## International Investor

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#### Inside International Investor

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

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### World Stockmarket Forecasts

Stockmarket	One-Year Forecast	Fundamental Indicators	Technical Indicators	Monetary Indicators	Economic Indicators	Historical 3 mths	Performance 6 mths	e (in US\$) 12 mths	Share Index
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		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
Japan 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
SpainSweden	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 _		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		Neutral	Bullish	Bullish	Bearish	+6.3%	+19.5%	+41.9%	1,513.90
Chile		Bearish	Bullish	Bearish	Bullish	+10.9%	+12.0%	+21.9%	10,202.57
China		Bearish	Bullish	Bearish	Bearish	+5.5%	+51.8%	+24.5%	90.74
Greece		Bearish	Bullish	Bullish	Neutral	+12.4%	+35.3%	+48.4%	4,285.93
Egypt	30%	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	700/	Bearish	Bullish	Bullish	Bearish	+16.9%	+20.1%	+45.8%	25,415.64
HungaryIndia	/ 0 / 0 / 70/-	Bearish	Bullish	Bearish	Bearish	+24.9%	+55.3%	+87.4%	12,359.70
Indonesia	<del>4</del> / /0	Bearish	Bullish	Neutral	Neutral	+26.3%	+59.4%	+49.9%	1,483.06
Indonesia	200/	Bearish	Bullish	Bearish	Bearish	+11.1%			896.34
Israel	3970 500/	Bearish					+21.0%	+26.2%	
Korea	39%		Bullish	Bullish	Bearish	+8.3%	+31.5%	+62.7%	1,441.02
Malaysia	04%	Bullish	Bullish	Neutral	Bearish	+7.7%	+10.2%	+12.4%	961.38
Mexico	/1%	Bearish	Bullish	Bullish	Bearish	+7.9%	+31.1%	+68.1%	21,237.45
Philippines	/ 5%	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
							127 (10)		
Turkey Venezuela		Neutral Bullish	Bullish Bullish	Bullish Bullish	Bearish Bearish	+0.9% +23.0%	+36.9% +76.2%	+81.8% +37.6%	44,212.76 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.

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# 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.

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## 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".

Currer Advice		EPIC Code	Initial Rec			Prem/ Disc to Net Assets	Recent F Bid-Offer or Last Sale	Price NZ Cents	Gain or Loss %
	Europe								
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
	United Kingdom								
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
	Asian Regional								
BUY	Aberdeen Asian Sm Co WARRANT	SAASW	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
	Japan								
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
	Korea								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		198.9-211.1p	592.5	+183
	International								
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	d 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	Superi- ority Rating	Market Correla- tion	Perf 36 mth	orma 12 mth	3 mth	Current Advice		Risk Rating	Superi- ority Rating	Market Correla- tion	Perfo 36 mth	orma 12 mth	3 mth
	NEW.	ZEALA	<u>ND</u>						BT Smaller Companies BT Split Trust Growth	Low Very Low	+1% -1%	0.14 0.32	110 78	36 46	21 18
	New Zealand	DAGED I IA	ит Тын	ете					Challenger Aust Shares	Medium	-3%	0.35	79	37	18
									Col First State Aust Sh.	Low	-2%	0.39	82	31	14
	AMP NZ Share	Very Low	-1%	0.74	50	19	10		Col First State Dev. Coys	Very Low	-5%	0.07	75	26	20
	AMP Passive NZ Shares ASB NZ Shares	Medium	-3% -1%	0.87 0.57	59	21 22	11 12		Col First State Future Ld	Low	-1%	0.25	101	39	21
		Low	-1% +0%		59		12		Col First State Imput'n	Low	-5%	0.40	67	33	15
	Fisher Fledgling Fund Fisher NZ Growth Fund	Very Low Medium	+0%	0.41 0.59		32 33	12		Commonwealth Aust Share	Medium	-6%	0.59	77	37	18
	ING NZ Share	Medium	+0% -4%	0.59	54	აა 17	7		Commonwealth Share Income	Medium	-5%	0.56	77	37	18
	NZ Guardian NZGT 30	Low	-4%	0.32	54	18	10		Gold Sachs Emerging Lead.	Very Low	-3%	0.05	76	5	16
Buv	NZ Guardian Small Covs	Very Low	+9%	0.77	117	29	11		Gold Sachs Leaders Trust	Low	+0%	0.30	97	36	20
Duy	Thoroughbred NZ Equity	Very Low	-1%	0.20	52	18	10		Hunter Hall Value Growth	Medium	-2%	0.32	100	51	26
	Tower New Zealand Equity	Very Low	-1%	0.65	51	17	7		ING Australia Share	Low	-5%	0.17	78	27	25
	' '	,				.,	,		ING Blue Chip	Very Low	-4%	0.19	73	29	22
	New Zealand List	IED INVES		TRUST	S				ING Emerging Companies	Very Low	+1%	0.07	118	11	22
Avoid	Mid-Cap Index	Medium	-8%	0.60	50	22	19		Inv Mutual Aust Share	Very Low	+1%	0.28	81 75	32	16
	TeNZ	Medium	-6%	0.78	47	14	9		Inv Mutual Aust Small JB Were Investment	Very Low	-2% -2%	0.16 0.26	75 90	22 30	17 19
	UNITED KINGDOM BASED	LISTED IN	NVFSTM	IFNT T	RUST	rs			MLC Aust Tr - Aust Share	Low Verv Low	-2% -3%	0.26	90 69	29	18
Buy	NZ Investment Trust	Very Low	+8%	0.24	126	31	14		MLC Aust Trust - Index	Low	-3% -0%	0.23	104	29 51	18
ьuy	NZ IIIVestillerit Trust	very Low	TO 70	0.24	120	31	14		Macquarie Active Aust Equ	Medium	-0%	0.65	114	52	20
	4116	TD4//						Avoid	NAFM In Trt - Equities	Very Low	-7%	0.03	60	14	18
	AUS	TRALI	A					Avoid	NAFM Inv Trust - Div Imp	Low	-3%	0.03	68	30	16
	AUSTRALIAN B	AGED LIVE	 - T						Parker Enhanced Leaders	Low	-3%	0.34	76	37	24
		ASED UNI		IS					Perpetual ICSav - Aust	Low	+4%	0.44	120	46	22
	AMP Blue Chip Trust	Low	-2%	0.32	91	35	21		Perpetual ICSav - Sm Coys	Very Low	-1%	0.23	98	30	21
	AMP Equity Trust	Medium	-1%	0.41	102	39	22	Avoid	Perpetual ICSav - Indust.	Very Low	-9%	0.02	36	-4	17
	AMP FLI Aust	Medium	-2%	0.51	94	43	19	Avoid	Portfolio Ptnrs Emerging	Low	-9%	0.11	67	8	16
	AMP FLI Small Companies	Low	+0%	0.19	102	34	23		New Zealand 6	ACED LIN	ut Tou	OTO			
	ANZ Equity Imputation Trt	Low	-5%	0.35	73	30	20								
	ANZ Equity Trust No 1	Medium	+0%	0.48	110	44	23		AMP Australian Shares	Very Low	-1%	0.54	62	32	13
	ANZ ING Aust Shares	Medium	+0%	0.45	112	44	24	Avoid	ANZ TranzEquity	Low	-12%	0.49		7	9
	ANZ ING Blue Chip	Low	-0%	0.40	96	40	21		ING Australian Share	Very Low	+2%	0.23	77	37	16
	AXA Australia Industrial	Very Low	-4%	0.13	70	22	19		Thoroughbred Aust Equity	Medium	+0%	0.55	88	39	15
	Advance Imputation Fund	Very Low	-4%	0.29	65	27	16		Thoroughbred Trans Tas.	Very Low	+2%	0.30	66	31	14
	Allianz Australian Gth	Low	-0%	0.36	106	45	24		United Kingdom	I BASED <b>U</b>	Init Tr	USTS			
	Aust Ethical Equities	Very Low	-5%	0.11	52	12	17		Martin Currie Australasian	Medium	+1%	0.65		45	17
	BT Australia	Low	-0%	0.29	96	50	22		Martin Sumo Australasian	Mediaill	. 1 /0	0.00		73	17

#### 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  $R^2$  ("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). Prices can also be found at the TrustNet web site (www.trustnet.com).

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Current	t Investment Fund	Risk	Superi- ority	Market Correla-		ormano 12	Current	Investment Fund	Risk	Superi- ority	Market Correla-	Perfo 36	rmance 12 3
Advice		Rating	Rating	tion	mth	mth m	h Advice		Rating	Rating	tion	mth	mth mth
	AUSTRALIAN LISTED	INVEST	JENT T	RUSTS				JPM Emerging Markets Lazard Emerging Markets	High Medium	+1% -0%	0.94 0.94	197 181	91 12 83 15
	Argo Investments	Very Low	+4%	0.06	80	47 1		Lincoln Emerging Markets	Medium	-3%	0.96	101	62 12
Buy	Australian Foundation Choiseul Plantation	Very Low Very Low	-0% +7%	0.15 0.05	64 93	48 1 27	<del>1</del> 5	Lloyd George E/Markets	High	-3%	0.95	407	81 14
Buy	Diversified United Inv.	Low	+8%	0.14	116	57	7	Martin Currie Emerging Mkts Merrill Emerging Markets	Very High High	-6% -5%	0.94 0.94	187 171	101 19 91 17
	Huntley Investment Coy	Very Low	-1%	0.19	82	34 1	5	SG Global Emerging Markets	High	-3%	0.94		86 18
	New Zealand Liste							SWIP Emerging Markets Schroder Gbl Emerging Mkts	High	+2% -5%	0.94	158	94 14 83 14
	Ozzy Tortis	Low	+0%	0.52	79	52 2	)	Scot Wid. Emerging Markets	High Medium	-3% -3%	0.97 0.92	146	73 10
	United Kingdom based					_		UBS Global Emerging Markets	High	-3%	0.97		88 16
Buy	Stocks Convertible	Very Low	+30%	0.00	274	35	3	United Kingdom based	LISTED I	NVESTN	лент Т	RUSTS	3
	GOLD 8	e Mini	ING					Advance Developing Mkts	Medium	+4%	0.82		101 20
	AUSTRALIAN BA						Buy	Genesis Emerging Mkts JPMF Emerging Mkts	Low Very High	+14% +5%	0.68 0.83	249 262	92 13 105 7
	BT Natural Resources	Medium	-2%	0.52	182	60 3	Buy	Tea Plantations Templeton Emerging Mkts	Very Low High	+31% +1%	0.00 0.86	188 194	59 18 103 18
Avoid	Col First State Glb Res.	Medium	-10%	0.86	126	76 1		Templeton Emerging Wikts	riigii	. 170	0.00	154	105 10
A ! -l	Gold Sachs Resources	Medium	+6%	0.76	211	77 2		LATIN	<b>AMER</b>	ICA			
Avoid	ING Resources Lowell Aust Resources	Very High Very Low	-9% -2%	0.60 0.07	187 78	50 3 4	3	UNITED KINGDON			OLIOTO		
	UNITED KINGDOM		NIT TE					F & C Latin American Equity	Medium	אוו וואי. 1%-	0.94		96 11
Buy	First State Global Resources	Medium	+7%	0.75		97 1	3	Invesco Perp Latin America	High	-0%	0.96	257	121 16
	JPM Natural Resources	High	+5%	0.87	450	115 2		Scot Wid. Latin America	High	-3%	0.97		113 12
	Merrill Gold & General UNITED KINGDOM BASED	Very High LISTED IN	-5%	0.77	159	146 2	/	Threadneedle Latin America UNITED KINGDOM BASED	High	-3%	0.97		120 15
	City Nat Res High Yld	LISTED IN	1VESTN -1%	0.73	KUSI	69 3	1 Buy	F & C Latin America	LISTED II	410%	0.82		5 119 23
Buy	Merrill World Mining	Medium	+14%	0.73	260	123 1		F & C Lauri America	LOW	+10%	0.62	309	119 23
	Resources Invest Trust	Very High	-1%	0.74		139 5	<sup>1</sup> FA	R EASTERN / PA	ACIFIC	(EX	(CL .	IAP	4N)
	<b>EMERGIN</b>	G MAF	RKE	TS				Australian B	ASED <b>U</b> NI	т <b>T</b> RUS	STS		•
	AUSTRALIAN BA							Allianz Taipan Trust	Medium	-3%	0.85	114	48 8
	Macquarie S/M Emerging	Medium	+4%	0.79	210	82 1	Avoid	Perpetual Fid. SE Asia	Very Low	-9%	0.51	52	12 8
	UNITED KINGDOM				210	02 1	,	New Zealand					
	Aberdeen Emerging Markets	Medium	+1%	0.89	169	88 1	5	AMP Asian Shares ING Asia Pacific Shares	Medium Verv Low	-2% +3%	0.73 0.35	77	40 18 51 22
	BG Emerging Markets	High	-1%	0.89	197	95 1	9	Tower Spotlight Asia	Low	-3%	0.77	74	33 10
	CS MM Emerging Markets	Low	-3% -2%	0.84 0.93		70 1 74 1		United Kingdon	1 BASED L	Jnit Te	RUSTS		
Avoid	Dimensional Emerging Markets F & C Emerging Markets	Medium High	-2% -7%	0.93	139	80 1		AXA Pacific Growth	Low	+3%	0.91	107	50 18
	First State Global E/M Leaders	Medium	-2%	0.94		73 1	3	Allianz Dres Tot Ret Asian Eq BG Developing Asia Pacific	High Low	-3% +5%	0.96 0.80	130 111	68 19 60 21
	First State Global Emerg Mkts Framlington Emerging Markets	Medium Medium	-3% +1%	0.93 0.89	137 177	75 1 89 1		BG Pacific	Medium	+1%	0.86	142	69 29
			1 70										67 23
	Frank Tem Glb E/Markets	Medium	-3%	0.97		78 1	7	Baring East	High	-3%	0.90	122	
	Gartmore Emerging Markets Opps	High	-4%	0.98		78 1 89 1	3	Britannic Pacific Growth	Medium	+1%	0.93	122 142	66 20
Avoid					144	78 1	6 6	Britannic Pacific Growth CS MM Asia Pacific CS Orient	Medium Medium High	+1% -2% -5%	0.93 0.94 0.93		66 20 57 21 55 17
Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps	High High	-4% -4%	0.98 0.98		78 1 89 1 90 1	6 6 2	Britannic Pacific Growth CS MM Asia Pacific	Medium Medium	+1% -2%	0.93 0.94	142	66 20 57 21
Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets	High High High	-4% -4% -7%	0.98 0.98 0.92	144	78 1 89 1 90 1 81 1	6 6 2	Britannic Pacific Growth CS MM Asia Pacific CS Orient	Medium Medium High	+1% -2% -5%	0.93 0.94 0.93	142	66 20 57 21 55 17
Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country	High High High Medium	-4% -4% -7%	0.98 0.98 0.92	144	78 1 89 1 90 1 81 1	6 6 2	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium	+1% -2% -5%	0.93 0.94 0.93	142	66 20 57 21 55 17
Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country	High High High	-4% -4% -7%	0.98 0.98 0.92	144	78 1 89 1 90 1 81 1	6 6 2	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High	+1% -2% -5%	0.93 0.94 0.93	142	66 20 57 21 55 17
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Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country	High High High Medium	-4% -4% -7%	0.98 0.98 0.92	144	78 1 89 1 90 1 81 1 87 1 87 1 4500 4000 3500 2500 2000	6 6 2	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium	+1% -2% -5%	0.93 0.94 0.93	142	66 20 57 21 55 17 61 19 
Avoid	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country	High High High Medium	-4% -4% -7%	0.98 0.98 0.92 0.95	144	78 1 89 1 90 1 81 1 87 1 87 1 	6 6 2	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19
W.	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country  Bi  2002 2003	High High High Medium	-4% -4% -7% -4%	0.98 0.98 0.92 0.95	144 153	78 1 89 1 90 1 81 1 87 1 87 1 	5 5 5 2 3 3	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5% +0%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19
W.	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country  Bi  2002 2003	High High Medium	-4% -4% -7% -4%	0.98 0.98 0.92 0.95	144 153	78 1 89 1 90 1 81 1 87 1 87 1 	5 5 5 2 3 3	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5% +0%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19
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W.	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country  Bi  2002 2003	High High High Medium	-4% -4% -7% -4%	0.98 0.98 0.92 0.95	144 153	78 1 89 1 90 1 81 1 87 1 89 1 87 1 87 1 87 1 87 1 87	5 5 5 2 3 3	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5% +0%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19
W.	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country  Bi  2002 2003	High High High Medium	-4% -4% -7% -4%	0.98 0.98 0.92 0.95	144 153	78 1 89 1 90 1 81 1 87 1 4500 4000 2500 1500 6	5 5 5 2 3 3	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5% +0%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19
W.	Gartmore Emerging Markets Opps Gartmore PP E/Markets Opps Henderson Emerging Markets Invesco Perp Emerging Country  Bi  2002 2003	High High High Medium	-4% -4% -7% -4%	0.98 0.98 0.95	144 153	78 1 89 1 90 1 81 1 87 1 87 1 89 1 90 1 81 1 1 87 1 87 1 87 1 87 1 87 1 87 1	5 5 5 2 3 3	Britannic Pacific Growth CS MM Asia Pacific CS Orient F&C Pacific Growth	Medium Medium High Medium  Chile	+1% -2% -5% +0%	0.93 0.94 0.93 0.98	142	66 20 57 21 55 17 61 19

Page 6				Internation	
Current Investment Fund Advice	Risk ority Correla- Rating Rating tion	Performance 36 12 3 Curre mth mth mth Advice		Risk ority Correla- Rating Rating tion	Performance 36 12 3 mth mth mth
Fidelity South East Asian First State Asia Pac Leaders First State Asia Pacific Gartmore Pacific HSBC Asia Growth	High     +0%     0.95       Medium     -0%     0.98       Medium     +4%     0.94       High     -2%     0.97       High     -2%     0.96	138 78 18 56 15 127 62 15 127 64 18 122 60 16	Skandia Far East Equity Blend Stan Life Asian Pacific Threadneedle Asia Growth UBS Developed Asia Equity UNITED KINGDOM BASED	Medium         -0%         0.91           Medium         -1%         0.92           High         +1%         0.97           Medium         +1%         0.93	59 17 107 59 20 130 65 18 55 18
HSBC Pacific Index Halifax Far Eastern Henderson Asia Pacific Capital	Medium -0% 0.96 Low +2% 0.88 High -2% 0.91	98 53 16 57 13 Buy 108 60 15 Buy	Aberdeen Asian Small Co Aberdeen New Dawn	Medium +10% 0.74 Very High +8% 0.87	190 64 19 200 83 14
Inscape Pacific Basin Insight Asia Pacific Equity Invesco Perp Asian	Medium +3% 0.95 Medium -0% 0.97 Medium +2% 0.97	70 23 94 49 15 64 17 Avoid	Edinburgh Dragon Trust Fidelity Asian Values Henderson TR Pacific	Very High +2% 0.93 Very High +0% 0.87 Very High -7% 0.88	186 83 12 166 65 10 125 60 14
Invesco Perp Pacific JPM Asia L & G Pacific Growth	Low +2% 0.87 High -0% 0.96 High +1% 0.91	109 64 14 63 16 139 67 24	Invesco Asia JPMF Asian New India Pacific Assets	High +2% 0.84 Very High -4% 0.93 Very High +2% 0.76 Very High -2% 0.83	164 82 21 136 62 11 74 11 156 66 13
L & G Pacific Index Legg Mason Asia Pacific Lloyd George Asia Pacific	Medium -0% 0.94 High +2% 0.93 Medium +0% 0.96	102 54 15 72 18 Buy 59 17 Buy	Pacific Assets Pacific Horizons Premier Pacific Income Schroder Asia Pacific	Low +8% 0.51 Low +7% 0.30 High +1% 0.86	204 80 35 60 15 167 58 20
Lloyd George Developed Asia Lloyd George Eastern Opps Martin Currie Asian Pacific New Star Asia Portfolio	Medium       -4%       0.87         High       -2%       0.88         Medium       +4%       0.91         Medium       -2%       0.93	46 16 62 17 Buy 164 68 21 67 21	Scottish Oriental Sm Co  AR EASTERN / PA	Very Low +9% 0.54	146 58 23
New Star Pacific Growth Newton Oriental Old Mutual Asian Select	Medium +1% 0.98 Medium +2% 0.94 Medium -1% 0.92	58 17 131 70 21 118 56 18		SED UNIT TRUSTS High -4% 0.83	137 66 22
Prudential Pacific Markets Royal London Far East Gth SWIP Asian Pacific	Medium       -1%       0.92         Medium       -1%       0.96         Medium       +2%       0.94	115 48 15 121 61 20 58 14	Invesco Asian Growth UNITED KINGDOM	High -1% 0.73 BASED UNIT TRUSTS	135 76 14
Schroder Pacific Growth Scot Mutual Far Eastern Scot Wid. Pacific	High       -0%       0.95         Medium       -1%       0.95         Medium       +1%       0.93	125 68 16 107 64 21 115 57 14	Jupiter Far Eastern L & G Far East Lincoln Far East	Low -1% 0.70 Medium +1% 0.91 Low -1% 0.74	104 65 16 129 69 17 97 40 11
Sing & Fried Pacific Growth	Medium -0% 0.94	59 14	S & W Far Eastern  Hono	Medium +0% 0.89	120 74 15
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May 8, 2006.

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	Schroder Far Eastern UNITED KINGDOM BASED Henderson Far East Inc. Martin Currie Pacific  HONG KONG UNITED KINGDOM	LISTED INVES  Low -5  High +5	STMENT TR 5% 0.65 5% 0.86 <b>REGIO</b>	74 30 9 202 79 13	Buy Buy	Scot Wid. Japan Growth Scot Wid. Japan Select Skandia Japanese Equity Stan Life Japanese Threadneedle Japan Growth UNITED KINGDOM BASED I JPMF Japanese Merrill Japan Enhanced	Medium Medium Low Low Medium  LISTED IN' Very High Medium	+1% -1% +2% +6% +1% VESTME +7% +13%	0.70 0.71 0.56 0.62 0.76 ENT TF 0.74 0.74	83 111 97 RUSTS 169	60 63 79 64 83	14 13 13 15 13
Buy	First State Gtr China Growth		7% 0.71	51 17	Buy Buy	Perpetual Japan Schroder Japan Growth	Low Medium	+7% +8%	0.57 0.61	134	73 68	8 7
Buy	Gartmore China Growth HSBC Greater China	High +12 Medium +2	2% 0.57 2% 0.83	188 62 28 92 39 14	Duy	·				140	00	,
Buy Buy	Invesco Perp HK and China Neptune China		7% 0.70 7% 0.72	129 55 23 73 19		<u>JAPAN SM</u>						
Duy	United Kingdom based	. , ,			D	UNITED KINGDOM	BASED Un	VIT <b>T</b> RU +9%	JSTS 0.58	400	68	0
Buy	JPMF Chinese	Very High +7	7% 0.54	176 68 20	Buy Buy	BG Japan Small Fidelity Japan Sp Sits	Medium	+9%	0.43	120	48	2
	KC	REA			Buy Buy	Henderson Japan Capital Gth Invesco Perp Japan Small Coys	Low Medium	+7% +11%	0.36 0.24	121	37	15 -2
	UNITED KINGDOM		Trusts		Buy Buy	M & G Jap Small Cos SWIP Japan Small Coys	Very Low Medium	+16% +13%	0.26 0.41		36 62	3 2
	Baring Korean	Medium -0	0.66	176 100 31		Threadneedle Japan Small Cos UNITED KINGDOM BASED	Medium LISTED N	+3%	0.45		47	6
	THA	ILAND			Buy	Atlantis Japan Growth	High	+24%	0.39	292	74	2
	UNITED KINGDOM BASED	LISTED INVES	TMENT TR	RUSTS	Buy Buy	B Gifford Shin Nippon Baillie Gifford Japan	Very High Very High	+16% +9%	0.51 0.75	250 1	01	-3 4
Buy	Aberdeen New Thai IT	Low +17 ailand	7% 0.58	214 86 23	Buy Buy	Fidelity Japan Values Invesco Japan	Very High High	+13% +17%	0.50 0.28			10 -7
	1116	allallu		÷	Buy	JPMF Japan Small	Very High I <b>pan</b>	+10%	0.43	187	82	-7
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Buy	UNITED KINGDOM BASED JPMF Indian	LISTED INVES			200	SOUTH UNITED KINGDOM BASED Old Mutual South Africa	AFRIC LISTED IN	CA VESTME +15%		i		21
Buy	UNITED KINGDOM BASED JPMF Indian  JA  AUSTRALIAN BA	LISTED INVES  Medium +17  PAN  SED UNIT TR	7% 0.68 RUSTS	444 124 16	·	SOUTH United Kingdom based	AFRIC LISTED IN	CA VESTME +15%		RUSTS		21
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Buy	UNITED KINGDOM BASED JPMF Indian  JA  AUSTRALIAN BA Allianz Japan Growth Perpetual Fid. Japan Platinum Japan  UNITED KINGDOM  AXA Japan Growth Allianz Dres Japan Growth Allianz Dres Japan Baring Japan Growth Britannic Japan	Nedium +17	8USTS  8USTS  9% 0.58  9% 0.41  TRUSTS  9% 0.59  9% 0.66  19% 0.74  9% 0.74  9% 0.66  2% 0.80	113 66 8 79 12 8 129 58 15 101 54 12 71 49 14 106 74 10 141 65 14 139 65 11 110 65 11	Buy	SOUTH UNITED KINGDOM BASED Old Mutual South Africa  TECHN AUSTRALIAN BA CFS Global Health Biotech CFS Tech & Comms Platinum Int'l Technology UNITED KINGDOM Abbey Nat'l Technology Aegon Technology	MAFRIC LISTED IN' High WOLOC SED UNIT Very Low High Medium BASED UN High Very High	CA VESTME +15%  TRUST -0% -1% -0% NIT TRU -6% -7%	0.41 S 0.43 0.85 0.60 JSTS 0.62 0.75	48 65 74 17 26 60 47	38 52 53 36 38 54 37	8 12 13 9 7
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## Taxation of International Investments

The current proposal - which still needs to be introduced into legislation - would see 85% of <u>all</u> 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 <u>all</u> 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 <u>deferred taxable gain of \$15,500 carried forward</u> (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 <u>a further \$17,825 of deferred taxable gain - or a total of \$33,325 - will be carried forward</u>.

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.