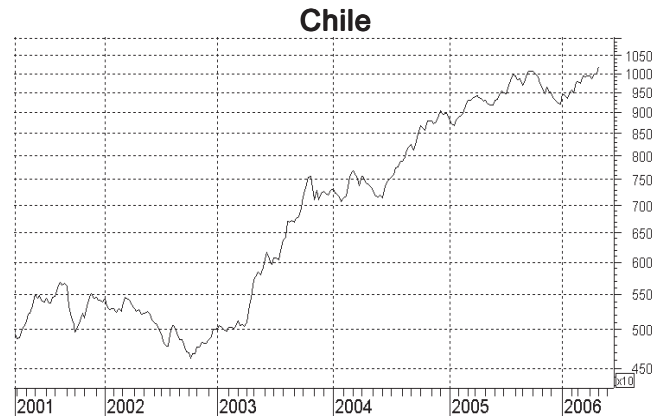
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>							
Buy	F & C Latin America	Low	+10%	0.82	309	119	23

**FAR EASTERN / PACIFIC (EXCL JAPAN)**

<b>AUSTRALIAN BASED UNIT TRUSTS</b>							
Avoid	Allianz Taipan Trust	Medium	-3%	0.85	114	48	8
	Perpetual Fid. SE Asia	Very Low	-9%	0.51	52	12	8

<b>NEW ZEALAND BASED UNIT TRUSTS</b>							
	AMP Asian Shares	Medium	-2%	0.73	77	40	18
	ING Asia Pacific Shares	Very Low	+3%	0.35		51	22
	Tower Spotlight Asia	Low	-3%	0.77	74	33	10

<b>UNITED KINGDOM BASED UNIT TRUSTS</b>							
	AXA Pacific Growth	Low	+3%	0.91	107	50	18
	Allianz Dres Tot Ret Asian Eq	High	-3%	0.96	130	68	19
	BG Developing Asia Pacific	Low	+5%	0.80	111	60	21
	BG Pacific	Medium	+1%	0.86	142	69	29
	Baring East	High	-3%	0.90	122	67	23
	Britannic Pacific Growth	Medium	+1%	0.93	142	66	20
	CS MM Asia Pacific	Medium	-2%	0.94		57	21
	CS Orient	High	-5%	0.93	106	55	17
	F&C Pacific Growth	Medium	+0%	0.98		61	19



Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Fidelity South East Asian	High	+0%	0.95	138	78	18
	First State Asia Pac Leaders	Medium	-0%	0.98		56	15
	First State Asia Pacific	Medium	+4%	0.94	127	62	15
	Gartmore Pacific	High	-2%	0.97	127	64	18
	HSBC Asia Growth	High	-2%	0.96	122	60	16
	HSBC Pacific Index	Medium	-0%	0.96	98	53	16
	Halifax Far Eastern	Low	+2%	0.88		57	13
	Henderson Asia Pacific Capital	High	-2%	0.91	108	60	15
	Inscape Pacific Basin	Medium	+3%	0.95		70	23
	Insight Asia Pacific Equity	Medium	-0%	0.97	94	49	15
	Invesco Perp Asian	Medium	+2%	0.97		64	17
	Invesco Perp Pacific	Low	+2%	0.87	109	64	14
	JPM Asia	High	-0%	0.96		63	16
	L & G Pacific Growth	High	+1%	0.91	139	67	24
	L & G Pacific Index	Medium	-0%	0.94	102	54	15
	Legg Mason Asia Pacific	High	+2%	0.93		72	18
	Lloyd George Asia Pacific	Medium	+0%	0.96		59	17
	Lloyd George Developed Asia	Medium	-4%	0.87		46	16
	Lloyd George Eastern Opps	High	-2%	0.88		62	17
	Martin Currie Asian Pacific	Medium	+4%	0.91	164	68	21
	New Star Asia Portfolio	Medium	-2%	0.93		67	21
	New Star Pacific Growth	Medium	+1%	0.98		58	17
	Newton Oriental	Medium	+2%	0.94	131	70	21
	Old Mutual Asian Select	Medium	-1%	0.92	118	56	18
	Prudential Pacific Markets	Medium	-1%	0.92	115	48	15
	Royal London Far East Gth	Medium	-1%	0.96	121	61	20
	SWIP Asian Pacific	Medium	+2%	0.94		58	14
	Schroder Pacific Growth	High	-0%	0.95	125	68	16
	Scot Mutual Far Eastern	Medium	-1%	0.95	107	64	21
	Scot Wid. Pacific	Medium	+1%	0.93	115	57	14
	Sing & Fried Pacific Growth	Medium	-0%	0.94		59	14

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Skandia Far East Equity Blend	Medium	-0%	0.91		59	17
	Stan Life Asian Pacific	Medium	-1%	0.92	107	59	20
	Threadneedle Asia Growth	High	+1%	0.97	130	65	18
	UBS Developed Asia Equity	Medium	+1%	0.93		55	18

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	36 mth	12 mth	3 mth
Buy	Aberdeen Asian Small Co	Medium	+10%	0.74	190	64	19
Buy	Aberdeen New Dawn	Very High	+8%	0.87	200	83	14
	Edinburgh Dragon Trust	Very High	+2%	0.93	186	83	12
	Fidelity Asian Values	Very High	+0%	0.87	166	65	10
Avoid	Henderson TR Pacific	Very High	-7%	0.88	125	60	14
	Invesco Asia	High	+2%	0.84	164	82	21
	JPMF Asian	Very High	-4%	0.93	136	62	11
	New India	Very High	+2%	0.76		74	11
	Pacific Assets	Very High	-2%	0.83	156	66	13
Buy	Pacific Horizons	Low	+8%	0.51	204	80	35
Buy	Premier Pacific Income	Low	+7%	0.30		60	15
	Schroder Asia Pacific	High	+1%	0.86	167	58	20
Buy	Scottish Oriental Sm Co	Very Low	+9%	0.54	146	58	23

**FAR EASTERN / PACIFIC (INCL JAPAN)**

**AUSTRALIAN BASED UNIT TRUSTS**

BT Asian	High	-4%	0.83	137	66	22
Invesco Asian Growth	High	-1%	0.73	135	76	14

**UNITED KINGDOM BASED UNIT TRUSTS**

Jupiter Far Eastern	Low	-1%	0.70	104	65	16
L & G Far East	Medium	+1%	0.91	129	69	17
Lincoln Far East	Low	-1%	0.74	97	40	11
S & W Far Eastern	Medium	+0%	0.89	120	74	15

**China**



**Hong Kong**



**South Korea**



**Taiwan**



**India**



**Singapore**



Schroder Far Eastern	Low	-2%	0.92	102	60	16
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>						
Henderson Far East Inc.	Low	-5%	0.65	74	30	9
Martin Currie Pacific	High	+5%	0.86	202	79	13

**HONG KONG / CHINA REGION**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	First State Gtr China Growth	Medium	+7%	0.71	51	17
Buy	Gartmore China Growth	High	+12%	0.57	188	62 28
	HSBC Greater China	Medium	+2%	0.83	92	39 14
Buy	Invesco Perp HK and China	Medium	+7%	0.70	129	55 23
Buy	Neptune China	Very High	+7%	0.72	73	19

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	JPMF Chinese	Very High	+7%	0.54	176	68 20
-----	--------------	-----------	-----	------	-----	-------

**KOREA**

**UNITED KINGDOM BASED UNIT TRUSTS**

Baring Korean	Medium	-0%	0.66	176	100	31
---------------	--------	-----	------	-----	-----	----

**THAILAND**

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Aberdeen New Thai IT	Low	+17%	0.58	214	86 23
-----	----------------------	-----	------	------	-----	-------

**Thailand**



**INDIA**

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	JPMF Indian	Medium	+17%	0.68	444	124 16
-----	-------------	--------	------	------	-----	--------

**JAPAN**

**AUSTRALIAN BASED UNIT TRUSTS**

	Allianz Japan Growth	Medium	+1%	0.58	113	66 8
	Perpetual Fid. Japan	Very Low	+1%	0.11	79	12 8
Buy	Platinum Japan	Very Low	+11%	0.44	129	58 15

**UNITED KINGDOM BASED UNIT TRUSTS**

	AXA Japan Growth	Very Low	+5%	0.59	101	54 12
	Aberdeen Japan Growth	Very Low	+1%	0.66	71	49 14
	Allianz Dres Japan	Medium	+4%	0.74	106	74 10
Buy	BG Japan	Medium	+7%	0.74	141	65 14
Buy	Baring Japan Growth	Medium	+8%	0.66	139	65 11
	Britannic Japan	Medium	+2%	0.80	110	65 11
	CS MM Japan Portfolio	Low	+6%	0.56	56	13
	CS New Japan	Medium	+3%	0.69	97	65 11
	F & C Japan Growth	Medium	+5%	0.76	73	14
	Fidelity Japan	Medium	+3%	0.80	124	69 11
Buy	Framlington Japan & General	Medium	+22%	0.52	245	74 13
	Gartmore Japan Opportunities	Medium	+3%	0.70	68	14
	HSBC Japan Index	Low	+3%	0.77	106	66 14
	Halifax Japanese	Low	+5%	0.71	63	14
	Inscape Japan Equities	Low	+4%	0.77	65	15
Buy	Insight Japan	Low	+7%	0.51	72	16
	Insight Japan Equity	Low	+4%	0.67	66	13
	Invesco Perp Japan	Very Low	+3%	0.68	57	14
	JPM Japan Growth	Medium	+5%	0.59	108	55 4
	L & G Japan Index	Medium	+3%	0.78	109	66 14
	L & G Japanese	Medium	+4%	0.67	107	69 13
Buy	Legg Mason Japan Equity	Very Low	+8%	0.14	30	-8
	Lincoln Japan	Low	+4%	0.66	85	65 13
	M & G Japan & General	Low	+5%	0.68	114	77 20
	Martin Currie Japan	Medium	+3%	0.76	103	70 13
	Merrill Japan	Low	+3%	0.73	93	63 10
	New Star Japan A	Low	-0%	0.67	71	52 9
	Newton Japan Growth	Low	+2%	0.68	89	49 12
	Old Mutual Japanese Select	Low	+6%	0.73	124	61 11
	Prudential Japanese	Low	+0%	0.66	90	58 12
	Royal London Japan Growth	Low	+3%	0.69	93	59 11
	SWIP Japanese	Medium	+1%	0.71	64	14
Buy	Schroder Japan Alpha Plus	Low	+8%	0.63	109	49 10
	Schroder Tokyo	Very Low	+3%	0.65	87	52 15
	Scot Mutual Japanese	Low	+4%	0.76	107	64 14

	Scot Wid. Japan Growth	Medium	+1%	0.70	67	14
	Scot Wid. Japan Select	Medium	-1%	0.71	83	60 13
	Skandia Japanese Equity	Low	+2%	0.56	63	13
	Stan Life Japanese	Low	+6%	0.62	111	79 15
	Threadneedle Japan Growth	Medium	+1%	0.76	97	64 13

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	JPMF Japanese	Very High	+7%	0.74	169	83 3
Buy	Merrill Japan Enhanced	Medium	+13%	0.74	90	14
Buy	Perpetual Japan	Low	+7%	0.57	134	73 8
Buy	Schroder Japan Growth	Medium	+8%	0.61	145	68 7

**JAPAN SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	BG Japan Small	Medium	+9%	0.58	133	68 8
Buy	Fidelity Japan Sp Sits	Medium	+9%	0.43	120	48 2
Buy	Henderson Japan Capital Gth	Low	+7%	0.36	110	66 15
Buy	Invesco Perp Japan Small Coys	Medium	+11%	0.24	121	37 -2
Buy	M & G Jap Small Cos	Very Low	+16%	0.26	153	36 3
Buy	SWIP Japan Small Coys	Medium	+13%	0.41	62	2
Buy	Threadneedle Japan Small Cos	Medium	+3%	0.45	82	47 6

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Atlantis Japan Growth	High	+24%	0.39	292	74 2
Buy	B Gifford Shin Nippon	Very High	+16%	0.51	238	99 -3
Buy	Baillie Gifford Japan	Very High	+9%	0.75	250	101 4
Buy	Fidelity Japan Values	Very High	+13%	0.50	225	73 -10
Buy	Invesco Japan	High	+17%	0.28	225	67 -7
Buy	JPMF Japan Small	Very High	+10%	0.43	187	82 -7

**Japan**



**SOUTH AFRICA**

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Old Mutual South Africa	High	+15%	0.41	272	104 21
-----	-------------------------	------	------	------	-----	--------

**TECHNOLOGY**

**AUSTRALIAN BASED UNIT TRUSTS**

	CFS Global Health Biotech	Very Low	-0%	0.43	48	38 8
	CFS Tech & Comms	High	-1%	0.85	65	52 12
	Platinum Int'l Technology	Medium	-0%	0.60	74	53 13

**UNITED KINGDOM BASED UNIT TRUSTS**

Avoid	Abbey Nat'l Technology	High	-6%	0.62	17	36 9
	Aegon Technology	Very High	-7%	0.75	26	38 7
	Framlington Biotech	Very High	-2%	0.58	60	54 9
	Framlington Health	Medium	-2%	0.74	47	37 5
	Framlington NASDAQ	Very High	+2%	0.82	72	59 13
	Framlington Netnet	Very High	+3%	0.79	78	66 14
	Franklin Biotech	Medium	-2%	0.49	31	39 3
	Henderson Global Technology	High	-4%	0.79	43	50 12
	Investec Global Technology	Very High	-3%	0.79	45	13
Avoid	Jupiter Global Technology	Low	-8%	0.59	28	31 8
	L & G Global Health & Pharm.	Very Low	-1%	0.53	24	8
	L & G Global Technology	High	-5%	0.79	37	44 9
	Lincoln Internet Tollkeeper	Medium	-2%	0.70	35	45 10
	M & G Global Technology	High	+3%	0.85	72	59 11
	Neptune Global Health Fund	Very Low	-2%	0.43	25	4
	New Star Technology	Very High	-5%	0.79	49	7
	Newton Global Innovation	High	-3%	0.87	46	45 13
	Old Mutual Global Technology	Very High	-5%	0.77	45	48 8
	SG Technology	Very High	-3%	0.63	49	60 14
	Schroder Medical Discovery	Very Low	-2%	0.37	16	27 10
	Threadneedle Global Healthcare	Very Low	+1%	0.65	30	6

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Avoid	Amerindo Internet Fund	Very Low	-20%	0.00	-65	-69 3
Buy	Close Fin Eurotech	Medium	+10%	0.29	175	28 14
	Finsbury Technology	High	-2%	0.57	86	32 12
	Finsbury W/wide Pharm.	Low	+0%	0.56	48	36 2
	Herald Investment Trust	Very High	+3%	0.48	124	35 8
	International Biotech	Medium	+4%	0.41	106	51 22
Buy	Merrill New Energy Tech	Very High	+26%	0.38	300	167 25
Buy	Polar Cap Technology	Very High	+8%	0.68	105	62 1
Buy	Private Equity Investor	Very Low	+17%	0.00	82	75 13

# Taxation of International Investments

The current proposal - which still needs to be introduced into legislation - would see 85% of all realised and unrealised gains on international investments subject to income tax in New Zealand.

The taxable amount each year will be limited to 5% of the value of the portfolio at the start of the year, with excess gains carried forward (but becoming payable under a number of circumstances in the future).

The only exception from this tax will be if the original cost of the portfolio is less than NZ\$50,000 (or NZ\$100,000 per couple) - or the shares were acquired before 1 January 2000 and have a market value on 1 April 2007 of under NZ\$100,000. Under those limits an individual will be exempted from this unrealised capital gains tax and will only need to pay tax on the actual dividend and interest income. This exemption will apply only to *natural persons* - not investments held in a trust or by a company.

This is an extremely unfavourable tax and significantly higher than in other countries.

While the *current* tax liability is limited to tax on an amount equal to 5% of a portfolio (i.e. income tax payable equal to about 1.95% of your portfolio per year), tax on the “carried forward” gain becomes payable in several situations. Cashing up in excess of 5% of a portfolio per year will result in part of the deferred tax being payable. Similarly, re-investing in a different asset class (i.e. fixed interest, property) will also result in the deferred tax becoming payable. Leaving NZ - for example, retiring to Australia's Gold Coast - would result in all of the deferred tax becoming payable.

## \$617,271 Tax to Retire to the Gold Coast?

How serious is this situation? Consider the example of a 45 year old investor with just \$200,000 invested internationally and earning 15% annually. Income tax in the first year will be \$3,900 (i.e. 39% on \$10,000 - which is 5% of \$200,000) but there would be a deferred taxable gain of \$15,500 carried forward (i.e. 85% of the 15% return on \$200,000 less the \$10,000 taxable immediately). In the second year, tax would be \$4,485 (i.e. 39% of 5% of the portfolio which grew to \$230,000 in the first year) and a further \$17,825 of deferred taxable gain - or a total of \$33,325 - will be carried forward.

*If* this investor successfully manages to minimise his current tax payments (i.e. avoids having to pay tax on the deferred gains) then by age 65 his deferred taxable gain will be around \$1,587,875. Should he then wish to exercise the traditional right of a New Zealander and retire to the Gold Coast of Australia, then the Inland Revenue will be waiting at the airport to collect \$617,271 in tax!!!

But wait. There is one way you can legally avoid paying this tax . . . drop dead! Perhaps that is what many investors will want to tell the Inland Revenue when asked to disclose their international investments next year!

## Quote of the Month

*“The tax changes don't feel that extreme to me.”*

Obviously *this* “investment adviser” has less than \$50,000 in international investments (i.e. probably none) and is looking forward to retiring on the *government* superannuation - funded by *our* taxes!

## Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday June 12, 2006.

The print version will be delivered later that week, depending upon printing and postal delivery times.