

International Investor

Issue No. 144

www.stockmarket.co.nz

December 10, 2007

Inside International Investor

Private Equity Investor distributes
£12.5 million through tender offer 2, 3

Listed Property Trusts prices fall to significant
discounts to net asset values 4, 5

Founder: James R Cornell (B.Com.)

World Stockmarket Forecasts

Stockmarket	One-Year Forecast	Fundamental Indicators	Technical Indicators	Monetary Indicators	Economic Indicators	Historical Performance (in US\$)			Share Index
						3 mths	6 mths	12 mths	
Australia _____	54%	Bearish	Bullish	Neutral	Bearish	+13.6%	+12.0%	+38.2%	6,714.00
Austria _____	38%	Neutral	Neutral	Bearish	Bearish	+7.2%	+4.0%	+15.4%	4,515.39
Belgium _____	47%	Bullish	Neutral	Bearish	Bullish	+5.1%	+1.5%	+7.9%	4,170.04
Canada _____	56%	Neutral	Bullish	Bullish	Neutral	+6.2%	+6.0%	+22.7%	13,862.97
Denmark _____	40%	Bearish	Neutral	Bearish	Neutral	+5.0%	+9.8%	+22.3%	477.17
Finland _____	62%	Bearish	Bullish	Bullish	Neutral	+9.1%	+15.7%	+38.6%	11,848.70
France _____	46%	Bullish	Bullish	Bearish	Bearish	+11.1%	+5.6%	+16.1%	4,033.71
Germany _____	46%	Bearish	Bullish	Bearish	Bearish	+14.5%	+15.6%	+36.9%	7,994.07
Ireland _____	33%	Bullish	Bearish	Bearish	Bearish	-5.8%	-15.3%	-10.6%	7,241.12
Italy _____	39%	Bullish	Bearish	Bearish	Neutral	+6.2%	+1.4%	+5.9%	30,090.00
Japan _____	46%	Neutral	Bearish	Neutral	Neutral	+0.5%	-2.3%	+0.5%	15,956.37
Netherlands _____	37%	Neutral	Neutral	Bearish	Bearish	+5.8%	+5.4%	+18.7%	513.59
New Zealand _____	34%	Bullish	Bearish	Bearish	Neutral	+1.5%	-7.5%	+2.6%	2,356.49
Norway _____	59%	Bearish	Bullish	Bullish	Neutral	+8.8%	+14.5%	+33.4%	416.31
Spain _____	48%	Neutral	Bullish	Bearish	Bearish	+19.0%	+15.1%	+22.0%	1,713.97
Sweden _____	45%	Bullish	Bearish	Bearish	Bullish	+2.7%	-2.1%	+8.8%	364.22
Switzerland _____	34%	Neutral	Neutral	Bearish	Bearish	+6.8%	+5.0%	+8.8%	8,799.65
Un. Kingdom _____	51%	Bullish	Bullish	Bearish	Bearish	+6.1%	+3.9%	+9.9%	6,554.90
USA _____	57%	Bearish	Bullish	Bullish	Bullish	+3.5%	-0.2%	+6.9%	1,504.66
Argentina _____	55%	Bearish	Bullish	Bullish	Neutral	+11.2%	+2.0%	+16.4%	8,207.42
Brazil _____	70%	Bearish	Bullish	Bullish	Bearish	+33.2%	+39.8%	+85.3%	65,638.54
Czech Rep. _____	51%	Bearish	Bullish	Bearish	Bullish	+17.6%	+21.0%	+34.6%	1,842.70
Chile _____	52%	Bearish	Bullish	Bearish	Bullish	+7.1%	+9.3%	+31.9%	14,730.48
China _____	51%	Bearish	Bullish	Neutral	Bearish	+9.8%	+28.7%	+222.6%	358.96
Greece _____	63%	Bearish	Bullish	Neutral	Bullish	+13.5%	+16.1%	+33.6%	5,133.31
Egypt _____	59%	Bearish	Bullish	Bullish	Neutral	+23.5%	+28.8%	+54.7%	3,425.68
Hong Kong _____	66%	Bearish	Bullish	Bullish	Neutral	+20.2%	+41.0%	+53.5%	28,842.47
Hungary _____	64%	Bearish	Bullish	Bullish	Bullish	+8.1%	+12.3%	+26.2%	26,430.35
India _____	48%	Bearish	Bullish	Bearish	Neutral	+32.2%	+48.2%	+64.2%	19,966.00
Indonesia _____	74%	Bearish	Bullish	Bullish	Bullish	+25.7%	+32.8%	+53.1%	2,778.95
Israel _____	61%	Bearish	Bullish	Bullish	Neutral	+20.0%	+13.6%	+33.5%	1,162.46
Korea _____	61%	Bearish	Bullish	Bullish	Bearish	+4.9%	+13.6%	+39.4%	1,934.32
Malaysia _____	65%	Bearish	Bullish	Bullish	Bearish	+15.8%	+10.5%	+39.3%	1,434.04
Mexico _____	54%	Bearish	Bullish	Neutral	Bullish	+6.4%	+0.8%	+21.9%	31,268.36
Philippines _____	58%	Neutral	Bullish	Neutral	Bearish	+25.8%	+18.9%	+58.0%	3,745.39
Poland _____	50%	Bullish	Bullish	Bearish	Neutral	+12.4%	+9.3%	+32.2%	58,635.79
Portugal _____	43%	Bearish	Bullish	Bearish	Bearish	+11.1%	+10.8%	+35.9%	4,157.71
Russia _____	63%	Bearish	Bullish	Bullish	Bearish	+14.1%	+20.9%	+13.8%	23,050.45
Singapore _____	67%	Bearish	Bullish	Bullish	Bullish	+8.1%	+9.2%	+33.3%	3,557.95
Sth Africa _____	41%	Bearish	Bullish	Bearish	Bearish	+16.2%	+16.9%	+34.3%	30,390.67
Taiwan _____	35%	Bullish	Bearish	Bearish	Bearish	-1.4%	+7.0%	+14.1%	8,722.38
Thailand _____	56%	Neutral	Bullish	Bearish	Neutral	+18.3%	+27.4%	+32.6%	841.39
Turkey _____	79%	Neutral	Bullish	Bullish	Bullish	+27.9%	+45.9%	+75.3%	56,490.57
Venezuela _____	47%	Bullish	Bearish	Neutral	Neutral	-0.2%	+0.6%	+24.1%	39,144.38

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.

Recommended International Investment Funds

Many listed investment trust shares are currently trading at a significant discount to net asset value owing to the current tight liquidity on financial markets. Some investors, needing to raise cash will sell trusts at 20-40% discounts to net assets. Arbitrage funds are also buying up stakes in many trusts and then pressuring management to make tender offers, liquidate or convert to an open ended fund - all of which can yield a quick profit as investors can receive close to net assets on a liquidation.

Investment trusts can seek to avoid this problem via partial liquidation. For example, using cash resources to repurchase shares on-market. Over the first nine months of 2007, UK listed trusts repurchased almost £2 billion of their own shares - up 77% on the same period last year.

Share Buy-Backs

Fidelity European Values plc has made ten on-market purchases totalling 461,000 shares (£6.36 million) over the last month.

JPMorgan European Fledgling Investment Trust plc made four buys, acquiring 140,000 shares for just under £1.0 million.

Invesco English & International Trust plc repurchased 151,532 shares in three trades.

Aberdeen Asian Smaller Companies Investment Trust plc bought back shares in eight trades. It repurchased a total of 323,060 shares at a cost of just under £1.0 million.

Private Equity Investor plc Repurchases 15% of its Shares Through a Tender Offer

Private Equity Investor plc is distributing £12.5 million to its shareholders via an off-market tender offer. We shall NOT participate in this share buy-back which will effectively increase our holding in the trust's venture capital investments by around 17%.

This company was formed in 2000 but the shares traded at a significant discount in subsequent years when there was "a significant transfer of ownership". Those new investors acquired 27.7% of the shares and gained control of the board of directors a few years ago and, like the arbitrage funds we discussed above, would now like to sell their shares for cash at close to net asset value. Private Equity Investor shares trade around their net asset value - so a small investor could realise close

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	£134	4	32.8	3.4	16.6		12.0		6.7	20.2	10.3	5.1		11.6	Indo 6.0%, Sri Lanka 3.9%
Baring Korea	£368	Nil	37.5						100.0						
Gartmore China Opps	£815	Nil	38.4	3.2			China/Hong Kong		96.8						
Gartmore Pacific Opps	£149	Nil	29.2	0.6	14.6	32.7		14.5	20.3	5.1		0.1	11.5		
HSBC Asian Fund	£66	Nil	27.3		14.4		3.3	17.3	26.2	5.6	2.1	0.8	28.1		Indonesia 2.4%
Henderson Asia Pacific Cap	£186	Nil	43.7		7.2	11.0	9.0	13.4	16.6	9.7			20.4	2.3	Indonesia 5.3%
Scottish Oriental Sm Coys plc	£109	Nil	18.4	4.8	6.2		13.5	12.3	12.2	13.2	8.7	4.4	11.7	4.0	Indonesia 4.8%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust plc	£706	1	22.8	0.0		100.0									
Baillie Gifford Shin Nippon plc	£67	23	31.0	1.8				98.2							
Fidelity European Values plc	£958	13	27.7	0.0		1.0	98.0		1.0						
Fidelity Japan Values plc	£83	20	24.3	2.4				97.6							
Herald Investment Trust plc	£352	3	23.6	5.0	18.0	62.0	6.0		9.0						
JPM Fleming Euro Fledgling	£415	Nil	27.2	8.0				92.0							
Invesco English & Int'l	£109	8	16.0	0.0		98.0			2.0						
Invesco Perp Japan Small	£63	Nil	37.6	4.4				95.6							
Private Equity Investor plc	£85	Nil	25.9	39.0	61.0										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen Emerging Markets	£507	Nil	35.8	2.2	50.6	27.6	4.5	14.9							

Fidelity European Values plc continues to have its largest investments in Germany (24% of the portfolio), followed by France (17%) and Switzerland (10%). It has smaller holdings in Italy (7%), Sweden (7%), Greece (6%), Norway (4%), Spain (4%), Finland (4%), Luxembourg (4%), Russia (3%) and other European holdings 10%.

JPMorgan Fleming European Fledgling has its largest investments in Italy (16% of the portfolio), the Netherlands (15%), Spain (15%), Switzerland (11%), Germany (11%), Finland (8%), France (6%), Sweden (3%) and Denmark (3%).

to net asset value by simply selling on-market. The shareholders with 27.7% of the company are hoping to sell a significant part of those shares back to the company in this tender offer.

The tender price will be at net asset value, less the costs of this tender. Investors will be able to tender about 15% of their shares which will be accepted in full. If some investors do not tender their shares then the company will accept additional tendered shares on a pro-rata basis.

Fund Reports

Invesco English & International Trust plc suffered only a 1.4% decline in net assets over the six months to 30 September 2007, compared with declines of 6.7% and 10.1% by two smaller UK companies indices. Performance was helped by “little exposure to the poorly performing property and retail sectors” and “exposure to the resource sectors”.

Despite the current credit problems, the UK economy

will likely grow 1.5-2.0%, “balance sheets are strong”, “profitability is good and valuations are reasonable”.

JPMorgan European Fledgeling Investment Trust plc expects recent “uncertain market conditions will continue” so has repaid its gearing (but retains undrawn credit facilities) and is holding about 8% of its portfolio in cash. With the shares currently trading at a 17% discount to net asset value its best investment is to repurchase its own shares (i.e. effectively buying £100 of its own assets for £83 in cash).

At 30 September **Private Equity Investor** had US\$105.2 million invested in 23 venture capital funds, plus US\$69.1 million in cash and realisable assets. It has future funding commitments of only US\$28.8 million. The current tender offer will distribute around US\$25.4 million to shareholders.

Over the last six months it was required to meet US\$5.4 million of calls from its venture investments, while receiving US\$9.0 million in distributions.

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price		Prem/ Disc to Net Assets	Recent Price		Gain or Loss %
				Foreign	NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Europe									
HOLD	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-5%	1355.0p	3539.3	+174
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-17%	703.0p	1836.3	+140
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-18%	588.0p	1535.9	+47
HOLD	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-5%	321.5p	839.8	+20
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTSAASW		09/09/03	75.3p	209.1		200.0p	522.4	+150
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		386.94p	1010.7	+859
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		87.91p	229.6	+116
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		556.2p	1452.8	+29
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		701.67p	1832.8	+30
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-18%	290.5p	758.8	+130
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-7%	163.25p	426.4	-3
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	62.75p	163.9	-49
BUY	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		51.48p	134.5	-26
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		259.4-274.3p	697.0	+233
International									
BUY	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		334.98p	875.0	+376
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-19%	317.75p	830.0	+1
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-12%	152.75p	399.0	-5

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +130.7.0%. This is equal to an average annual rate of +17.4%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 17 current and 46 closed out) is +13.9%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 304½ pence (trading at a 17% discount to net asset value).

Property Investment Trusts Fall from Favour

Easy monetary conditions and low interest rates not only encouraged investment in risky assets (i.e. Sub-Prime Mortgages) but also fuelled more traditional investments like Property.

Over recent years, UK commercial property has performed well, with falling interest rates and readily available mortgage funding - together with strong economic growth - fuelling the appreciation in property values. Rising interest rates resulted in property values peaking in late 2006 and being relatively stable during the first half of 2007.

Now the *credit crunch* is having an impact on this sector: Banks have previously securitised and on-sold mortgage loans, but that is now difficult so have increased their lending rates. This makes it more expensive to obtain financing to buy new property investments, reducing the flow of money into property and depressing values. Most property investment trusts have fixed their borrowing costs far into the future - so are not immediately hurt by a general rise in interest rates or an increase in risk margins.

The *Credit Crunch* has also resulted in a significant deterioration in *investor sentiment* towards the property sector. Diversified and soundly financed listed property trusts currently trade at discounts of 30-45% to their net asset values. One trust - which is perhaps a bit over-extended - trades at a 67% discount. Of course, if financial conditions remain unfavourable then property values may decline over the next couple of years. That would depress net asset values, but 30-45% discounts look excessive. If property values fall 5% in each of the next two years, then the net asset value of a leveraged property trust would fall only 12-17%.

Five Listed Property Trusts

Below we have selected five UK listed Property trusts worth considering for investment. These trusts all offer a high and relatively secure income yield, are soundly financed and offer an investment in Property at a 31-45% discount to net asset values. All of these trusts have recently begun re-purchasing their own shares on-market

- which could significantly improve net asset values with current market conditions.

Close High Income Property Trust plc

This closed end investment company currently has two classes of ordinary shares: 74,726,079 ordinary shares (trading around 73 pence) and 25,765,102 "D" ordinary shares (trading around 65 pence). The "D" shares were issued to raise additional equity for property investment in late 2006 and currently own a separate sub-portfolio of property investments. Eventually these will be merged, with the "D" shares converting to about ¾ of an ordinary share.

The company holds £225 million in property investments, with 47% financed with mortgages and other interest bearing debts. The portfolio is very diversified, with 74 properties and only 27.9% of assets invested in the ten largest properties. On the negative side, the average unexpired lease is only 3.0 years.

Net asset value is 120.0 pence, but the shares trade on-market at around 73 pence, a 39% discount to net assets. Quarterly dividends are expected to total 8.5 pence, producing a current income yield of 11.6%.

This property trust involves higher risks owing to its high debt level and the relatively short length of remaining leases. Nevertheless, the shares are heavily discounted below net asset value and offer a high current income yield. The company has talked about "selective sales of properties where funds will be better used in reducing debt" which would be a good way to maintain its net asset value, while reducing risk in a more difficult property market.

The company would also significantly boost net assets per share by re-purchasing shares on-market. There was a buy-back in October (2.25 million shares at around 105¾ pence) but the shares now trade at a much greater discount. So any move by the company to sell properties, repay debt and repurchase shares would be very favourable.

Company Name	Code	Share Price	Discount to Net Assets	Gearing	Dividend Yield
Close High Income Property Trust plc	CHI	73	39%	39%	11.6%
F & C Commercial Property Trust Ltd	FCPT	97	31%	18%	6.2%
ING UK Real Estate Income Trust Ltd	IRET	68.75	45%	43%	9.1%
Invista Foundation Property Trust Ltd	IFD	78.25	43%	35%	8.6%
Std Life Inv. Property Income Trust Ltd	SLI	81.5	38%	38%	8.3%

F & C Commercial Property Trust Ltd

This trust holds property investments worth £1,267 million - making it the largest property investment group in this sector. It also has very low debt levels, with only 18% of assets funded by mortgages or other interest bearing debt.

The portfolio is relatively concentrated with the ten largest properties making up 64.1% of assets. 40% of the portfolio is invested in Office properties, 36% in Retail, 13% Industrial and 11% in Shopping Centres.

The issued capital consists of 732,864,003 ordinary shares. The annual dividend rate of 6.0 pence offers an income yield of 6.2%. Net asset value is 142.7 pence, so at 97 pence the shares trade at a 31% discount.

This trust has low gearing - so lower risks and less leveraged exposure to fluctuations in property values. Its strong balance sheet should enable it to maintain dividends (subject to rental income from its properties) and puts it in a strong position to re-purchase its own shares at a discount which will increase the net asset value of the remaining shares. In fact, F & C Commercial Property Trust has been very actively re-purchasing its own shares on-market. Over the last six months it has bought back around 28.2 million shares (3.7% of its capital).

In October the company issued 28,582,016 new shares at 140.3 pence (i.e. its net asset value) to acquire property assets worth £40.1 million from the liquidation and reconstruction of **UK Balanced Property Trust**.

Interest rates on its £230 million of debt is fixed at 5.23% until 2015, repayable in 2017. The average lease term is 9.4 years.

Owing to its low debt levels, F & C Commercial Property Trust is a relatively low risk entry into the depressed UK property trust sector, yet the shares still trade at an attractively large 31% discount to net asset value. Re-purchasing its own shares is a low risk investment strategy in the current investment environment which immediately adds to the net asset value of the company's remaining shares.

ING UK Real Estate Income Trust Ltd

This company holds property investments worth £701 million, with a high (but not unreasonable) 43% funded by mortgages and other debt financing. It owns a diversified portfolio of 59 properties, with the ten largest making up 34.0% of assets.

There are 330,401,300 ordinary shares. At 68¾ pence, the shares trade at a large 45% discount to their net asset value of 120.4 pence. The annual 6.25 pence dividend offers a 9.1% income yield.

This company has higher debt levels, so is more risky. Its net assets would decline faster with any weakness in property values. Borrowing costs are fixed

at 5.16%. The average unexpired lease term is 8.7 years.

The trust has sold five smaller properties over the last year "where there is limited potential to add value through active management". Last week it contracted to sell a low (3.75%) yielding property for £21 million which will be used to repay debt and reduce gearing.

The company began re-purchasing shares on-market at the start of November, acquiring 1,098,000 shares (about 0.3% of its capital) over the last month at prices around 68-78 pence.

Invista Foundation Property Trust Ltd

This company has £650 million of property investment, which is 35% financed with debt. In addition it has investments in three joint ventures with a net value of £85 million - consisting of an interest in £228 million of properties less off-balance sheet, non-recourse debt of £143 million.

The largest off-balance sheet debt relates to the company's 28.08% interest in Plantation Place, which has total debts of £457 million secured over property assets of £602 million. This debt is non-recourse to Invista Foundation and the interest rate is fixed until 2013. Plantation Place is a fully let office development in the City of London covering an entire block.

Total debt is around 45% of assets. The company also holds £65 million in cash.

The portfolio is well diversified, with 71 properties (and 224 different tenants). The ten largest properties account for 47.8% of assets.

The issued capital is 351,156,669 shares, with a net asset value of 135.6 pence. The shares currently trade on-market at around 78¼ pence, 43% discount to net asset value. The annual dividend of 6.75 pence produces a current income yield of 8.6%.

This company has moderate on balance sheet debts where the interest rates are fully hedged at 5.58% until 2014. Its joint ventures offer high risk, more highly leveraged exposure to other properties. Its direct investments follow "a more defensive and income-oriented strategy, increasing average lease length" which is now 8.2 years and improving "tenant credit quality".

In November the company began repurchasing its own shares on-market, buying back 2.7 million (0.8% of its capital) at prices around 76-93½ pence.

Standard Life Investments Property Income Trust Ltd

This is a relatively small trust with £218 million of property investments, 37% financed by debt. It owns 34 properties (with over 100 tenants), with the largest ten properties making up 54.7% of assets.

The issued capital is 104,000,000 ordinary shares. Net asset value is 130.2 pence, *(Continued on Page 6)*

Listed Property Trusts

(Continued from Page 5)

but at 81½ pence the shares are trading at a 38% discount. The annual dividend of 6.75 pence produces a yield of 8.3%.

The company seeks “an attractive level of income” plus “prospects of income and capital growth” but has recently sold six properties for £41.5 million, repaying £10 million of debts to protect capital values in a weaker property market. The remaining £30 million will be used to “maximise shareholder returns” - repurchasing shares and/or funding property acquisitions.

The average lease term is 8.9 years, with investments weighted towards Offices which the fund manager believes will provide the best returns.

The company has shareholder approval to repurchase shares, but has not yet bought back any shares.

Summary and Recommendation

It may still be a little early to rush into listed property trusts, but these funds could bottom out over the next three to six months.

Within 12-24 months, investors could benefit from share prices recovering closer to net asset values. **F & C Commercial Property Trust** could be the best *low risk* company to profit from this re-rating - owing to its low leveraged exposure to a weak property market.

Longer term, more leveraged but soundly financed trusts like **ING UK Real Estate Income Trust** and **Invista Foundation Property Trust** are also attractive. Higher leverage risks some short to medium term decline in net asset values, but significant discounts *anticipate* this weakness and should offer good potential for the eventual re-rating of share prices closer to net asset values. These shares also offer very high current income yields - which should be sustainable despite any short term weakness in capital values.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio	Country	Dividend Yield	Price/Earn. Ratio
Australia	3.5	15.7	Chile	2.0	20.8
Austria	1.9	13.8	China	1.0	29.0
Belgium	4.4	9.6	Greece	2.4	17.4
Canada	2.1	19.0	Egypt	0.8	71.6
Denmark	1.4	16.2	Hong Kong	2.1	14.2
Finland	2.7	16.2	Hungary	2.2	12.0
France	3.9	14.0	India	0.7	25.8
Germany	2.3	13.9	Indonesia	1.8	20.8
Ireland	3.6	11.1	Israel	0.8	52.3
Italy	3.7	12.2	Korea	1.4	16.0
Japan	1.5	18.5	Malaysia	2.7	15.7
Netherlands	3.1	12.0	Mexico	1.6	18.3
New Zealand	4.3	12.0	Philippines	2.0	14.6
Norway	2.3	12.0	Poland	3.1	17.4
Spain	2.7	15.4	Portugal	3.0	15.9
Sweden	3.1	11.1	Russia	0.6	13.4
Switzerland	2.1	14.1	Singapore	2.5	13.8
Un. Kingdom	3.7	13.1	Sth Africa	2.7	13.1
USA	1.7	17.9	Taiwan	3.5	17.0
Argentina	1.1	14.9	Thailand	3.3	17.9
Brazil	1.4	16.1	Turkey	2.1	15.4
Czech Rep.	2.7	20.9	Venezuela	10.3	4.5

Listed Investment Trust

Warrant Analysis

Review of Speculative Warrants

Finsbury Worldwide Pharmaceuticals shares rose 18 pence or 3.8% over the last quarter to 497½ pence. The warrants were up 3½ pence or 4.8% to 76 pence.

At current prices the warrants are trading 16% below their fair value as calculated by the *Black-Scholes* model and offer a very high leverage of 4.8 times. The break-even rate is a low 5% - which means the shares need to rise by just 5% per annum before the warrants start to increase in value.

This situation offers very good potential for leveraged gains. If the shares rise by 10% p.a. (i.e. *faster* than the 5% p.a. break-even rate), then the warrants will appreciate at 29.6% p.a. If the share price grows at 20% p.a. then the warrants would appreciate at 84.2% p.a.

Current share prices *reflect* known uncertainty and *discount* investor's future expectations. Investors might reasonably require a 10-20% return to invest in risky technology shares - which would imply that the shares could be *expected* to rise 10-20% p.a. in the future. As

we stated in the previous paragraph, that would result in a significant rate of gain in the value of these warrants.

Of course, if the shares have fallen below the exercise price of 464 pence (i.e. down only 6.7%) on the final exercise date of 31 July 2009 then the warrants would expire worthless. So warrants can produce higher returns - but are also very risky.

Finsbury Worldwide Pharmaceuticals



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 Return (%p.a.) from Share Price appreciation of:	Break-Even Rate		
									5%pa	10%pa	20%pa	
<u>GOLD & MINING</u>												
City Natural Resources	191.8p	85.0p	1-10	109.00p	116.51p	-6	0.220	1.6	+7.6	+16.1	+32.6	+1%
Merrill Lynch World Mining	676.0p	565.0p	1-2	188.50p	164.44p	+15	0.229	3.7	-17.5	+0.9	+36.6	+10%
<u>EUROPE</u>												
Blue Planet Growth & Income	1700.0p	1000.0p	2-7	1025.00p	878.17p	+17	0.308	1.9	-3.8	+5.4	+22.3	+7%
<u>UNITED KINGDOM</u>												
Midas Income & Growth	149.3p	100.0p	2-8	52.00p	65.58p	-21	0.150	2.3	+11.8	+24.1	+46.0	+1%
Perpetual Income & Growth	248.0p	218.9p	5-8	64.50p	98.72p	-35	0.121	2.5	+9.5	+22.8	+42.4	+2%
<u>FAR EASTERN</u>												
Aberdeen Asian Income	107.5p	120.0p	5-5	22.75p	29.72p	-23	0.170	3.0	-2.3	+19.7	+44.7	+5%
Aberdeen Asian Smaller Coys	304.5p	100.0p	2-11	200.00p	222.13p	-10	0.193	1.4	+8.1	+15.2	+28.8	-1%
Aberdeen New India	157.5p	100.0p	2-7	71.50p	73.64p	-3	0.200	2.1	+3.8	+14.5	+34.0	+3%
<u>TECHNOLOGY</u>												
Finsbury W/Wide Pharm	497.5p	464.0p	1-7	76.00p	90.62p	-16	0.167	4.8	-2.1	+29.6	+84.2	+5%
<u>INTERNATIONAL</u>												
Impax Environmental	122.3p	96.0p	2-6	45.50p	42.17p	+8	0.200	2.7	-3.4	+10.8	+35.1	+6%
Jupiter Green	118.5p	100.0p	3-7	37.75p	40.64p	-7	0.151	2.8	+2.4	+17.2	+40.5	+4%

World Stockmarket Capitalisations

The world's total stockmarket capitalisation rose 6.7% to US\$54,122 billion over the three months to the end November 2007.

The United States share of that total continued to decline further, down from 35.38% to 32.73%. China's capitalisation rose a further 39% over the quarter to US\$4,078 billion, moving ahead of the United Kingdom to become the third largest stockmarket.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	17,714	32.73	Greece	254	0.47
Japan	4,613	8.52	Malaysia	248	0.46
China	4,078	7.54	Turkey	233	0.43
United Kingdom	3,817	7.05	Austria	193	0.36
France	2,595	4.80	Poland	184	0.34
Germany	1,893	3.50	Chile	171	0.32
Canada	1,759	3.25	Thailand	163	0.30
Switzerland	1,344	2.48	Indonesia	161	0.30
Australia	1,310	2.42	Luxembourg	159	0.29
India	1,255	2.32	Portugal	135	0.25
Russia	1,195	2.21	Ireland	134	0.25
Brazil	1,121	2.07	Israel	133	0.26
Italy	1,087	2.01	Egypt	85	0.16
Spain	1,065	1.97	Peru	84	0.16
South Korea	1,045	1.93	Philippines	77	0.14
Hong Kong	869	1.61	Czech Republic	69	0.13
Taiwan	685	1.27	Morocco	69	0.13
Netherlands	572	1.06	Nigeria	60	0.11
Sweden	580	1.07	Argentina	52	0.10
South Africa	445	0.82	Columbia	42	0.08
Singapore	397	0.73	Hungary	42	0.08
Mexico	397	0.73	New Zealand	41	0.08
Finland	363	0.67	Iceland	41	0.08
Belgium	358	0.66	Pakistan	41	0.08
Norway	353	0.65	Jordan	26	0.05
Denmark	263	0.49	Slovenia	27	0.05
			TOTAL	\$54,122	100.00%

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday January 14, 2008.

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

INTERNATIONAL INVESTOR is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Auckland. Subscribe online at www.stockmarket.co.nz or www.australia-stockmarket.com or email james@stockmarket.co.nz.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.