

# International Investor

Issue No. 130

www.stockmarket.co.nz

October 9, 2006

## Inside International Investor

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## World Stockmarket Forecasts

Stockmarket	One-Year Forecast	Fundamental Indicators	Technical Indicators	Monetary Indicators	Economic Indicators	Historical Performance (in US\$)			Share Index
						3 mths	6 mths	12 mths	
Australia	62%	Bullish	Bullish	Bearish	Bullish	+2.2%	+1.8%	+15.5%	5,178.30
Austria	39%	Bearish	Bullish	Neutral	Bearish	-0.3%	-4.0%	+18.8%	3,814.77
Belgium	63%	Neutral	Bullish	Neutral	Neutral	+9.6%	+8.5%	+27.6%	4,090.47
Canada	52%	Neutral	Neutral	Neutral	Neutral	+0.1%	-2.8%	+14.7%	11,690.89
Denmark	60%	Bearish	Bullish	Neutral	Neutral	+8.6%	+4.3%	+15.3%	405.91
Finland	54%	Neutral	Bullish	Bullish	Bearish	+3.0%	-2.3%	+19.6%	8,835.41
France	61%	Bearish	Bullish	Bullish	Bearish	+6.2%	+5.4%	+22.0%	3,717.05
Germany	59%	Bearish	Bullish	Bullish	Bearish	+6.7%	+6.2%	+26.3%	6,085.82
Ireland	65%	Bearish	Bullish	Bullish	Neutral	+8.5%	+8.6%	+26.0%	8,275.24
Italy	59%	Bullish	Bullish	Neutral	Bearish	+6.0%	+4.7%	+18.9%	29,705.00
Japan	44%	Bearish	Bullish	Neutral	Bearish	+3.8%	-7.1%	+18.9%	16,436.06
Netherlands	57%	Neutral	Bullish	Neutral	Bearish	+9.9%	+7.8%	+26.7%	486.21
New Zealand	59%	Bullish	Neutral	Neutral	Bullish	+5.4%	+8.8%	-4.5%	2,419.13
Norway	57%	Bearish	Bearish	Bullish	Bullish	-11.8%	-9.2%	+16.6%	309.83
Spain	71%	Bullish	Bullish	Bullish	Bearish	+13.3%	+15.7%	+28.6%	1,432.12
Sweden	58%	Bullish	Bullish	Neutral	Bearish	+10.7%	+4.8%	+28.6%	340.59
Switzerland	49%	Bearish	Bullish	Neutral	Bearish	+8.7%	+8.5%	+24.4%	8,521.24
Un. Kingdom	56%	Bullish	Bullish	Bearish	Neutral	+3.0%	+6.9%	+18.9%	6,001.20
USA	58%	Bearish	Bullish	Neutral	Bearish	+6.6%	+4.2%	+12.9%	1,349.58
Argentina	46%	Bearish	Neutral	Bullish	Bearish	-5.2%	-8.2%	+11.0%	5,690.93
Brazil	63%	Bearish	Bullish	Bullish	Bullish	+9.4%	-3.6%	+32.5%	37,940.44
Czech Rep.	50%	Neutral	Bullish	Neutral	Bearish	+5.6%	-2.0%	+12.5%	1,439.10
Chile	55%	Bearish	Bullish	Bearish	Bullish	+10.7%	+4.9%	+5.8%	10,814.18
China	48%	Bearish	Bullish	Bearish	Bearish	+15.7%	+17.9%	+63.1%	107.80
Greece	59%	Bearish	Bullish	Neutral	Bullish	+9.7%	-3.5%	+23.4%	3,984.47
Egypt	32%	Bearish	Bullish	Bearish	Neutral	+31.1%	-3.1%	+11.3%	2,210.62
Hong Kong	52%	Bearish	Bullish	Bearish	Neutral	+8.5%	+8.3%	+20.1%	17,903.39
Hungary	38%	Bearish	Bearish	Neutral	Neutral	-0.0%	-4.5%	-5.0%	22,056.57
India	32%	Bearish	Bullish	Bearish	Bearish	+18.4%	+4.7%	+41.7%	12,372.81
Indonesia	69%	Neutral	Bullish	Bullish	Neutral	+16.0%	+11.0%	+54.4%	1,549.63
Israel	40%	Bearish	Bullish	Neutral	Bearish	+9.0%	+9.5%	+24.3%	868.13
Korea	46%	Bearish	Bullish	Neutral	Bearish	+6.9%	-3.2%	+23.1%	1,352.00
Malaysia	61%	Bullish	Bullish	Neutral	Bearish	+3.6%	+2.3%	+7.3%	970.98
Mexico	65%	Bearish	Bullish	Bullish	Bearish	+16.2%	+15.6%	+41.2%	22,350.05
Philippines	69%	Neutral	Bullish	Bullish	Neutral	+20.5%	+18.0%	+46.5%	2,560.22
Poland	78%	Bullish	Bullish	Bullish	Bearish	+8.3%	+13.1%	+42.5%	44,966.63
Portugal	60%	Bearish	Bullish	Bullish	Bearish	+9.0%	+7.9%	+37.2%	3,233.41
Russia	61%	Bearish	Bullish	Bullish	Bearish	+1.0%	+4.1%	+71.8%	19,328.45
Singapore	68%	Bullish	Bullish	Bullish	Bearish	+8.6%	+4.9%	+21.8%	2,649.30
Sth Africa	41%	Bearish	Neutral	Bearish	Bearish	-8.0%	-14.5%	+16.7%	22,511.61
Taiwan	55%	Bullish	Bullish	Neutral	Bearish	+3.1%	+0.9%	+15.5%	6,997.24
Thailand	57%	Bullish	Bearish	Bullish	Neutral	+3.7%	-8.4%	+6.6%	694.60
Turkey	42%	Bullish	Bearish	Bullish	Bearish	+7.9%	-26.1%	-1.3%	36,737.62
Venezuela	73%	Bullish	Bullish	Bullish	Bearish	+5.2%	+4.9%	+79.8%	36,637.56

**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.

# Popular Financial Delusions

People seldom agree about anything . . . so you will probably disagree with what we are about to write next.

One sure way to spot a popular financial delusion - which will probably be fuelling a boom or bust in stockmarkets - is to look how well people question the generally accepted truths and whether they tolerate alternative views (as misguided as those views may be).

When there is a wide range of opinions, and people are generally willing to discuss options and alternatives, then we are probably living in a fairly benign environment. Stockmarkets (some people will think they are good places to invest, others will disagree and invest in fixed interest, and others will prefer property) will probably be relatively fairly valued and rise or fall in line with economic growth, or at least *expectations* on future economic growth.

At other times most people will hold views that they consider are clearly "self evident". To express an alternative view at such a time is an anti-social act clearly indicating the lack of intelligence or understanding or common sense of the heretic.

For example, in the hyper-inflation of the 1970's everyone *knew* that commodity prices would continue rising rapidly forever and that the easy way to become a mega-millionaire was simply to buy long positions on commodity futures contracts as inflation drove up the value of these *real* assets. Some naive housewives - not understanding the leverage potential of the futures market - simply bought gold coins. The Hunt brothers (some former multi-millionaires who no longer feature in any Rich Lists and may therefore be unknown to our younger readers) tried to corner the silver market.

In the 1985-87 boom everyone *knew* the way to make money was to borrow on mortgages (at 20-25%) - or on your credit card (at some higher rate of interest) - and buy Property and Shares. Better yet, borrow to buy shares in a listed company that borrowed to buy property (or a company that borrowed to buy shares in another company that borrowed to buy shares in another company that borrowed . . . to buy shares in the first company). Many people failed to renew their subscription to our *Market Analysis* newsletter in 1986 and 1987 and told us "You are not recommending the most profitable shares".

Of course, Technology and the Internet are the way of the future - but investors did place too much *faith* in this new sector in 1999 and 2000. In a review of technology shares we stated "The Emperor is Naked!". Technology *disciples* looked down their noses, pitying us for our lack of understanding of Technology - and investment!

[At this point in this article we won't mention the Millennium Bug, which was supposed to kill all of our computer systems, if you don't mention Bird Flu, which is supposed to kill all of us. It *may* happen - and if not there will eventually be some other epidemic. We don't want to be insensitive to the 85-98% of the world's population that will survive but might lose a relative.]

Today the world faces a commodity and energy shortage (or "crisis") and rising commodity and energy prices. As in the previous cases, these facts are fairly self evident and not in dispute. The popular delusion is in the

widespread belief that (1) commodity and energy prices will keep going higher and higher and higher, and (2) that we face *permanent* shortages that will only get worse (as opposed to perhaps a short term shortage owing to temporary loss of production capacity).

In recent weeks, the oil price has fallen back from its peak and at least two producer countries are cutting production to try to keep prices up. A Hedge Fund - which are popularly believed to be "smart money" (don't get me started on that topic) - has suffered major losses after betting on natural gas prices which (as hard as this is to believe, are you sitting down?) *declined*.

So, in this (even if only temporary) period of falling energy prices, may we propose an alternative view without being stoned by the mob?

Firstly, there is no shortage of oil in the ground. Recoverable reserves will last far into the future. There is a shortage of production and refining capacity as low prices resulted in little investment in the industry over the last 25 years.

Secondly, regardless of all that oil, some people believe burning it *may* not be good for the environment. However, before we impose significant costs on the global economy with rules and taxes (which won't reduce CO<sub>2</sub> production), perhaps we should *first* invest in *research* to learn *something* about Climate change. Why *waste* economic resources on ineffective action? To succeed (at anything) you first need to study the problem, next formulate a solution and only *then* will you know what is the *appropriate action*.

Thirdly, higher energy costs will drive technology to (1) find and extract fossil fuels that are currently considered uneconomic and, more importantly, (2) to improve energy efficiency and (3) to develop alternative energy sources. Oil is so cheap we waste it. New technologies, like hybrid cars, would significantly reduce the usage of oil. New energy technologies are available - but are *uneconomic* and cannot compete with cheap fossil fuels. So *if* energy prices continue to rise, more efficient energy technologies and alternative energies would become *economic* and start to reduce dependence on fossil fuels.

Fourthly, it is a popular delusion that China and India will develop the same way as the West and that the number of gas guzzling cars will grow considerably over the coming decades. In many *other* sectors of the economy, emerging markets have not used old technologies. For example, many countries have skipped the rollout of fixed line telephones and gone straight to mobile telephony. Consumers never buy a film camera but go straight to digital photography. First car buyers in China and India over the next two decades will probably move straight to hybrid vehicles - or some "3G" automotive technology yet to be invented or commercialised. So the widely expected surge in oil consumption and global shortages may turn out to be greatly exaggerated!

## **The Lesson for Investors**

Investors should *not* ignore economic, political or environmental developments, but need to be *very careful*

# Recommended International Investment Funds

## Share Buy-Backs

**Invesco English and International Trust plc** repurchased 450,000 shares on-market at 290 pence (i.e. around a 10% discount to net asset value) on 15 September, a further 200,000 shares at the same price on 18 September and 113,500 shares at 292.49 pence on 21 September..

**JFMorgan European Fledgling Investment Trust plc** re-purchased 112,000 shares on-market on 14 September at 592.92 pence - an 11.7% discount to net asset value.

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Recommendation		Prem/ Disc to Net Assets	Recent Price		Gain or Loss %	
				Offer Price	Foreign NZ Cents		Bid-Offer or Last Sale	NZ Cents		
<b>Europe</b>										
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-4%	1136.0p	3219.0	+149	
<b>United Kingdom</b>										
BUY	JFM Fleming Euro Fledgling IT plc	JFF	15/01/02	226.5p	765.8	-12%	614.5p	1741.3	+127	
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-8%	695.0p	1969.4	+89	
<b>Asian Regional</b>										
BUY	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-12%	288.75p	818.2	+17	
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		188.5p	534.1	+155	
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		257.24p	728.9	+592	
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		59.08p	167.4	+57	
HOLD	HSBC Greater China Fund	*	07/04/98	159.4p	481.6		205.0p	580.9	+21	
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		387.6p	1098.3	-2	
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		151.5p	429.3	+103	
<b>Japan</b>										
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-5%	200.5p	568.1	+29	
HOLD	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-4%	79.75p	226.0	-30	
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-5%	101.25p	286.9	+1	
<b>Korea</b>										
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		174.4-185.1p	509.4	+143	
<b>International</b>										
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		233.2p	660.8	+259	
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-12%	359.5p	1018.7	+24	
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	+1%	165.0p	467.6	+11	

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +127.4%. This is equal to an average annual rate of +20.0%, 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 +14.9%.

## Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 286½ pence (trading at a 4% discount to net asset value) and **Scottish Oriental Smaller Companies** shares at 251½ pence (a 4% discount to net assets).

about extrapolating short term trends over the very long term - or applying them to investment decisions. Economic systems are complex and very adaptable.

Mobile phones, the internet and satellite TV were unknown 25 years ago, but have revolutionised communications. High energy prices could drive similar technology change in this sector over the next few decades.

A global investment portfolio today may well have some exposure to fossil energy, alternative energy and commodity companies, but it should always remain balanced to include investments in other sectors. Given

the boom expectations, however, it may be difficult to find value in the energy and commodity sectors.

In the Investment/Property boom the best long term investments were non-Investment/Property companies. During the Technology boom the best investments were in the non-Technology sector. During the current Energy/Commodity boom (or crisis) investors need to be able to keep an open mind about what sectors may turn out to be the best long term investments in the future.

Of course, we may be completely wrong. People have been telling us that for the last 25 years!

# 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>INTERNATIONAL</b>															
<b>AUSTRALIAN BASED UNIT TRUSTS</b>															
	AMP FLI International	Medium	-4%	0.55	26	9	-11								
	ANZ ING Global	Medium	-3%	0.78	29	17	-2								
	Advance Int'l Share MB	Medium	-3%	0.89	30	15	-2								
	Advance International	Low	-4%	0.75	25	10	-4								
	Allianz Global	Very Low	-5%	0.52	14	15	-6								
	Allianz Global Analysts	Very Low	-4%	0.51	14	16	-6								
	BT Global	Low	-2%	0.73	33	19	-1								
	BT International	Medium	-4%	0.80	33	20	-1								
	Challenger Global Shares	Very Low	-5%	0.29	14	4	-6								
	Commonwealth Int'l Share	Medium	-5%	0.87	32	16	-4								
	Gold Sachs International	Medium	-2%	0.76	34	16	-3								
	Invesco Global Matrix	Medium	-3%	0.65	38	16	-2								
Avoid	MLC Aust - Platinum Gbl	Very High	-7%	0.54	16	3	-2								
	MLC MKey Global Share	Medium	-2%	0.85	33	17	-2								
	NAFM Inv Trt - Global	Low	-2%	0.80	36	19	-2								
	Perpetual Fid. Intern'l	Low	-2%	0.66	39	23	-2								
	Perpetual ICSav - Int'l	Low	-2%	0.77	39	23	-2								
	Platinum International	Low	-2%	0.44	17	6	-14								
<b>NEW ZEALAND BASED UNIT TRUSTS</b>															
	AMP International Share	High	-6%	0.61	30	2	-2								
	AMP Passive Int'l Share	Medium	-3%	0.69	27	15	-3								
	ANZ World Equity Trust	Low	-1%	0.51	32	11	2								
	ASB World Shares	Medium	-2%	0.74	35	14	1								
	ING International Share	Very Low	+3%	0.25	51	17	-1								
	NZ Guardian Global	High	-4%	0.61	28	14	-1								
	Thoroughbred Int'l Equ.	Medium	-4%	0.72	28	15	-2								
	Tower Global Equity	Medium	-2%	0.68	34	20	-2								
	Tower Tortis Intern'l	Medium	-4%	0.73	20	12	-3								
<b>UNITED KINGDOM BASED UNIT TRUSTS</b>															
	AXA Framlington Financial	Medium	+1%	0.82		28	-1								
	AXA Global Growth	Medium	+1%	0.90	50	21	-3								
	Abbey Nat'l International	Medium	+0%	0.83	52	27	-1								
	Aberdeen World Equity	Medium	+2%	0.91		26	-0								
	Allourches Int'l Growth	Medium	+0%	0.89	50	25	-2								
	Allianz Dres Global Equity	High	-3%	0.95	41	22	-3								
	Artemis Global Growth	Very High	+2%	0.83	69	19	-8								
	BG International	Medium	+3%	0.79	63	26	0								
	Bank Ireland British & Oversea	Low	-6%	0.75		18	-2								
	Bank Ireland Worldwide Opps	Low	-6%	0.69		17	-2								
	Baring Global Growth	High	-4%	0.89	31	16	-3								
	CS Worldwide Growth	Medium	-3%	0.92		21	-1								
	Cavendish Worldwide	High	+1%	0.93	47	26	-0								
	F & C Global Growth	Medium	-2%	0.88		20	-5								
	Fidelity International	Medium	+1%	0.95	53	23	-3								
	Fidelity Managed Int'l	Medium	-3%	0.91	38	20	-3								
	First State Global Growth	Medium	-4%	0.87	27	18	-5								
	First State Global Opps	Very High	+2%	0.77	66	13	-8								
	Gartmore Global Focus	High	-0%	0.84		21	-4								
	Halifax International Growth	Medium	-0%	0.95		22	-2								
	Henderson Global Care Growth	High	-2%	0.86		23	-4								
	Henderson Ind of the Future	High	-2%	0.87		21	-4								
	Henderson Independent Port.	High	-1%	0.73	43	18	-1								
	Henderson International	Medium	-2%	0.89	39	18	-4								
	Insight Global Equity	Medium	-0%	0.95		22	-2								
	Invesco Perp Int'l Equity	Medium	-1%	0.90	49	27	1								
	Invesco Perp International	Low	-1%	0.86	43	23	-1								
	Invesco Perp World Growth	Medium	+2%	0.93		30	0								
Buy	Investec Global Energy	Very High	+10%	0.48		-0	-16								
	Investec Global Free Enter.	High	+6%	0.90		25	-4								
	JMP Global Financials	Medium	+1%	0.84		33	0								
	JPM Global	Medium	-1%	0.88		18	-5								
	Jupiter Ecology	Very High	+3%	0.62	74	35	-2								
	L & G (Barclays) Worldwide	Medium	+1%	0.95	48	23	-3								
	L & G Global Growth	Medium	-1%	0.79	38	21	-7								
	L & G Worldwide	Low	+1%	0.74	49	26	-6								
	Lazard International Equity	Low	-2%	0.82	31	19	-3								
	Lincoln Global	Medium	-3%	0.91	33	20	-3								
	M & G Global Leaders	Very High	+5%	0.89	78	25	-6								
	M & G International Gth	High	+3%	0.77	74	17	-8								
	MLC Global Equity	Medium	-3%	0.89	19	2	-2								
	MSDW Global Brands	Very Low	+1%	0.64		25	-0								
	MSDW Global Value	Low	-3%	0.88		16	-3								
	Martin Currie Global	High	-3%	0.93	37	21	-5								
	Merrill Global Titans	Medium	-3%	0.92		16	-3								
	NFU Mutual Global Growth	Medium	-3%	0.87		24	-3								
	NatWest International Growth	Medium	-3%	0.89		21	-4								
	New Star Global Equity Ret A	Medium	-4%	0.59	35	22	0								
Buy	New Star Global Financial	Very High	+12%	0.90		43	1								
	Newton Falcon	Medium	+3%	0.90		26	-2								
	Newton International	High	-1%	0.94	46	16	-4								
	Norwich International Index	Medium	-0%	0.88	40	21	-2								
	Norwich World Leaders	High	-2%	0.86		27	-2								
	Old Mutual Global Equity	Medium	+0%	0.81		25	1								
	Old Mutual Worldwide	Medium	-3%	0.88	40	20	-4								
	Prudential Global Growth	Medium	-5%	0.88	33	21	-3								
	Prudential Int'l Growth	Medium	-5%	0.86	31	21	-3								
	Rathbone Global Companies	Very High	+5%	0.75	89	28	-7								
	SWIP Global	Medium	-4%	0.86		21	-3								
	SWIP Global SRI	Medium	-4%	0.84		17	-4								
	Scot Mutual International	Medium	+0%	0.92	45	24	-2								
	Scot Wid. Global Growth	Medium	-4%	0.87		17	-3								
	Scot Wid. Global Select Gth	Medium	-3%	0.69		20	-8								
	Scot Wid. Int Equity Tracker	Very High	-4%	0.16		23	28								
	Singer & Friedlander Global	Medium	-2%	0.91	39	22	-4								
	UBS UK & International	Medium	+0%	0.91		25	0								
<b>AUSTRALIAN LISTED INVESTMENT TRUSTS</b>															
Avoid	Platinum Capital	Very Low	-7%	0.17	4	18	4								
	Templeton Global	Low	-0%	0.29	19	10	-11								
<b>NEW ZEALAND LISTED INVESTMENT TRUSTS</b>															
	World Index Fund	Medium	-4%	0.66	28	16	-1								
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>															
	Alliance Trust	High	-3%	0.77	40	27	-2								
	Anglo & Overseas Trust	Very Low	-2%	0.26	41	17	1								
	Bankers Investment	High	-1%	0.86	48	31	-0								
	Blue Planet W/wide Fin.	Very High	+24%	0.41		79	23								
Buy	Brit Empire Securities	Very High	+13%	0.74	125	27	-2								
Buy	Brunner Invest. Trust	Very High	+0%	0.90	60	28	-1								
Buy	Caledonia	Very High	+11%	0.61	125	40	1								
	Capital Gearing Trust	Low	-1%	0.36	38	8	-7								
	EP Global Opportunities	High	+6%	0.77		25	3								
	Edinburgh Investment	Very High	-1%	0.69	57	30	3								
	Edinburgh Worldwide	Very High	+4%	0.62	71	25	-2								
	Electric & General	High	+2%	0.85		23	-3								

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Insight US Equity	High	-2%	0.89	15	15	-2
	Invesco Perp US Aggressive	Very High	-6%	0.75	11	7	-0
	Invesco Perp US Equity	Very High	-5%	0.84	7	10	-2
	Investec American	High	+1%	0.86	21	21	1
	JPM United States Growth	Very High	+2%	0.86	33	19	-2
	Jupiter North America	Medium	+2%	0.52	22	13	-4
	L & G (Barclays) America	High	-1%	0.83	22	16	-1
	L & G North American	Medium	-1%	0.71	17	16	-6
	L & G US Index	High	+0%	0.90	23	16	-1
	Legg Mason US Equity	Very High	-3%	0.65	9	9	-5
	Lincoln North American	Very High	-0%	0.88	20	13	-2
	Liv Victoria US Growth	Very High	-0%	0.88	14	3	-3
Buy	MSDW UK Equity	High	+9%	0.49	30	3	
	Martin Currie North American	Very High	+2%	0.57	33	18	4
	Merrill American	Very High	+2%	0.81	28	13	-4
	New Star American Portfolio	High	+2%	0.86	16	1	-1
	New Star North America Ret A	Very High	-2%	0.86	17	19	-0
	Newton American	High	+1%	0.87	24	14	-1
	Old Mutual North American	Very High	+4%	0.74	40	22	2
	Prudential North American	High	-1%	0.81	19	17	-1
	Royal London North American	High	-2%	0.88	18	13	-2
	S & W American	Very High	+4%	0.83	34	15	-3
	SG American Growth	Very High	-1%	0.80	18	12	-5
	SWIP North American	Very High	-0%	0.85	11	3	-3
	Scot Mutual North American	High	+0%	0.85	23	18	-2
	Scot Wid. American	High	-2%	0.85	13	10	-3
	Scot Wid. American Sel Gth	Very High	-0%	0.86	10	3	-3
	Sing & Fried Amer Growth	Very High	-0%	0.82	9	9	-6
	Skandia American	Very High	-3%	0.80	12	3	-3
	Skandia US Equity Blend	Very High	-1%	0.80	12	3	-3
	Stan Life America	High	+1%	0.83	19	15	-3
	Threadneedle American Gth	Medium	+3%	0.66	15	16	-3
	Tilney American Growth	Very High	-1%	0.64	4	7	-7
	UBS US Equity	Medium	+3%	0.84	17	17	-1

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	36 mth	12 mth	3 mth
	American Opportunity	Very Low	+5%	0.13	24	2	-5
	Edinburgh US Tracker	High	-0%	0.82	23	20	-1
	JPMF American	Very High	+1%	0.75	26	21	-2



**UNITED STATES SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	36 mth	12 mth	3 mth
	F & C US Smaller Coys	Low	+3%	0.75	37	16	-6
	Fidelity American Spec Sits	High	-4%	0.83	13	9	-13
	Gartmore PP US Smaller Coys	Very High	+3%	0.87	21	5	-5
	Gartmore US Smaller Coys	Very High	+2%	0.87	20	5	-5
Avoid	Invesco Perp US Smaller Coys	Medium	-10%	0.69	1	10	-3
	JPM US Smaller Companies	Very High	+0%	0.91	14	8	-8
	Merrill American Opps	Very High	-0%	0.85	33	17	-5
Buy	Old Mutual UK Select Small Cos	Very Low	+19%	0.38	48	5	5
	SWIP North American Small Cos	Medium	+2%	0.81	9	9	-9
	Schroder US Smaller Coys	Medium	+4%	0.84	50	22	-4
	Scot Wid. American Small Cos	Medium	+3%	0.81	9	10	-10
	Threadneedle Amer Small Cos	High	-0%	0.84	33	8	-6

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	36 mth	12 mth	3 mth
Buy	F & C US Smaller Coys	Medium	+5%	0.63	40	18	-7
Buy	JPMF US Discovery	Medium	+6%	0.53	34	12	-10
	Nth Atlantic Smaller	Very Low	+14%	0.20	88	14	-3
Buy	Renaissance U.S.	Very Low	+18%	0.08	52	20	-9

**UNITED KINGDOM**

**UNITED KINGDOM BASED UNIT TRUSTS**

	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	36 mth	12 mth	3 mth
	AXA Ethical B	Medium	+3%	0.46	42	7	-3
	AXA Framlington UK Growth	Medium	+2%	0.80	47	25	-3
	AXA UK Equity Income	Low	+0%	0.64	26	2	-2
	AXA UK Growth	Medium	+2%	0.75	56	31	1
	AXA UK Opportunities	Very High	+1%	0.72	61	33	-1
	AXA UK Tracker	Medium	+1%	0.91	49	25	-2
	Abbey Nat'l N & P UK Growth	High	+0%	0.75	50	25	-4
	Abbey Nat'l Stockmarket 100	Medium	+3%	0.95	57	26	-2
	Abbey Nat'l UK Growth	High	-1%	0.80	50	25	-2

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
Buy	Aberdeen UK Growth	Very High	+13%	0.45	106	65	-1
	Aegon UK Equity Growth	High	+3%	0.90	65	30	-1
	Allianz Dres UK Growth	Medium	+3%	0.81	54	25	-4
	Allianz Dres UK Index	Medium	+0%	0.92	50	25	-3
	Artemis UK Growth	Medium	+6%	0.43	68	21	-5
Buy	Artemis UK Special Sits	Medium	+7%	0.57	70	26	-1
	BG British 350	Medium	+2%	0.82	48	24	-4
	BGI Growth & Income	Medium	+1%	0.84	25	2	-2
	Baring UK Growth	Medium	+2%	0.83	57	28	-1
	CIS UK FTSE-4-GOOD Tracker	Medium	+0%	0.90	25	2	-2
	CIS UK Growth	High	+1%	0.91	49	27	-1
	CS FTSE 100 Tracker	Medium	-0%	0.96	45	22	-4
	CS MM UK Growth	Medium	+5%	0.76	29	1	-1
	Cazenove UK Growth & Income	Medium	+0%	0.72	24	2	-2
	Direct Line FTSE 100 Tracker	Medium	+1%	0.95	56	25	-2
	Direct Line FTSE-4-GOOD Track.	Medium	+1%	0.93	24	3	-2
	F & C Blue	Very Low	-0%	0.39	20	2	-2
Buy	F & C FTSE 100 Tracker	Medium	+7%	0.57	69	25	-3
	F & C FTSE All Share	Medium	+1%	0.90	50	25	-2
	F & C UK Equity 1	High	+2%	0.90	23	2	-2
Buy	Fidelity Special Situations	Medium	+8%	0.71	82	27	-5
	Fidelity UK Aggressive	High	+5%	0.76	24	2	-2
	Fidelity UK Growth	High	+1%	0.83	49	19	-3
	First State British Opps	Very High	+0%	0.72	56	30	4
	GAM UK Diversified	Medium	+5%	0.67	60	30	-0
	Gartmore UK Focus	Very High	+1%	0.76	29	2	-2
	Gartmore UK Growth	High	+2%	0.86	26	4	-4
	Gartmore UK Index	Medium	+4%	0.55	63	35	6
	Gartmore UK Tracker	Medium	+1%	0.96	25	2	-2
	HSBC Blue Chip	Medium	-0%	0.94	21	4	-4
	HSBC FTSE 100 Index	Medium	-0%	0.94	45	22	-2
Buy	HSBC FTSE 250 Index	High	+7%	0.60	81	40	1
	HSBC FTSE All Share Index	Medium	+0%	0.90	24	2	-2
	HSBC UK Gth & Inc	Medium	+1%	0.77	44	21	-4
	Halifax Special Situations	High	-1%	0.85	20	4	-4
	Halifax UK All-Share Index	Medium	+0%	0.94	25	3	-3
	Henderson UK Capital Growth	High	+4%	0.56	69	36	5
	Hill Samuel Capital	Medium	+0%	0.69	48	23	-3
	Inscape UK Equities	High	+3%	0.89	29	3	-3
	Insight UK Discretionary	Medium	+1%	0.76	20	2	-2
	Insight UK Dynamic Managed	Medium	+6%	0.70	30	1	-1
	Insight UK Equity	Medium	-1%	0.71	25	0	-0
Buy	Invesco Perp UK Aggressive	Medium	+10%	0.51	81	36	2
	Invesco Perp UK Equity	Low	+4%	0.72	68	33	0
	Invesco Perp UK Growth	Medium	+3%	0.62	61	29	-1
	Invesco Perp UK Key Trends	Medium	+2%	0.49	52	21	-4
Buy	Investec UK Blue Chip	High	+2%	0.89	26	3	-3
Buy	JPM UK Dynamic	High	+10%	0.70	94	40	-2
Buy	Jupiter Environmental	Very Low	+7%	0.28	76	36	4
Buy	Jupiter UK Growth	Very High	+9%	0.70	97	45	-1
	Jupiter UK Special Situations	High	+3%	0.51	48	29	-1
	Jupiter Undervalued Assets	Low	+6%	0.71	62	32	-0
	L & G (A & L) Capital Growth	Medium	+3%	0.87	58	27	-2
	L & G (A & L) UK 100 Index	Medium	+1%	0.91	54	25	-3
	L & G (Barclays) 500	Medium	+3%	0.61	55	31	-1
	L & G UK Index	High	+2%	0.83	58	25	-2
	Lincoln Growth	Medium	+0%	0.83	45	25	-4
	Liv Victoria Growth	Very High	+1%	0.60	24	3	-3
	M & G British Opportunities	High	+5%	0.74	69	27	-5
	M & G Index Tracker	Low	+3%	0.21	51	6	-2
Buy	M & G Recovery	High	+7%	0.67	70	29	-4
	M & G UK Growth	Very High	+4%	0.77	65	33	-3
	MLC UK Equity	Medium	+0%	0.84	28	0	-0
	MSDW UK Index Linked	Very Low	-1%	0.00	21	3	-3
	Martin Currie UK Growth	High	+4%	0.83	66	27	-4
	McHattie Warrant Alert	Very High	+6%	0.87	32	3	-3
	Merrill Growth Portfolio	High	-1%	0.87	23	2	-2
	Merrill UK	Very High	-1%	0.41	9	3	-3
Buy	Merrill UK Dynamic	Very High	+7%	0.78	29	4	-4
	Merrill UK Spec Sits	Medium	+6%	0.76	75	27	-3
	NFU Mutual UK Growth	Medium	+0%	0.80	27	3	-3
	NatWest Growth	Medium	+0%	0.89	26	2	-2
	New Star Hidden value	Very High	-0%	0.66	24	6	-6
	New Star Select Opportunities	High	-5%	0.54	9	6	-6
	New Star UK Alpha	High	+5%	0.69	36	0	0
	New Star UK Growth	High	+5%	0.69	35	2	-2
	Newton Growth	Medium	+1%	0.83	23	2	-2
	Newton UK Opportunities	Medium	+3%	0.73	29	1	-1
	Norwich Blue Chip Tracking	High	-0%	0.94	45	22	-2
	Norwich UK Equity	High	+0%	0.88	24	1	-1
	Norwich UK Ethical	High	+1%	0.67	31	0	0
	Norwich UK Growth	Medium	+2%	0.56	44	21	-4
	Norwich UK Index	Medium	+1%	0.91	49	24	-2
	Old Mutual Equity Income	Medium	+2%	0.81	25	1	-1
	Old Mutual Ethical	High	+6%	0.63	38	2	-2
	Old Mutual UK Equity	High	+0%	0.89	25	3	-3
	Old Mutual UK Select Equity	High	+1%	0.91	25	4	-4
	Old Mutual UK Select Large Cap	High	-1%	0.89	19	5	-5
	Prudential UK Growth	Medium	-1%	0.81	35	22	-4
	Prudential UK Index	High	-1%	0.49	46	8	-4
	Rathbone Capital	Very High	-0%	0.74	48	18	-3
	Rathbone Spec Situations	High	+5%	0.35	41	4	-16
	Royal London UK Equity	High	+2%	0.93	58	27	-2
	Royal London UK Growth	Medium	+1%	0.93	57	27	-3
	SG UK 350	Medium	+1%	0.87	28	2	-2
	SG UK Growth	Medium	+3%	0.50	54	23	-4
	SG UK Special Opps	High	-1%	0.63	31	1	-1



Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
Buy	SVM UK 100 Select	High	+3%	0.80	31	-3	
Buy	SVM UK Opportunities	Very High	+8%	0.57	44	2	
Buy	SWIP Financial	Very High	+7%	0.70	35	0	
Buy	SWIP UK Opportunities	Very High	+6%	0.80	32	-2	
Buy	Schroder UK Mid 250	High	+10%	0.57	94	45	0
	Scot Mutual Growth	Low	+1%	0.79	46	22	-2
	Scot Mutual Opportunity	Medium	+2%	0.76	55	25	-2
	Scot Mutual UK All Share Index	Medium	+5%	0.93	65	29	-2
Buy	Scot Mutual UK Equity	Very Low	+12%	0.01	137	97	54
	Scot Wid. UK All Share Track	Medium	-5%	0.25	2	-1	
	Scot Wid. UK Growth	Medium	+2%	0.60	54	29	3
	Scot Wid. UK Index	Very Low	-3%	0.04	18	17	-1
	Scot Wid. UK Tracker	Medium	+1%	0.87	22	-2	
	Sing & Fried UK Growth Retail	High	+1%	0.77	23	-3	
	Skandia Equity	Medium	-1%	0.77	22	-4	
	Skandia UK Equity Blend	Medium	+1%	0.74	23	-4	
	Solus UK Special Situations	Very High	+1%	0.76	55	24	-4
	St James's UK & Gen Prog.	Medium	+0%	0.74	47	27	-1
Buy	Stan Life UK Equity Gth	High	+5%	0.84	67	31	-1
	Stan Life UK Opportunities	Medium	+10%	0.55	42	5	
	TU British	High	-1%	0.86	20	-5	
	Tilney UK Equity	Medium	-1%	0.79	41	24	-1
	UBS UK Select	Medium	+0%	0.86	23	-2	

## UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	3i Group	Very High	+4%	0.38	55	34	-2
Buy	Advance UK	High	+9%	0.68	80	32	-0
Buy	Albany	Medium	+8%	0.49	70	46	4
Buy	Aurora Invest Trust	Very High	+0%	0.41	39	20	-5
Buy	British American IT	Medium	+8%	0.23	53	26	-2
	British Assets	High	-4%	0.76	36	18	-3
	British Portfolio Trt	High	+1%	0.81	52	22	-2
Avoid	City Merchants High Yld	Very Low	-7%	0.15	2	9	-3
	City of London	High	+1%	0.56	51	33	2
	Edinburgh UK Tracker	Medium	-1%	0.88	45	27	-2
	F & C Capital & Income	Low	+2%	0.35	47	24	-2
Buy	Falcon Investment Trust	Medium	+10%	0.30	85	33	-3
Buy	Fidelity Special Values	High	+8%	0.57	81	25	-6
Buy	Finsbury Growth	Medium	+9%	0.41	103	30	2
Buy	Gartmore Growth Opps	Very Low	+14%	0.10	82	19	-4
	Glasgow Income Trust	Medium	+2%	0.57	54	32	4
Buy	Hansa Trust	High	+26%	0.29	200	47	8
	ISIS UK Select	High	+4%	0.51	69	34	1
Buy	Independent Invest Trt	Very High	+10%	0.42	77	58	10
	Invesco Income Growth	Medium	+2%	0.47	61	31	3
Buy	JPMF Claverhouse	Very High	+2%	0.87	29	-3	
	JPMF Mid Cap	Very High	+12%	0.49	111	57	4
	Life Offices Opport.	Very Low	+5%	0.09	35	30	-6
	London & St Lawrence	Low	+1%	0.54	37	21	-3
	Lowland Investment Co	Very High	+5%	0.55	71	30	2
	Merchants Trust	Very High	+1%	0.69	59	33	-0
	Murray Income Trust	Very High	+1%	0.74	58	26	-2
	Perpetual Income & Gth	Medium	+6%	0.45	72	27	-1
	SVM UK Active	Very High	+6%	0.55	53	34	-8
	Schroder Income & Grwth	Very Low	+1%	0.41	37	22	-2
	Schroder UK Growth	Medium	+1%	0.47	43	32	1
	Shires Income	Medium	+1%	0.20	35	20	-7
	Temple Bar Inv. Trust	Medium	+1%	0.57	53	16	-1
	UK Select	High	+6%	0.54	29	-5	
	Value & Income Trust	Low	+5%	0.30	61	24	-7

## UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL

Buy	Blue Chip Value & Inc	Very High	+14%	0.37	136	55	3
Avoid	Danae - Capital	Very Low	-21%	0.00	-49	-15	-5
Buy	Ecofin Water & Power(c)	Low	+70%	0.09	796	95	16
Buy	Equity Partnership	Very Low	+9%	0.01	65	32	2
Buy	Framlington I & C - Cap	High	+29%	0.31	189	36	2
Buy	Gartmore High Income	Very High	+13%	0.28	107	57	2
Buy	Investec High Income	Medium	+21%	0.25	121	33	-3
Buy	JPMF Income & Capital	Very High	+11%	0.51	116	43	1
Buy	JPMF Income & Gth (cap)	Very High	+16%	0.44	152	33	4
Buy	M & G Equity Trust -Cap	Very High	+5%	0.22	61	17	-5
Buy	M & G High Income - Cap	Very High	+18%	0.20	161	41	11
	M & G Income	Low	+6%	0.25	58	23	-2
	M & G Recovery	Low	+2%	0.29	50	7	-8
	Merrill FTSE100 G&I (c)	Very Low	+2%	0.23	33	18	-3
Buy	Rights & Issues	Very Low	+13%	0.03	85	27	-1
	Schroder Split Invest.	Very High	+4%	0.58	78	31	-1

## UNITED KINGDOM SMALLER COS

## UNITED KINGDOM BASED UNIT TRUSTS

Buy	AXA Framlington UK Small Coys	Medium	+10%	0.77	113	24	-2
	Abbey Nat'l Smaller Cos	High	+2%	0.83	60	30	-3
	Aberdeen UK Emerging	Medium	+0%	0.77	53	36	-2
Buy	Aberforth UK Small Coys	Low	+10%	0.88	91	35	2
Buy	Allianz Dres UK Mid-Cap	High	+8%	0.83	96	43	2
Avoid	Artemis New Enterprises	Very High	-9%	0.81	27	9	-2
	Artemis UK Smaller Coys	Medium	+6%	0.66	76	19	-7
Buy	BG British Smaller Coys	High	+11%	0.71	112	44	2
	Baring UK Small Coys	Medium	+2%	0.85	59	28	-3
Avoid	CF Canlife UK Small Coys	Medium	-8%	0.38	3	7	-0
	CS Smaller Companies	Medium	+6%	0.90	39	0	-7
	CS UK Mid 250	High	+5%	0.78	77	38	1
	Cavendish Opportunities	Medium	+1%	0.81	57	23	-1
	Cazenove UK Smaller Coys	High	+5%	0.78	82	42	1
	F & C AIM Growth	Medium	-2%	0.49	45	11	-1

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
Buy	F & C UK Smaller Companies	Medium	+8%	0.92	89	33	0
	First State British Small Cos	Medium	+3%	0.49	65	16	-4
	Gartmore UK & Irish Small Cos	High	-0%	0.81	20	-4	
	HSBC UK Smaller Companies	Medium	-0%	0.76	46	22	-2
	Halifax Smaller Companies	Medium	-2%	0.92	25	1	
	Henderson UK Small Coys	High	+6%	0.92	87	39	-0
	Insight UK Small Cap	Low	+4%	0.87	66	28	0
	Invesco Perp UK Small Coys	High	+2%	0.79	73	13	-5
Buy	Invesco Perp UK Small Cos Equ.	Medium	+7%	0.92	88	38	1
Buy	Investec UK Smaller Cos	Low	+10%	0.82	35	-2	
Buy	JPM UK Smaller Companies	High	+8%	0.91	99	42	0
	Jupiter UK Small Cos	High	+2%	0.70	79	25	-0
	L & G UK Small Coys	Medium	+5%	0.80	77	36	-1
	Legg Mason US Smaller Coys	Very High	-2%	0.50	21	-6	
Buy	M & G Smaller Companies	High	+10%	0.87	105	39	0
Buy	Marlborough Special Situations	High	+8%	0.79	98	23	-2
	Marlborough UK Micro Cap Gth	Low	+5%	0.50	31	-2	
Buy	Merrill UK Small Companies	Medium	+12%	0.80	114	33	1
	Norwich UK Smaller Cos	Medium	+3%	0.90	54	27	-2
Buy	Old Mutual UK Select Mid Cap	High	+11%	0.85	47	1	
	Premier UK Smaller Coys	Medium	-2%	0.47	42	4	-7
Buy	Prudential Smaller Companies	Medium	+8%	0.83	95	37	0
Buy	Rathbone Smaller Coys	Medium	+8%	0.85	88	28	-0
	S & W Smaller Securities	Very High	-3%	0.56	49	9	-7
	SG UK Smaller Companies	Medium	+0%	0.88	26	1	
	Schroder UK Smaller Coys	Medium	+4%	0.92	64	31	-1
	Scot Wid. UK Smaller Coys	Medium	+5%	0.88	39	1	
Buy	Stan Life UK Smaller Cos	Medium	+11%	0.88	100	49	2
	Threadneedle UK Smaller Cos	High	+6%	0.89	81	42	0
	UBS UK Smaller Companies	High	+6%	0.69	28	-4	
	Unicorn UK Smaller Coys	Medium	-5%	0.64	26	-9	

## UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

	Aberforth Smaller Coys	High	+1%	0.76	74	25	3
	Active Capital Trust	Very High	-2%	0.71	58	10	-10
	Chelverton Growth Trust	Medium	+6%	0.19	56	9	-11
Buy	Dunedin Smaller Coys IT	Medium	+11%	0.63	102	51	1
Avoid	Eaglet Investment Trust	Very High	-7%	0.56	41	44	0
Buy	Edinburgh Smaller Coys	Very High	+13%	0.65	123	53	-2
Buy	Framlington Innovation	High	+7%	0.65	96	30	8
	Gartmore Fledgling Indx	High	+1%	0.52	71	18	4
	Gartmore Small Coys	High	+2%	0.59	68	17	-3
Buy	Henderson Smaller Cos	Very High	+8%	0.82	115	51	3
	Henderson Strata Inv	High	+5%	0.51	90	29	6
	Invesco England	Very High	+6%	0.64	106	17	-6
Buy	Invesco Perp UK Smaller	High	+7%	0.69	96	36	2
Buy	JPMF Mercantile	Very High	+7%	0.77	93	61	4
Buy	JPMF Smaller Cos	Very High	+11%	0.79	128	45	2
	Merrill British Sm Coys	Very High	+6%	0.90	36	1	
Buy	Montanaro UK Small Coys	High	+10%	0.74	107	39	1
	Osprey Small Cos Income	Very High	+1%	0.74	63	39	2
	Platinum Trust	Very Low	+6%	0.28	46	11	-8
Buy	SVM UK Emerging Fund	Very Low	+13%	0.11	45	-6	
Buy	Schroder UK Mid & Small	Very High	+8%	0.79	37	5	
	Shires Smaller Coys	High	-5%	0.56	44	5	-2
Buy	Throgmorton Trust	Very High	+7%	0.75	96	19	-3

## UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL

Buy	Aberforth Geared (cap)	Very High	+22%	0.61	212	44	0
	Small Companies Div.	Very Low	+5%	0.37	30	-4	
Buy	Small Cos Value Trt (c)	High	+26%	0.28	38	-3	

## United Kingdom



## EUROPE

## AUSTRALIAN BASED UNIT TRUSTS

	Allianz Europe Growth	Very Low	+1%	0.38	46	11	-6
	BT Europe Growth	Medium	+2%	0.73	59	27	2
	Perpetual Fid. Europe	Very Low	-4%	0.20	24	4	-6
	Platinum Europe	Medium	-2%	0.46	32	15	-11

## NEW ZEALAND BASED UNIT TRUSTS

	Tower Spotlight Europe	Low	-2%	0.50	38	18	-0
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## UNITED KINGDOM BASED UNIT TRUSTS

	AXA European Growth	High	+4%	0.82	86	37	3
	AXA Framlington European	Very High	+4%	0.81	87	27	-4

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Aegon European	High	+1%	0.86	71	32	-0
	Allchurches Euro Growth	Low	+1%	0.85	61	31	0
	Allianz Dres Cont. Euro.	Medium	+1%	0.87	68	29	-0
	Allianz Dres Euro Index	Medium	+1%	0.91	70	31	-0
Buy	Artemis European Growth	Very High	+7%	0.87	99	27	-4
	BG Europe	Medium	+2%	0.80	70	32	-1
Buy	Baring Euro Sel.	High	+11%	0.72	123	34	-2
	Baring European Growth	High	+5%	0.85	87	41	-1
	CIS European	Medium	-1%	0.87	59	26	1
Buy	CS Euro Frontiers	Very High	+14%	0.52	135	26	-3
	CS European	Medium	-1%	0.88	57	26	-0
	CS MM European Portfolio	High	+6%	0.78	31	0	
	Cazenove European Portfolio	Medium	+5%	0.82	85	35	2
	F & C European 1	Medium	+2%	0.88	67	29	-2
Buy	Fidelity European	Medium	+7%	0.87	94	25	-3
Buy	Fidelity European Opps	High	+7%	0.82	90	29	-3
	Gartmore European	Medium	+2%	0.88	73	30	-1
Buy	Gartmore European Focus	Medium	+8%	0.86	31	-1	
	Gartmore European Sel Opps	High	+3%	0.91	82	34	0
	HSBC European Growth	High	+2%	0.92	65	28	-3
	HSBC Eurotrack 100	Medium	+1%	0.91	66	30	0
	Henderson Euro Cap Gth	High	+2%	0.89	72	30	-1
	Henderson European	Medium	+2%	0.89	28	-1	
	Inscape Europe	High	+4%	0.89	35	1	
	Insight Euro Discretionary	Medium	+4%	0.89	31	-0	
Buy	Insight European	Very Low	+7%	0.39	76	31	1
	Insight Pan Euro Sel Opps	Medium	+1%	0.82	23	-2	
	Invesco Perp Euro Growth	Medium	+2%	0.85	74	33	1
	Invesco Perp European Equity	Medium	+4%	0.83	81	33	1
	Investec European	Medium	+4%	0.90	31	0	
	Investec Pan European	High	+2%	0.93	31	-1	
Buy	JPM European Dynamic	High	+12%	0.89	45	-0	
	JPM European Growth	High	+5%	0.90	88	32	-1
Buy	JPM New Europe	Very High	+14%	0.55	140	31	-5
Buy	Jupiter Emerging European	Very High	+11%	0.71	31	-2	
Buy	Jupiter European	Very Low	+7%	0.42	75	28	-1
	L & G (A & L) European	Medium	-1%	0.83	58	29	-1
	L & G Euro Index	Medium	+1%	0.89	68	30	-1
	L & G European	High	-1%	0.88	64	30	-3
	Lazard European Growth	High	+3%	0.88	75	29	-2
	Lincoln European	High	+1%	0.91	72	29	-0
	Liv Victoria European	High	+2%	0.91	35	-1	
	M & G European	High	+2%	0.87	79	31	-1
	M & G European Index Tracker	Medium	+5%	0.80	85	33	1
	MSDW Europe (ex-UK)	Medium	-1%	0.87	32	0	
	Martin Currie European	Very High	+3%	0.85	77	35	-1
	Merrill Continental Euro	High	+4%	0.87	34	-2	
	Merrill European Dynamic	Very High	+6%	0.88	34	-1	
Buy	Neptune Russia & Gtr Russia	Very High	+21%	0.81	55	4	
Buy	New Star European Growth	Medium	+8%	0.76	40	-0	
	New Star European Leaders	Medium	+3%	0.90	28	-1	
	New Star European Portfolio	Very High	+5%	0.79	25	-3	
	Newton Continental European	Medium	+3%	0.88	73	32	-3
	Newton Pan-European	Medium	+2%	0.90	62	27	-3
	Old Mutual European Equity	High	+2%	0.91	32	-0	
Buy	Premier European Growth	Medium	+9%	0.68	104	30	-4
	Prudential Euro Index	High	-1%	0.68	57	15	-4
	Prudential European	High	+1%	0.78	69	32	2
	Royal London European Gth	Medium	+3%	0.40	77	32	1
	S & W European	Medium	+0%	0.89	60	29	-1
Buy	SG European	High	+11%	0.26	138	37	4
Buy	SVM Continental European	Very High	+8%	0.75	35	-1	
	SWIP European	Medium	+5%	0.78	28	-1	
	SWIP Pan Euro Equity	Medium	+5%	0.80	35	1	
	SWIP Pan European SRI	Medium	+4%	0.84	33	1	
	Schroder European	Medium	+5%	0.86	82	33	1
	Scot Mutual European	Medium	+1%	0.89	69	32	1
	Scot Wid. Euro Select Gth	Medium	+6%	0.72	30	-2	
	Scot Wid. Euroland	Medium	+6%	0.78	78	31	0
	Scot Wid. European Growth	Medium	+5%	0.80	79	28	-1
	Sing & Fried European Growth	High	+6%	0.84	30	-3	
	Skandia Continental European	Medium	+2%	0.86	29	-1	
	Skandia European Equity Blend	High	+2%	0.85	29	-1	
	St James's Gtr Euro Prog.	Low	+3%	0.75	64	29	-1
	Stan Life Euro Equity Gth	High	+6%	0.79	83	37	1
	Stan Life European Eq Ind Trk	Medium	+1%	0.87	32	2	
	TU European	Medium	+2%	0.86	24	-1	
	Threadneedle Euro Growth	High	+2%	0.87	72	28	-1
	Threadneedle Euro Sel Growth	High	+2%	0.87	69	28	-1
	Threadneedle Pan Euro Gth	Medium	+1%	0.90	60	28	-3
	Tilney European Growth	High	+5%	0.78	86	41	-0
	UBS European Equity	Very High	+3%	0.92	30	2	

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Artemis Alpha	High	+8%	0.18	92	6	-9
Buy	Baring Emerging Europe	Very High	+16%	0.47	162	16	-7
Buy	Blue Planet Euro Fin.	Very High	+18%	0.46	67	12	
Buy	Blue Planet Gth & Inc	Very High	+9%	0.30	80	40	10
	Charter Pan European	Very High	+3%	0.82	75	26	-2
Buy	Eastern European	Very High	+17%	0.55	178	17	-3
Buy	European Assets	High	+13%	0.53	131	37	-1
	Gartmore European	Very High	+6%	0.86	108	44	4
Buy	Gartmore Irish Small	Medium	+17%	0.29	161	45	2
Buy	Henderson Eurotrust	High	+9%	0.52	105	28	-0
Buy	Invesco Perp European	Very Low	+10%	0.28	88	22	-1
Buy	JPMF Russia	Very High	+25%	0.40	199	54	-5
Buy	Jupiter European Opps	Low	+14%	0.39	114	36	1
	Merrill Greater Europe	Very High	+4%	0.86	33	-1	

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
Buy	SR Europe	Very High	+18%	0.40	136	37	-8
<b>UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL</b>							
	Premier Euro Utilities	Very High	+6%	0.45	45	8	

**EUROPE SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	BG Euro Small Coys	High	+13%	0.66	119	34	-6
Buy	Henderson European Small Cos	Medium	+14%	0.58	127	37	-2
Buy	Insight European Small Cap	Medium	+10%	0.62	36	2	
Buy	Invesco Perp Euro Smaller Cos	Very High	+10%	0.63	123	33	-4
Buy	JPM European Smaller Coys	Very High	+14%	0.69	144	33	-4
Buy	Jupiter Euro Spec Sits	Medium	+12%	0.46	115	36	-1
Buy	SWIP Pan-Euro Small Companies	Very High	+10%	0.79	42	-0	
Buy	Schroder Euro Small Coys	Medium	+14%	0.63	136	35	-1
Buy	Threadneedle Euro Small Cos	High	+13%	0.63	133	35	-2

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Fidelity Euro V.	Very High	+9%	0.64	128	23	-1
Buy	JPMF Euro Fledgling	Very High	+17%	0.65	203	32	-2
Buy	TR European	Very High	+15%	0.65	163	28	-5

**France**



**Switzerland**



**GERMANY**

**UNITED KINGDOM BASED UNIT TRUSTS**

Baring German Growth	Medium	+3%	0.82	92	32	-1
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**Germany**



# *Taxation of International Investments:*

## *Unpopular Unrealised Capital Gains Tax Cancelled, Replaced by “Face Saving” Proposal*

### **History**

The simple fact is that it is virtually impossible to trace or enforce taxes on foreign income. Perhaps that is why half the governments in the world don't waste their time trying - but run *territorial* tax systems. These tax only *local* income, ignoring *foreign* income which will already have been taxed in its country of source. Other countries try to tax all income - with complicated rules to give some entities (e.g. the parent company of a wholly owned offshore subsidiary) some credit for foreign taxes paid.

There is no simple international tax system. Largely it must rely on *voluntary* compliance - especially when taxing individual investors. Make a tax unattractive and tax payers won't comply - or will migrate (i.e. the corporate entities or individuals) to a more tax friendly country!

Prior to March 1985, the NZ government didn't have a problem taxing international investments . There weren't any of significance! New Zealand had foreign exchange controls which made it impossible to send money offshore for investment. There was a small pool of controlled foreign money (which traded at a 40-60% premium over the exchange rate), invested in Australian shares - and a few migrants may have still owned some UK shares. Investors were taxed on any *income* produced on these investments.

In March 1985 exchange controls were removed and NZ investors were free to send any amount of money anywhere in the world for investment any way they chose. That month we began recommending investments in a range of UK based and US based investment funds.

Owing to the difficulty of tracing and taxing international investments, the NZ government introduced Foreign Investment Fund rules and tax legislation covering Controlled Foreign Companies - effectively “blacklisting” low tax and no tax countries by imposing an unfavourable unrealised capital gains tax on FIFs and imposing NZ tax rules on CFCs. A handful of countries (i.e. Australia, the UK, the US and a few others) were “grey-listed” and exempt from the anti-tax haven rules. In recent years this exemption from these punitive taxes has been described as a “loophole” by the government!

Following the 1987 stockmarket and property crash, the government indicated it would review and change the taxation of international investments. That resulted in almost *two decades* of uncertainty for investors.

That uncertainty continues today . . .

### **Unrealised Capital Gains Tax Cancelled!!**

The hugely unpopular proposal to introduce an unrealised capital gains tax has been cancelled! Apparently it was not owing to the widespread opposition from investors but the loss of political support from minority parties. Lacking the votes to push through the legislation, the government has avoided a defeat in Parliament and quietly abandoned the unrealised capital gains tax . . . and replaced it with a face saving proposal.

### **Yet Another New Proposal**

The new proposal does not appear to be well thought out - so expect further changes over the months and decades ahead. The government is now proposing a tax based upon a *deemed rate of return*. In other words, it will simply *assume* a particular rate of return on international investments and tax that assumed income.

The current proposal will assume investors earn perhaps 3% or 5%, on perhaps the starting value or the *average* value of their portfolio - and then assess income tax on this deemed rate of return.

Individual investors *may* only be subject to this tax in years when their portfolio earns a *positive* total return. So in the 35-45% of one-year periods when an international share portfolio earns a *negative* total return there *may* be no tax to pay! The tax liability may also be slightly lower in the approximately 10% of years when the total return is between 0% and 5%. So the full tax would only be payable 40-50% of the time!

*Institutional investors*, however, would be taxed on the deemed 5% return *every year*. This ignores the main *justification* for the changes: to apply the *same taxes* whether a person invests *through* an investment fund or invests *directly* in international shares.

### **Summary and Recommendation**

There is still no need to panic! Nor can NZ investors make any long term tax plans. The current proposal *may* come into effect from 1 April 2007 - but will probably change and probably be delayed. The current proposal is simpler to administer and the taxes are not too high. There is no carried forward liability, which we saw as a major fault with the previous proposal.

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### *Next Issue:*

The next issue of *International Investor* will be emailed in five weeks time on Monday November 13, 2006.

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