

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	74%	Neutral	Bullish	Bullish	Bullish	+20.2%	+99.4%	-0.9%	4,596.30
Austria	67%	Neutral	Bullish	Bullish	Bullish	+21.0%	+106.9%	-22.4%	2,542.39
Belgium	64%	Bearish	Bullish	Bullish	Bullish	+23.8%	+85.9%	-16.2%	2,458.72
Canada	68%	Bearish	Bullish	Neutral	Bullish	+9.9%	+77.1%	-13.4%	11,253.23
Denmark	62%	Bearish	Bullish	Neutral	Bullish	+14.3%	+80.6%	-13.2%	333.43
Finland	68%	Neutral	Bullish	Neutral	Bullish	+13.8%	+81.2%	-13.5%	6,448.22
France	70%	Neutral	Bullish	Bullish	Bullish	+17.7%	+71.6%	-8.5%	2,660.78
Germany	69%	Neutral	Bullish	Bullish	Bullish	+15.6%	+77.2%	-6.1%	5,624.02
Ireland	68%	Bearish	Bullish	Bullish	Bullish	+14.3%	+93.0%	-22.2%	3,257.69
Italy	74%	Bearish	Bullish	Bullish	Bullish	+16.6%	+94.8%	-12.8%	23,503.71
Japan	75%	Bearish	Bullish	Bullish	Bullish	+11.7%	+57.8%	+1.5%	10,444.33
Netherlands	72%	Bearish	Bullish	Bullish	Bullish	+20.9%	+78.3%	-19.1%	308.00
New Zealand	76%	Bullish	Bullish	Neutral	Bullish	+16.2%	+67.5%	-11.7%	1,443.73
Norway	65%	Bearish	Bullish	Neutral	Bullish	+8.9%	+87.1%	-17.7%	283.10
Spain	74%	Bullish	Bullish	Bullish	Bullish	+24.2%	+89.6%	+2.3%	1,198.40
Sweden	73%	Bearish	Bullish	Bullish	Bullish	+25.9%	+101.3%	+1.8%	285.09
Switzerland	74%	Bearish	Bullish	Bullish	Bullish	+17.4%	+61.4%	-3.7%	6,232.99
Un. Kingdom	84%	Neutral	Bullish	Bullish	Bullish	+14.3%	+68.0%	-9.7%	5,011.47
USA	76%	Bearish	Bullish	Bullish	Bullish	+10.2%	+52.6%	-16.1%	1,042.73
Argentina	70%	Bearish	Bullish	Neutral	Bullish	+12.8%	+82.1%	-15.9%	6,561.78
Brazil	88%	Neutral	Bullish	Bullish	Bullish	+14.7%	+104.5%	+5.3%	58,366.38
Czech Rep.	70%	Bullish	Bullish	Bearish	Bullish	+30.0%	+122.3%	-16.9%	1,141.40
Chile	82%	Neutral	Bullish	Bullish	Bullish	+1.7%	+49.1%	+10.2%	15,347.81
China	68%	Bearish	Bullish	Bullish	Bullish	+12.5%	+44.3%	+38.4%	203.11
Greece	54%	Bearish	Bullish	Bearish	Bullish	+9.7%	+98.0%	-17.8%	2,527.11
Egypt	73%	Bullish	Bullish	Bearish	Bullish	+9.6%	+90.8%	-22.6%	6,689.86
Hong Kong	85%	Bearish	Bullish	Bullish	Bullish	+12.0%	+77.6%	+7.0%	21,161.42
Hungary	62%	Bearish	Bullish	Bearish	Bullish	+25.5%	+160.7%	-10.5%	19,306.55
India	66%	Bearish	Bullish	Bullish	Bullish	+4.7%	+107.9%	+3.6%	16,264.30
Indonesia	74%	Bearish	Bullish	Bullish	Bullish	+17.7%	+128.8%	+12.3%	2,415.95
Israel	79%	Bearish	Bullish	Bullish	Bullish	+14.3%	+73.8%	-5.5%	895.53
Korea	58%	Bearish	Bullish	Neutral	Bullish	+18.6%	+99.4%	+7.7%	1,651.70
Malaysia	72%	Bearish	Bullish	Bullish	Bullish	+11.3%	+50.4%	+11.4%	1,208.28
Mexico	73%	Bearish	Bullish	Bullish	Bullish	+16.2%	+97.6%	-10.8%	29,448.79
Philippines	83%	Neutral	Bullish	Bullish	Bullish	+9.0%	+51.4%	+2.0%	2,870.83
Poland	56%	Bearish	Bullish	Bearish	Bullish	+25.9%	+108.1%	-22.4%	36,649.26
Portugal	69%	Bearish	Bullish	Bullish	Bullish	+15.5%	+65.2%	+2.3%	2,775.87
Russia	62%	Bearish	Bullish	Bullish	Bullish	+4.4%	+123.7%	-30.5%	1,806.16
Singapore	74%	Neutral	Bullish	Bullish	Bullish	+15.0%	+92.6%	+5.2%	2,681.03
Sth Africa	79%	Neutral	Bullish	Bullish	Bullish	+18.5%	+90.7%	+6.2%	25,567.39
Taiwan	77%	Bearish	Bullish	Bullish	Bullish	+14.8%	+68.7%	+14.0%	7,337.14
Thailand	75%	Neutral	Bullish	Bullish	Bullish	+13.0%	+78.6%	+11.4%	707.81
Turkey	59%	Bearish	Bullish	Bearish	Bullish	+37.4%	+140.5%	-1.2%	46,583.50
Venezuela	78%	Bullish	Bullish	Bullish	Bullish	+20.2%	+39.1%	+28.4%	52,147.69

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 Funds

Geographic Portfolio Spread

FundName	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	£134	Nil	31.1	1.0	17	18.0			1.0	16.0	11.0	5.0	14.0	Indo 10.0%, Sri Lanka 4.0%	
Baring Korea	£130	Nil	46.8	2.3				97.7							
Gartmore China Opps	£659	Nil	34.9	1.3	90.1								3.2		
Gartmore Pacific Opps	£100	Nil	28.7	2.0	11.4	28.2	2.2	12.7	15.7	4.5	1.3	0.4	17.7	Indonesia 3.6%	
HSBC Asian Fund	£30	Nil	32.0	2.4	28.3		2.6	20.0	18.6	7.9	2.1	0.3	16.2	Indonesia 1.5%	
Hend Asia Pacific Cap	£128	Nil	43.0		8.7			13.4		8.0	0.3		36.7	UK 8.3%, Indonesia 4.3%	
Scottish Oriental Sm Coys	£113	Nil	18.8	6.0	9.0		7.0	8.0	10.0	18.0	11.0	6.0	11.0	4.0	Indo 5.0%, Sri Lanka 4.0%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust	£663	8	23.8			100.0									
Baillie Gifford Shin Nippon	£51	14	29.7	3.2				96.8							
Fidelity European Values	£697	15	31.7	13.0			87.0								
Fidelity Japan Values plc	£67	20	17.0	4.7				95.3							
Herald Investment Trust	£359	16	23.3	12.7	21.2	56.4	2.0		7.7						
JPMorgan Euro Fledgling	£413	14	16.3	2.0			98.0								
Invesco English & Int'l	£51	Nil	21.9	1.0	4.0	95.0									
Invesco Perp Japan Small	£43	Nil	33.6	2.6				97.4							
Private Equity Investor plc	£83	Nil	25.9	36.8	63.2										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen E/Markets	£794	Nil	33.0	3.4	48.8	26.4	4.5	16.7							

Fidelity European Values plc continues to have its largest investments in France (22% of the portfolio), followed by Germany (17%) and Switzerland (13%). It has smaller holdings in Italy, (7%), Netherlands (6%), Sweden (5%), Belgium (5%), Spain (5%), Norway (2%), Luxembourg (2%), UK (1%) and Ireland (1%).

JPMorgan Fleming European Fledgling has its largest investments in Switzerland (15% of the portfolio), Italy (13%), Spain (12%), Netherlands (11%), Germany (10%), France (8%), Sweden (7%), Denmark (6%), Greece (3%), Norway (3%), Austria (3%), Ireland (2%), Belgium (2%), Portugal (1%), Luxembourg (1%) and Finland (1%).

Recommended International Investment Funds

Share Issues

Fidelity Japanese Values plc is at this stage *considering* making a bonus issue of one "subscription share" for every five ordinary shares held by investors. A subscription share is simply another form of a warrant in that it gives the holder the right (but with no obligation) to pay a fixed price to convert it to an ordinary share within a fixed period of time.

If the ordinary share price remains below the conversion price, then investors would allow the subscription shares to eventually expire worthless. This is *exactly* the same characteristics as a warrant, but is simply a different name and a different legal structure to achieve the same result.

With investment trusts trading at a discount to net asset value, it is very difficult for the Fund Manager to issue new shares to grow the fund (and the management fee, which is a percentage of assets). Owing to the discount on investment trust shares, any money subscribed to buy shares will immediately be valued at 10-20% *less* on the stockmarket. To get around this, Fund Managers can issue warrants or subscription shares and if the share

price rises above the exercise or subscription price over the term of these securities then investors will exercise or convert these securities and subscribe more money for ordinary shares.

The downside for investors is that there are no "free lunches" on the stockmarket. Issuing warrants or subscription shares can *dilute the future growth in net asset value* of the trust! The bottom line is that if an investment trust is trading at a discount to net asset values, then subscribing £1.00 for something that the market will value at only 80-90 pence is not a good deal. Warrants and subscription shares can hide this problem - by setting the payment date some years in the future when (hopefully) the net asset value and share price have risen - but investors still "pay" for this discount through diluted growth in the net asset value of their original shares.

Fund Reports

Baillie Gifford Shin Nippon plc recorded a gain of 2.9% in net assets (in Sterling terms) over the six months to 31 July 2009. The share price rose 13.6%, while the company's benchmark index *fell* 4.6%.

The Japanese economy expanded in the June 2009 quarter and the economic cycle “appears to have bottomed in February”. The Fund Manager reports that “many Japanese smaller companies still trade at close to historically low valuations” after last year’s “panic selling”. The trust “used this as an opportunity to purchase new holdings in high quality companies” with “superior long term growth prospects”.

The new government seeks to boost domestic consumption and “support an already rising birth rate” - which will help resolve the global imbalances (i.e. under-consumption, reliance on exports) that has held back the world’s second biggest economy.

Fidelity Japanese Values plc suffered a 3.6% decline in net assets for the six months to 30 June, but outperformed its benchmark index which was down 8.1% (both in Sterling terms).

A fixed term loan of Yen 1.5 billion maturing in August has been repaid from cash and a new Yen 750 million overdraft facility. A second Yen 1.68 billion loan matures in November and the trust is looking at “the most

cost effective” way to refinance this and the overdraft.

The Fund Manager is uncertain about the economy. Low corporate earnings and “very low rates of capacity utilisation” should “depress capital investment”, while the prospects for private consumption “remain cloudy”.

Valuations for larger Japanese shares may “have moved ahead of fundamentals”, but smaller company shares remain under-valued.

International investors “remain under-weighted in Japanese equities”. As the cyclical Japanese stockmarket would perform well in a global economic upturn, this could result in foreign investors buying heavily to avoid under-performing global stockmarket benchmark indices.

Share Buy-Backs

Fidelity European Values plc has repurchased a further 277,145 shares on-market in eight transactions over the last five weeks. This returned £2.71 million to investors.

Aberdeen Asia Smaller Companies Investment Trust plc repurchased 55,000 shares at 296¼ pence and 10,000 shares at 297 pence.

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		
Europe									
HOLD	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-9%	1065.0p	2505.3	+94
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-15%	652.0p	1533.8	+100
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-10%	571.0p	1343.2	+29
HOLD	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-10%	204.75p	481.7	-31
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS AASW		09/09/03	75.3p	209.1		327.0p	769.2	+268
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		554.97p	1305.5	-7
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		344.1p	809.5	+668
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		75.8p	178.3	+68
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		528.4p	1243.0	+11
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-7%	348.75p	820.4	+148
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-11%	125.25p	294.6	-33
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	50.75p	119.4	-63
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		46.96p	110.5	-39
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		182.2-193.3p	441.7	+111
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		355.68p	836.7	+355
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-20%	304.0p	715.1	-13
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-36%	118.5p	278.8	-34

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +95.9%. This is equal to an average annual rate of +10.4%, 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 +11.2%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 327 pence (trading at a 12% discount to net asset value).

Japanese Election Win Improves Prospects for Economic Recovery

After 54 years of rule, the Japanese **Liberal Democratic Party** was defeated in the General Election on 30 August. The **Democratic Party of Japan (DPJ)** won over 64% of the 480 seats in the Lower House.

The DPJ plans to promote growth policies for the Japanese economy. Specifically it aims to increase the disposable incomes of Japanese households and boost domestic consumption. The new government will remove road tolls, abolish petrol taxes and - to help improve an already increasing birth rate - raise childcare allowances.

This newsletter continues to see investment reports that suggest investors are wrong to look for greater consumption for Japan and South East Asia - and that the global economic recovery will come when Americans eventually start to spend and consume. That, however, is the *global imbalance* - too much investment and too little consumption in Asia, financing over-consumption in the United States - which led to the recent financial crisis.

Habits won't change overnight, but the global economy cannot continually move towards ever increasing imbalances. If nothing else, growing US debt will steadily depress the US dollar, lowering the wealth and

purchasing power of the US consumer. A return to the imbalances of the past is simply not sustainable.

So policies that seek to correct the imbalance, which must eventually be resolved, could become very successful and drive economic growth over the years and decades ahead.

Japanese and South East Asian economies need to consume more, but growth in consumption does not mean that other areas of their economies would suffer. Manufacturing and export sectors will likely continue to grow, but sell more of their production at home. The domestic sectors of the economy would grow rapidly in response to private consumption. The construction, retail, financial services, tourism and other services can become the new areas for economic growth.

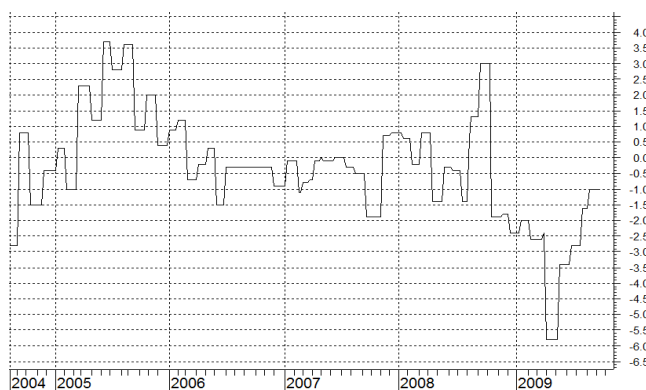
This newsletter has talked about the global economic imbalances and the potential for domestic demand growth in Japan and South East Asia for a long time. Progress in any area takes time - but this will be one of the macroeconomic forces that drive economic growth (and investment returns) over the years and decades ahead.

So our international portfolio will continue to be under-weighted in US stocks and over-weighted in Japanese equities.

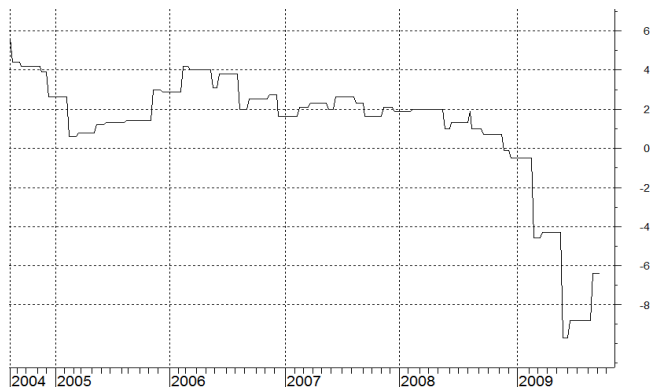
Japanese Stockmarket



Japan: Retail Sales (Annual % Change)



Japan: Gross Domestic Product (Annual % Change)



Japan Exchange Rate (per US\$)



Listed Investment Trust

Warrant Analysis

Review of Speculative Warrants

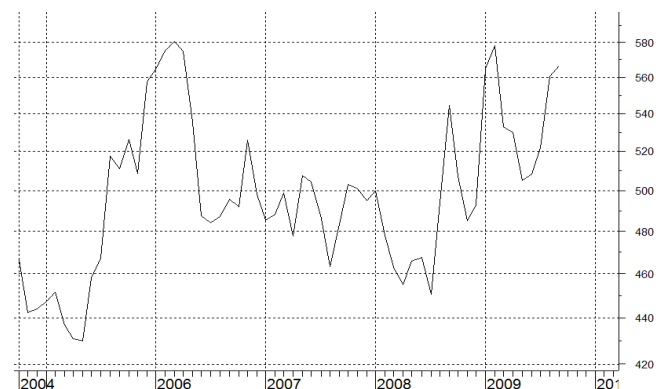
We took no action with our **Finsbury Worldwide Pharmaceuticals** warrants, leaving it to the trustee appointed by the company to exercise these warrants, sell off the resulting shares, repay the loan and expenses and distribute the net proceeds to investors.

As a result we received 62.56 pence for each warrant which, with share prices improving over the last month was significantly better than about 50 pence (less brokerage) that we might have received selling the warrants on-market.

We originally purchased these warrants in September 2005 at 107 pence, when the shares traded at 512 pence. So we have realised a 41.5% loss on this speculative investment. Pharmaceutical shares actually performed relatively well over the last four years. Most stockmarkets

have declined in value, so the warrants could easily have expired worthless!

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		
<u>GOLD & MINING</u>												
City Natural Resources	162.8p	85.0p	0-1	79.00p	77.80p	+2	0.345	2.1	-8.6	+0.7	+20.6	+10%
<u>UNITED KINGDOM</u>												
Blue Planet Growth & Income	230.0p	1000.0p	0-10	77.50p	0.29p	+26580	0.600	8.3	-100.0	-100.0	-100.0	+538%
Midas Income & Growth	97.3p	100.0p	0-11	8.50p	6.47p	+31	0.200	8.9	-82.7	-30.0	+85.0	+13%
<u>FAR EASTERN</u>												
Aberdeen Asian Income	125.0p	120.0p	3-8	25.00p	23.15p	+8	0.207	3.7	+4.6	+25.4	+54.7	+4%
Aberdeen Asian Smaller Coys	327.0p	100.0p	1-2	218.00p	227.76p	-4	0.220	1.4	+11.0	+18.4	+33.2	-2%
<u>INDIA</u>												
Aberdeen New India	167.0p	100.0p	0-10	66.50p	67.81p	-2	0.283	2.4	+13.6	+26.3	+52.3	-0%
JP Morgan India	330.9p	227.0p	0-3	105.75p	104.43p	+1	0.329	3.2	+8.6	+25.3	+62.1	+2%
<u>INTERNATIONAL</u>												
Impax Environmental	107.2p	96.0p	0-9	15.00p	15.55p	-4	0.250	5.6	-0.3	+36.4	+117.1	+5%
Jupiter Green	83.8p	100.0p	1-10	6.50p	4.45p	+46	0.210	7.4	-100.0	-100.0	+68.9	+14%
<u>TECHNOLOGY</u>												
RCM Technology	224.5p	267.0p	2-6	26.00p	17.61p	+48	0.216	5.7	-100.0	-11.5	+62.9	+11%

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	3.7	22.9
Austria	2.9	99.5
Belgium	2.2	NE
Canada	2.4	19.5
Denmark	1.1	16.1
Finland	3.6	14.5
France	3.6	19.1
Germany	3.2	14.7
Ireland	1.9	73.5
Italy	3.5	9.3
Japan	1.8	NE
Netherlands	2.8	29.7
New Zealand	6.4	5.1
Norway	2.8	18.4
Spain	4.5	12.0
Sweden	2.5	29.8
Switzerland	2.0	25.7
Un. Kingdom	3.5	18.0
USA	2.1	83.5
Argentina	1.8	10.9
Brazil	2.7	6.4
Czech Rep.	5.6	10.6

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.8	16.0
China	1.9	8.1
Chile	2.8	16.0
Greece	2.2	12.6
Egypt	11.0	5.4
Hong Kong	2.9	19.8
Hungary	1.2	7.8
India	0.9	20.8
Indonesia	2.1	29.7
Israel	1.1	40.3
Korea	1.0	18.5
Malaysia	3.1	18.6
Mexico	1.2	20.6
Philippines	3.2	17.4
Poland	2.2	16.5
Portugal	3.7	17.3
Russia	0.3	6.5
Singapore	3.4	36.9
Sth Africa	2.8	11.0
Taiwan	2.9	39.5
Thailand	3.5	17.3
Turkey	1.9	12.0
Venezuela	7.7	5.9

United States Dividend Yield



United Kindom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



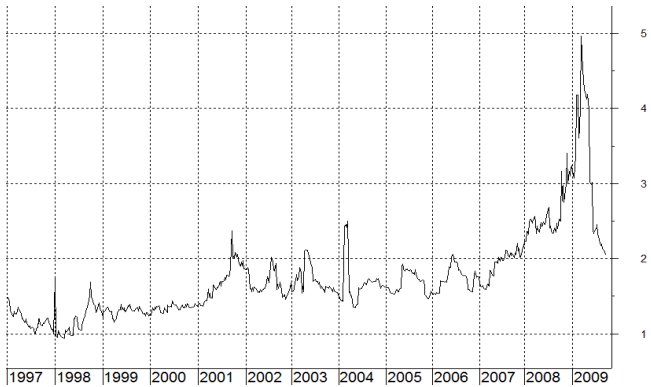
France Dividend Yield



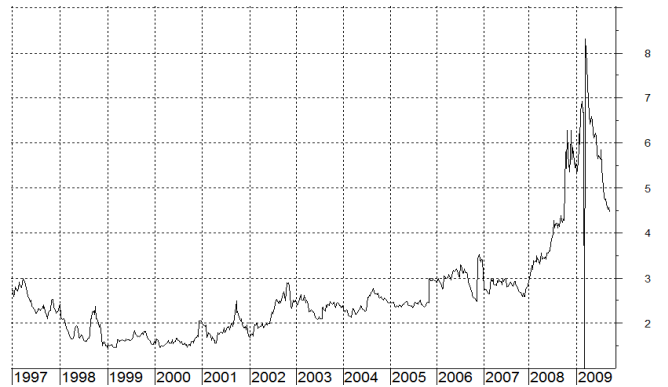
China Dividend Yield



Switzerland Dividend Yield



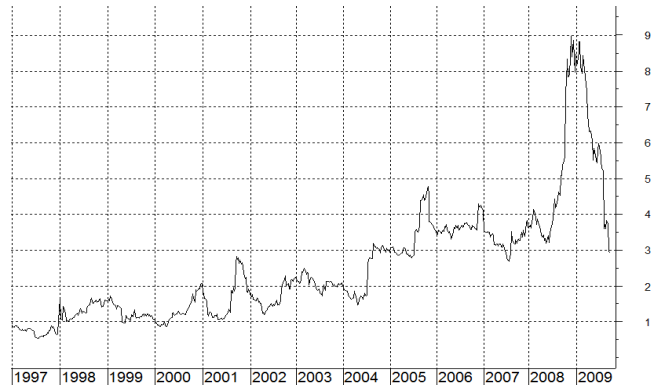
Spain Dividend Yield



Germany Dividend Yield



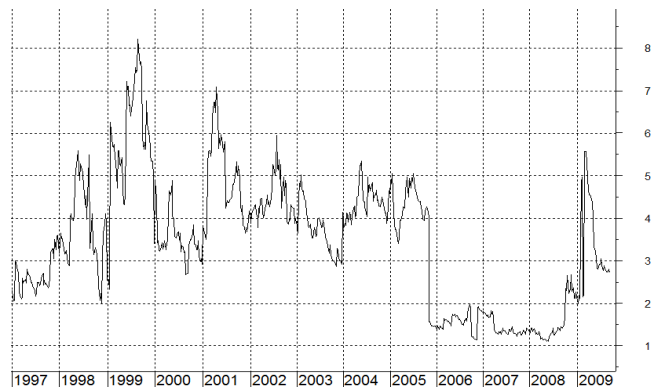
Taiwan Dividend Yield



Australia Dividend Yield



Brazil Dividend Yield



World Stockmarket Capitalisations

The world's total stockmarket capitalisation recovered a further 13% - or US\$3,054 billion - over the last three months to the end of August 2009 to US\$26,428 billion.

The United States stockmarket rose 12% to \$10,682 billion, so its share of the world's equities fell from 40.9% to 40.4%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	10,682	40.42	Denmark	116	0.44
Japan	2,572	9.73	Norway	99	0.37
United Kingdom	2,254	8.53	Ireland	97	0.37
France	1,119	4.23	Israel	91	0.34
Canada	1,056	4.00	Malaysia	84	0.32
Switzerland	943	3.57	Greece	70	0.27
Australia	855	3.23	Indonesia	57	0.22
Germany	849	3.21	Chile	57	0.22
China	536	2.03	Turkey	55	0.21
Spain	533	2.02	Austria	54	0.21
South Korea	459	1.74	Portugal	51	0.19
Brazil	447	1.69	Luxembourg	48	0.18
Taiwan	412	1.56	Poland	44	0.17
Italy	410	1.55	Thailand	44	0.17
Sweden	302	1.14	Egypt	23	0.09
Hong Kong	297	1.12	Morocco	22	0.08
Netherlands	288	1.09	Peru	22	0.08
India	267	1.01	Philippines	20	0.08
South Africa	223	0.84	New Zealand	17	0.06
Russia	216	0.82	Czech Republic	17	0.06
Singapore	175	0.66	Hungary	16	0.06
Finland	147	0.56	Argentina	13	0.05
Mexico	140	0.53			
Belgium	127	0.48			
			TOTAL	\$26,428	100.00%

Next Issue:

The next issue of *International Investor* will be emailed in four weeks time on Monday October 12, 2009.

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

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