

# International Investor

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## Inside International Investor

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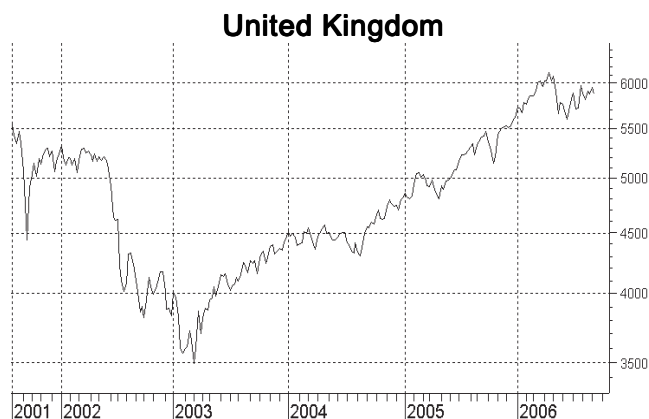
## World Stockmarket Forecasts

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	57%	Bullish	Neutral	Bearish	Bullish	+3.3%	+7.7%	+11.2%	5,063.20
Austria	35%	Bearish	Neutral	Neutral	Bearish	+6.5%	+0.4%	+12.6%	3,716.15
Belgium	62%	Neutral	Bullish	Neutral	Neutral	+9.6%	+6.1%	+21.8%	3,881.73
Canada	59%	Bullish	Bullish	Neutral	Bearish	+2.9%	+4.0%	+14.0%	11,869.59
Denmark	51%	Bearish	Bullish	Neutral	Neutral	+7.2%	+5.5%	+7.7%	391.21
Finland	51%	Neutral	Neutral	Bullish	Bearish	+2.3%	-0.9%	+16.0%	8,592.20
France	56%	Bearish	Bullish	Bullish	Bearish	+6.6%	+6.8%	+16.2%	3,571.80
Germany	53%	Neutral	Bullish	Bullish	Bearish	+6.3%	+6.5%	+18.0%	5,795.26
Ireland	65%	Bearish	Bullish	Bullish	Neutral	+9.2%	+7.8%	+19.3%	7,966.58
Italy	60%	Bullish	Bullish	Bullish	Bearish	+6.5%	+6.4%	+12.7%	29,017.00
Japan	42%	Bearish	Bullish	Bearish	Bearish	+6.3%	+1.8%	+18.9%	16,080.46
Netherlands	54%	Neutral	Bullish	Neutral	Bearish	+9.1%	+8.0%	+19.9%	464.47
New Zealand	54%	Bullish	Neutral	Bearish	Bullish	+0.2%	+4.5%	-9.1%	2,412.75
Norway	59%	Neutral	Bullish	Bullish	Neutral	+0.0%	+8.4%	+16.3%	321.12
Spain	73%	Bullish	Bullish	Bullish	Bearish	+9.3%	+10.4%	+18.5%	1,315.66
Sweden	49%	Bullish	Bullish	Bearish	Bearish	+7.9%	+7.4%	+21.1%	322.11
Switzerland	47%	Bearish	Bullish	Bearish	Bearish	+8.2%	+8.3%	+21.2%	8,167.04
Un. Kingdom	56%	Bullish	Bullish	Bearish	Neutral	+5.2%	+7.5%	+11.2%	5,879.30
USA	44%	Neutral	Bullish	Bearish	Bearish	+3.7%	+1.4%	+4.6%	1,298.92
Argentina	50%	Bearish	Neutral	Bullish	Bearish	+5.6%	-1.3%	+16.9%	5,683.07
Brazil	59%	Bearish	Neutral	Bullish	Bullish	+9.0%	-1.3%	+34.1%	36,558.48
Czech Rep.	61%	Neutral	Bullish	Bullish	Bearish	+19.0%	+5.4%	+11.7%	1,469.40
Chile	50%	Bearish	Bullish	Bearish	Bullish	+6.4%	+4.2%	+4.3%	10,287.29
China	53%	Bearish	Bullish	Bullish	Bearish	+5.7%	+12.9%	+37.4%	91.13
Greece	70%	Bearish	Bullish	Bullish	Bullish	+10.8%	+3.7%	+22.1%	3,903.96
Egypt	41%	Bearish	Bullish	Bearish	Neutral	+11.2%	-8.1%	+11.2%	2,068.33
Hong Kong	57%	Bearish	Bullish	Neutral	Bearish	+9.5%	+10.8%	+12.9%	17,145.76
Hungary	42%	Bearish	Bearish	Neutral	Neutral	+4.7%	+0.3%	-12.4%	21,926.54
India	41%	Bearish	Bullish	Bearish	Bearish	+20.8%	+6.1%	+40.1%	11,918.65
Indonesia	78%	Neutral	Bullish	Bullish	Neutral	+18.4%	+18.9%	+49.2%	1,466.58
Israel	23%	Bearish	Bearish	Neutral	Bearish	-3.8%	+2.7%	+12.3%	798.49
Korea	50%	Bearish	Bullish	Neutral	Bearish	+9.4%	+5.1%	+26.0%	1,354.89
Malaysia	59%	Bullish	Bullish	Neutral	Bearish	+4.7%	+5.3%	+7.3%	956.70
Mexico	73%	Neutral	Bullish	Bullish	Bearish	+20.8%	+9.6%	+32.5%	20,795.82
Philippines	77%	Neutral	Bullish	Bullish	Neutral	+15.9%	+14.7%	+39.9%	2,378.04
Poland	77%	Bullish	Bullish	Bullish	Bearish	+13.4%	+21.2%	+38.0%	44,071.87
Portugal	60%	Bearish	Bullish	Bullish	Bearish	+5.8%	+14.0%	+33.9%	3,122.23
Russia	60%	Bearish	Bullish	Bullish	Bullish	+16.3%	+21.0%	+89.8%	19,747.02
Singapore	66%	Bullish	Bullish	Bullish	Bearish	+8.8%	+4.1%	+16.1%	2,510.14
Sth Africa	40%	Bearish	Neutral	Bearish	Bearish	+1.9%	-1.4%	+16.6%	21,718.58
Taiwan	50%	Bullish	Bearish	Bullish	Bearish	+2.4%	+1.9%	+8.9%	6,693.11
Thailand	55%	Bullish	Bearish	Bullish	Neutral	+5.7%	-0.6%	+6.4%	692.46
Turkey	43%	Bullish	Bearish	Bullish	Bearish	+11.9%	-19.6%	+4.9%	37,371.99
Venezuela	76%	Bullish	Bullish	Bullish	Bearish	+10.5%	+15.0%	+61.5%	35,117.85

**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

World stockmarkets suffered a sharp decline in May this year - leading to some uncertainty about the future market trend. Prices, however, started to show signs of recovery in late June and early July. Since then stockmarkets have continued to appreciate in value and are now approaching their April highs. This is a favourable trend . . . but four years into the current long term uptrend we can expect further volatility on a regular basis.



## 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	£102	10	31.5	3.8	14.6			13.1		9.1	17.5	10.8	3.9		10.8	Indo 6.4%, Sri Lanka 5.0%
Baring Korea	£211	Nil	43.4	1.0						98.0						
Gartmore Pacific Opps	£95	Nil	29.1	3.0	13.4	31.7	1.3	15.3	22.0	5.1		2.2	2.9			
HSBC Asian Fund	£61	Nil	28.8	1.3	16.3		4.5	19.3	28.7	10.2	1.5	0.9	14.6			Indonesia 2.9%
HSBC Greater China Fund	£25	Nil	35.5	0.9	99.1											
Henderson Asia Pacific Cap	£146	Nil	33.7	0.0	19.5	9.1	4.8	11.8	19.7	9.6	5.8		4.3			Indonesia 4.5%
Scottish Oriental Sm Coys plc	£76	5	19.4	7.5	10.2			11.5	9.5	9.6	14.9	9.3	3.5	12.8	3.7	Sri Lanka 3.1%
				Cash	USA	UK	Europe	Japan	Other							
Aberforth Small Cos Trust plc	£711	Nil	21.7	3.3		96.7										
Baillie Gifford Shin Nippon plc	£82	19	24.8	0.3					99.7							
Fidelity European Values plc	£848	15	33.8	0.7				99.3								
Fidelity Japan Values plc	£104	16	19.9	0.0					100.0							
Herald Investment Trust plc	£345	Nil	23.3	7.0	14.0	63.0		7.0			9.0					
JPM Fleming Euro Fledgling	£391	12	23.5					100.0								
Invesco England & Int'l	£156	14	17.4	0.0		100.0										
Invesco Japan Discovery Trt	£34	Nil	41.2	0.0					100.0							
Private Equity Investor plc	£78	Nil	-	27.1	72.9											
				Cash	Asia	Latin Amer	Africa	Europe & Middle East								
Aberdeen Emerging Markets	£258	Nil	35.1	1.30	48.6	25.3	5.3	18.4								

**Fidelity European Values plc** continues to have its largest investments in France (22.0% of the portfolio), followed by Germany (16.7%), Switzerland (14.9%) and the Netherlands (12.8%). It has smaller holdings in Sweden (7.2%), Italy (6.9%), Norway (3.9%), Spain (3.3%), cash (0.7%) and other European holdings 11.6%.

**JPMorgan Fleming European Fledgling** has its largest investments in Switzerland (14.2%), Italy (12.1%), Sweden (11.0%), the Netherlands (10.2%), France (8.3%), Spain (8.3%), Denmark (7.1%) and Austria (4.8%).

# Recommended International Investment Funds

## Fund Reports

**Baillie Gifford Shin Nippon plc** suffered a 24.8% decline in net assets over the six months to 31 July, slightly under-performing its benchmark index which was down 22.6%. The trust benefited from stock selection, but suffered from the use of leverage.

The Fund Manager believes smaller Japanese shares have suffered owing to “falling investor confidence” but retains a “positive view on economic growth and corporate earnings in Japan”.

## Fund News

**Private Equity Investor plc** has received a further 146,301 shares in **Baidu.com Inc** from its investment in **Draper Fisher Jurvetson ePlanet Ventures LP** and has sold these shares at US\$77.25 to realise US\$11.3 million in cash. This sale realises a premium over its carrying value of these shares which adds around US 8.76 cents per share (16.3 pence) to the trust's net asset value.

Private Equity Investor has now received (and sold) about 90% of the Baidu.com shares it expects to receive from this partnership.

## Share Buy-Backs

**Invesco English & International Trust plc** repurchased 100,000 shares on-market at 287 pence on 1 September.

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%	1112.0p	3249.6	+152
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-13%	583.5p	1705.1	+123
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-9%	647.0p	1890.7	+81
BUY	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-9%	292.25p	854.0	+22
<b>Asian Regional</b>									
BUY	Aberdeen Asian Sm Co WARRANTSAASW		09/09/03	75.3p	209.1		166.5p	486.6	+133
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		254.84p	744.7	+607
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		58.23p	170.2	+60
HOLD	HSBC Greater China Fund	*	07/04/98	159.4p	481.6		203.3p	594.1	+23
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		377.4p	1102.9	-2
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		148.0p	432.5	+104
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-9%	206.25p	602.7	+37
HOLD	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-6%	84.75p	247.7	-23
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-9%	105.0p	306.8	+8
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		174.4-185.0p	525.1	+151
<b>International</b>									
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		225.2p	658.1	+258
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-13%	344.75p	1007.5	+23
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-3%	159.0p	464.6	+11

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +103.4%. This is equal to an average annual rate of +15.3%, 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 +13.3%.

## Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 267 pence (trading at a 6% discount to net asset value) and **Scottish Oriental Smaller Companies** shares at 248½ pence (a 4% discount to net assets).

# World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.4	15.7
Austria	1.5	14.9
Belgium	3.2	12.5
Canada	2.2	17.5
Denmark	1.7	16.7
Finland	3.1	17.0
France	2.6	14.4
Germany	2.4	14.0
Ireland	2.2	13.3
Italy	3.7	15.0
Japan	1.1	20.7
Netherlands	3.0	11.5
New Zealand	4.5	19.0
Norway	2.7	14.8
Spain	2.9	12.4
Sweden	2.8	12.0
Switzerland	1.8	17.6
Un. Kingdom	3.8	16.9
USA	1.8	19.1
Argentina	1.0	11.2
Brazil	1.9	9.8
Czech Republic	3.9	18.5

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.1	16.0
China	2.1	14.9
Greece	2.5	17.8
Egypt	1.4	43.2
Hong Kong	2.9	10.4
Hungary	2.1	9.5
India	1.2	20.0
Indonesia	2.4	17.7
Israel	1.2	35.9
Korea	1.7	11.1
Malaysia	4.2	16.5
Mexico	1.9	11.6
Philippines	2.1	13.8
Poland	4.1	12.0
Portugal	3.3	13.3
Russia	1.1	13.4
Singapore	3.1	12.8
Sth Africa	2.6	13.7
Taiwan	3.7	17.8
Thailand	4.2	9.0
Turkey	2.3	18.0
Venezuela	11.8	9.0

**United States: Dividend Yield**



**United States: Price/Earnings Ratio**



**United Kingdom: Dividend Yield**



**United Kingdom: Price/Earnings Ratio**



**Japan: Dividend Yield**



**Japan: Price/Earnings Ratio**



**Hong Kong: Dividend Yield**



**Hong Kong: Price/Earnings Ratio**



**China: Dividend Yield**



**China: Price/Earnings Ratio**



**France: Dividend Yield**



**France: Price/Earnings Ratio**



# Listed Investment Trust Warrant Analysis

## Review of Speculative Warrants

The number of UK listed investment trust warrants continues to decline. Existing warrants reach their maturity date and are exercised or expire worthless, but the investment trust sector has been out of favour with investors for many, many years so few (if any) new warrants are being issued.

Warrants are often offered in an Initial Public Offering - but few new investment trusts have been established since a rush of Technology funds in the late 1990's. Sometimes an existing investment trust will offer warrants and shares in a secondary offering - but over the last decade most trusts have been trading at *discounts* to net asset value, so have been buying back their own shares, not issuing new shares. Very occasionally a trust will issue "bonus" warrants to its existing shareholders - but we cannot remember when that last happened!

**Perpetual Income & Growth** warrants expired at the end of last month. We have done nothing, so the Trustee will exercise these warrants, sell the shares and distribute the net proceeds to us. The shares are currently trading around 232¾ pence, so the net proceeds should be around 131-132 pence.

The shares rose 5.7% and the warrants about 8.2% over the last quarter.

We originally bought these warrants at around 35¾ pence, so our investment has increased around 3½-fold over 4¾ years.

**Perpetual Income & Growth**



**Finsbury Worldwide Pharmaceuticals** shares slipped 3¾ pence in value to 494¾ pence over the last quarter (i.e. down just 0.8%). The warrants fell 2½ pence to 108 pence - down 2.3%.

The warrants are under-valued - trading at a 17%

discount to their *fair* value. They also offer leverage of 3.0 times, so every 10% fluctuation in the share price should result in a 30% change in the warrant value. Leverage measures the greater potential in the warrants for higher gains if the share price appreciates in future (and also the greater risk of loss if the shares fall in value).

The *Break-Even* rate on the warrants is a low 5%. This means that the share price needs to rise at just 5% per annum through until the final exercise/expiry date for the warrants to *increase* in value. Rates of appreciation above 5% in the share price will result in highly leveraged gains in the warrant value.

Finsbury Worldwide Pharmaceuticals warrants therefore offer attractive characteristics, with good potential to yield a high rate of return over the next 34 months. The *actual* return on the warrants will, of course, depend upon the performance of the trust's investments and its share price. This sector has been depressed since the Technology boom last century, although recovered a little in 2003. This sector *could* therefore be set for a recovery and better performance in 2007, 2008 or 2009. If so, the shares could appreciate strongly in value - and the warrants would rapidly multiply in value.

While all warrants involve higher than average risks, Finsbury Worldwide Pharmaceuticals warrants are an attractive leveraged, long term exposure to a depressed sector with the potential for significant investment gains. A small exposure to these warrants could therefore be appropriate for many investors.

**Finsbury Worldwide Pharmaceuticals**



**ISIS UK Select** shares recovered 5.7% in value to 84 pence over the last quarter - while the warrants remain unchanged at 3½ pence.

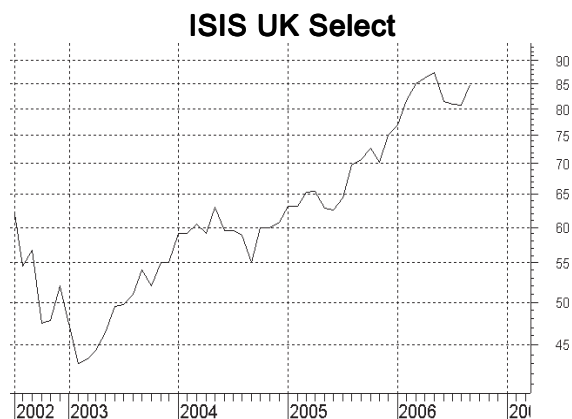
This is an extremely high risk situation owing to the short period until the warrants' final exercise/expiry date of 31 October 2007. Over the next 13½ months the share price must rise over 23.8% (i.e. *above* 104 pence) or the warrants will expire worthless.

So there is a high probability that these warrants will expire worthless - but a very small chance that they may have some value. Owing to the very high leverage there is a small chance they may have a relatively high value.

The shares, however, have recorded no overall change in value over the six months since we first reviewed this situation. Warrants are “wasting” assets, with a limited life and their value decays over time. As time passes with no increase in the share price the *Break-Even* rate increases, making it less likely that these warrants will

have any value.

We would not purchase any further warrants at this time, but will hold our very small investment.



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	Warrant Return (%p.a.) from Break-Even Rate
<b><u>UNITED KINGDOM</u></b>												
Blue Chip Value & Inc	24.3p	75.0p	4-6	0.13p	2.83p	-95	0.434	2.7	-100.0	-100.0	-100.0	+29%
Edinburgh Smaller Coys	101.0p	100.0p	2-0	22.00p	25.21p	-13	0.366	2.9	-28.2	+0.5	+43.7	+10%
ISIS UK Select	84.0p	104.0p	1-1	3.50p	2.23p	+57	0.194	12.3	-100.0	-100.0	-100.0	+26%
Utilico	193.5p	100.0p	0-7	86.25p	96.40p	-11	0.349	2.0	+26.8	+39.1	+64.3	-6%
<b><u>EUROPE</u></b>												
Blue Planet Gth & Inc	1865.0p	1000.0p	3-10	1015.00p	1054.36p	-4	0.268	1.7	+5.6	+14.2	+29.7	+2%
<b><u>FAR EASTERN</u></b>												
Aberdeen Asian Small	267.0p	100.0p	4-2	166.50p	185.68p	-10	0.208	1.4	+7.7	+14.9	+28.3	-0%
Scottish Oriental Sm Co	248.3p	100.0p	0-4	148.00p	149.89p	-1	0.204	1.7	+9.0	+17.7	+35.6	-0%
New India	124.0p	100.0p	3-9	45.50p	50.43p	-10	0.319	2.1	+1.9	+15.2	+36.4	+4%
<b><u>GOLD &amp; MINING</u></b>												
City Nat Res High Yld	119.3p	85.0p	3-1	43.00p	47.42p	-9	0.198	2.4	+7.4	+19.8	+41.1	+2%
<b><u>TECHNOLOGY</u></b>												
Finsbury Worldwide Pharm.	494.8p	464.0p	2-10	108.00p	129.42p	-17	0.251	3.0	-1.3	+20.7	+53.7	+5%

# World Stockmarket Capitalisations

The world stockmarket capitalisation rose 3.3% over the last three months to US\$41,801 billion. The United States share of that total continued to decline from 39.56% to 39.02%. China's capitalisation rose above US\$1 billion, up 20% on its US\$889 million three month's earlier.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States .....	16,310 .....	39.02	Greece .....	153 .....	0.37
Japan .....	4,687 .....	11.21	Austria .....	133 .....	0.32
United Kingdom .....	3,360 .....	8.04	Ireland .....	132 .....	0.32
France .....	1,951 .....	4.67	Turkey .....	119 .....	0.28
Canada .....	1,497 .....	3.58	Thailand .....	108 .....	0.26
Germany .....	1,258 .....	3.01	Chile .....	107 .....	0.26
Switzerland .....	1,113 .....	2.66	Israel .....	98 .....	0.23
China .....	1,064 .....	2.54	Poland .....	95 .....	0.23
Italy .....	923 .....	2.21	Portugal .....	83 .....	0.20
Australia .....	866 .....	2.07	Indonesia .....	84 .....	0.20
Russia .....	773 .....	1.85	Egypt .....	50 .....	0.12
Spain .....	742 .....	1.78	Czech Republic .....	40 .....	0.10
South Korea .....	678 .....	1.62	Argentina .....	39 .....	0.09
Netherlands .....	585 .....	1.40	Philippines .....	36 .....	0.09
Brazil .....	523 .....	1.25	Morocco .....	33 .....	0.08
Hong Kong .....	519 .....	1.24	New Zealand .....	29 .....	0.07
India .....	517 .....	1.24	Peru .....	33 .....	0.08
Taiwan .....	497 .....	1.19	Luxembourg .....	31 .....	0.07
Sweden .....	448 .....	1.07	Hungary .....	31 .....	0.07
South Africa .....	306 .....	0.73	Pakistan .....	28 .....	0.07
Mexico .....	302 .....	0.72	Columbia .....	28 .....	0.07
Belgium .....	279 .....	0.67	Jordan .....	23 .....	0.06
Norway .....	242 .....	0.58	Iceland .....	23 .....	0.05
Finland .....	232 .....	0.56	Nigeria .....	16 .....	0.04
Singapore .....	220 .....	0.53	Slovenia .....	7.1 .....	0.02
Denmark .....	185 .....	0.44	Venezuela .....	3.4 .....	0.01
Malaysia .....	157 .....	0.37			
			TOTAL	\$41,801	100.00%

## Next Issue:

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

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