

International Investor

Issue No. 168

www.stockmarket.co.nz

December 14, 2009

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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 _____	63%	Bearish	Bullish	Neutral	Bullish	+6.8%	+28.3%	+91.2%	4,651.40
Austria _____	52%	Neutral	Bearish	Neutral	Bullish	-2.0%	+18.6%	+72.6%	2,489.08
Belgium _____	52%	Bearish	Neutral	Bullish	Bullish	+1.3%	+25.4%	+59.2%	2,487.38
Canada _____	60%	Bearish	Bullish	Neutral	Bullish	+3.1%	+13.3%	+68.8%	11,423.93
Denmark _____	59%	Bearish	Bullish	Neutral	Bullish	-0.1%	+14.2%	+55.6%	332.00
Finland _____	56%	Neutral	Bearish	Neutral	Bullish	-3.1%	+10.3%	+40.0%	6,239.68
France _____	58%	Neutral	Neutral	Bullish	Bullish	+1.5%	+19.5%	+48.3%	2,696.66
Germany _____	58%	Neutral	Neutral	Neutral	Bullish	+2.5%	+18.5%	+51.4%	5,756.29
Ireland _____	43%	Bearish	Bearish	Bullish	Bullish	-10.0%	+2.8%	+36.0%	2,926.26
Italy _____	50%	Bearish	Bearish	Neutral	Bullish	-2.7%	+13.4%	+43.6%	22,824.72
Japan _____	71%	Bearish	Bullish	Bullish	Neutral	-1.5%	+10.0%	+32.9%	10,107.87
Netherlands _____	63%	Bearish	Bullish	Bullish	Bullish	+4.1%	+25.8%	+60.8%	320.14
New Zealand _____	58%	Neutral	Bullish	Bearish	Bullish	+1.7%	+18.1%	+42.9%	1,423.76
Norway _____	68%	Bearish	Bullish	Bullish	Bullish	+20.4%	+31.2%	+153.4%	330.82
Spain _____	59%	Bullish	Neutral	Neutral	Bullish	+1.1%	+25.6%	+53.6%	1,210.15
Sweden _____	68%	Bearish	Bullish	Bullish	Bullish	+2.9%	+29.6%	+89.6%	298.63
Switzerland _____	73%	Bearish	Bullish	Bullish	Bullish	+3.2%	+21.1%	+36.8%	6,411.58
Un. Kingdom _____	75%	Bearish	Bullish	Bullish	Bullish	+2.2%	+16.9%	+44.7%	5,261.57
USA _____	66%	Bearish	Bullish	Bullish	Bullish	+6.1%	+16.9%	+26.3%	1,106.41
Argentina _____	70%	Bearish	Bullish	Neutral	Bullish	+17.6%	+32.7%	+87.6%	7,602.03
Brazil _____	78%	Bearish	Bullish	Bullish	Bullish	+23.5%	+41.6%	+191.4%	69,267.47
Czech Rep. _____	62%	Bullish	Bullish	Bearish	Bullish	-3.5%	+25.4%	+56.0%	1,110.00
Chile _____	84%	Bearish	Bullish	Bullish	Bullish	+15.6%	+17.6%	+95.7%	16,037.35
China _____	59%	Bearish	Bullish	Neutral	Bearish	+25.6%	+41.3%	+117.1%	255.07
Greece _____	35%	Bearish	Bearish	Bearish	Bullish	-14.4%	-6.1%	+39.3%	2,160.68
Egypt _____	69%	Bullish	Neutral	Bullish	Bullish	-6.8%	+2.1%	+53.7%	6,192.80
Hong Kong _____	73%	Bearish	Bullish	Bullish	Bullish	+3.5%	+15.9%	+58.2%	21,902.11
Hungary _____	68%	Bearish	Bullish	Neutral	Bullish	+8.9%	+36.6%	+90.2%	20,939.60
India _____	62%	Bearish	Bullish	Bullish	Neutral	+9.6%	+14.7%	+103.0%	17,119.03
Indonesia _____	67%	Bearish	Bullish	Neutral	Bullish	+9.7%	+29.1%	+168.3%	2,519.10
Israel _____	79%	Bearish	Bullish	Bullish	Bullish	+16.3%	+32.9%	+88.5%	1,039.00
Korea _____	55%	Bearish	Bullish	Neutral	Neutral	+5.3%	+24.9%	+104.1%	1,656.90
Malaysia _____	61%	Bearish	Bullish	Bullish	Neutral	+7.1%	+19.1%	+60.5%	1,260.00
Mexico _____	63%	Bearish	Bullish	Neutral	Bullish	+11.9%	+30.0%	+67.3%	31,901.69
Philippines _____	68%	Neutral	Bullish	Neutral	Bullish	+10.7%	+20.7%	+70.8%	3,031.13
Poland _____	63%	Bearish	Bullish	Neutral	Bullish	+8.8%	+37.0%	+91.7%	39,463.01
Portugal _____	54%	Bearish	Neutral	Bullish	Bullish	+1.1%	+16.7%	+63.7%	2,802.16
Russia _____	75%	Bearish	Bullish	Bullish	Bullish	+13.3%	+18.3%	+97.4%	2,003.12
Singapore _____	73%	Bearish	Bullish	Bullish	Bullish	+6.7%	+22.8%	+84.8%	2,800.75
Sth Africa _____	70%	Bearish	Bullish	Bullish	Bullish	+7.2%	+27.0%	+93.1%	27,108.89
Taiwan _____	70%	Bearish	Bullish	Bullish	Neutral	+7.4%	+23.2%	+92.9%	7,795.07
Thailand _____	72%	Bearish	Bullish	Bullish	Neutral	+2.1%	+15.3%	+94.5%	703.64
Turkey _____	55%	Bearish	Bullish	Bearish	Neutral	+5.2%	+44.5%	+118.4%	49,386.42
Venezuela _____	81%	Bullish	Bullish	Bullish	Bullish	+3.3%	+24.2%	+55.8%	53,874.35

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

Fund Reports

Fidelity Japanese Values plc has completed the 1 for 5 bonus issue of “subscription shares”. These are effectively warrants giving investors the option of buying an ordinary share at any time until 28 February 2013. The exercise price has been set at 55 pence, slightly less than the 57 pence we estimated last month.

The subscription shares currently trade around 8.125 pence. Our *Listed Investment Trust Warrant Analysis* (see Page 5) estimates a *fair value* of 7.43 pence for these shares, *warrant leverage* of 3.4 times and a *Break-Even rate* of 10%. These subscription shares offer a more highly leveraged way to invest in Fidelity Japanese Values, involving higher risks but the potential for higher returns if the trust performs well over the next three years and two months.

The trust has also repaid its fixed term Yen 1,680 million loan and its Yen 750 million overdraft facility and is now using *contracts for difference* to maintain a slightly leveraged exposure to smaller Japanese shares.

JPMorgan European Fledgling Investment

Trust plc recorded a 45.5% gain in net asset value over the six months to 30 September, but under-performed its benchmark index which was up 62.6%.

The Fund Manager believes equity valuations have rebounded to “more normal levels” but that smaller company valuations remain at a discount to large companies.

Invesco English & International Trust plc

experienced a 42.4% increase in net assets for the six months to 30 September, but lagged behind its benchmark index (which rose more strongly as highly indebted company shares bounced off their March 2009 lows).

The Fund Manager describes the outlook for the United Kingdom economy as “bleak” but still believes smaller company shares will generate good investment returns. Companies which can grow in a low growth environment are expected to be re-rated in value.

The trust has received an additional VAT refund of £553,000 plus interest of £283,000 - or a total of 3.7

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	£154	6	30.9	2.0	17.0		17.0			2.0	17.0	9.0	5.0		15.0	Indo 9.0%, Sri Lanka 4.0%
Baring Korea	£146	Nil	45.4	1.4						98.6						
Gartmore China Opps	£680	Nil	35.0	0.6	92.4										1.9	
Gartmore Pacific Opps	£108	Nil	29.9	0.5	28.1	31.7	2.3	12.4	14.9	4.2	1.3	0.4				Indonesia 3.6%
HSBC Asian Fund	£37	Nil	22.6	1.3	25.3		2.7	18.5	19.6	4.7	1.7			18.8		Indonesia 1.8%
Hend Asia Pacific Cap	£127	Nil	39.5		48.4	4.6		15.5	11.3	7.5	0.3				9.3	Indonesia 3.4%
Scottish Oriental Sm Coys	£128	Nil	18.7	6.0	9.0		7.0	8.0	11.0	18.0	11.0	6.0	10.0	4.0		Indo 5.0%, Sri Lanka 4.0%
				Cash	USA	UK	Europe	Japan	Other							
Aberforth Small Cos Trust	£621	7	22.4				100.0									
Baillie Gifford Shin Nippon	£50	19	30.3	3.9						96.1						
Fidelity European Values	£724	15	31.7	12.0			88.0									
Fidelity Japan Values plc	£53	5	16.3	0.0				100.0								
Herald Investment Trust	£381	15	23.6	12.0	19.0	58.0	3.0			8.0						
JPMorgan Euro Fledgling	£440	15	15.2					100.0								
Invesco English & Int'l	£51	Nil	21.8	1.0	3.0	96.0										
Invesco Perp Japan Small	£45	Nil	38.4	4.7						95.3						
Private Equity Investor plc	£68	Nil	25.9	22.0	78.0											
				Cash	Asia	Latin Amer	Africa	Europe & Middle East								
Aberdeen E/Markets	£974	Nil	34.3	3.2	47.9	30.0	5.2	13.7								

Fidelity European Values plc continues to have its largest investments in France (24% of the portfolio), followed by Germany (17%) and Switzerland (14%). It has smaller holdings in Italy, (6%), Netherlands (6%), Belgium (6%), Spain (5%), Sweden (4%), Norway (2%), Luxembourg (1%), Greece (1%) and the UK (1%).

JPMorgan Fleming European Fledgling has its largest investments in Italy (13% of the portfolio), Netherlands (12%), Germany (12%), France (11%), Spain (11%), Switzerland (9%), Finland (7%), Denmark (6%), Sweden (4%), Austria (4%), Greece (3%), Norway (2%), Belgium (2%), Ireland (2%) and Portugal (2%).

pence per share. 3.0 pence of this is revenue and is being distributed to shareholders as a special dividend. The shares traded ex-dividend on 27 November and payment will be made on 22 December.

Private Equity Investor plc's net asset value increased 3.1% to US\$3.16 over the six months to 30 September, but the fall in the US dollar against Sterling resulted in a 7.6% *decline* in net asset value to 197.5 pence.

The company has US\$86.7 million invested in US venture funds and holds US\$23.2 million in cash of which US\$15.1 million will eventually be needed to meet commitments to subscribe equity to venture funds.

Over the last six months the company received US\$3.8 million in distributions from the funds. US\$1.46

million of this was in cash and US\$2.34 million in shares.

Share Buy-Backs

Aberdeen Smaller Companies Trust plc has repurchased 33,000 shares on-market at 504 pence.

Fidelity European Values plc made 10 transactions to buy-back a total of 514,257 shares over the last five weeks. This returned £5.63 million to investors. With the shares trading at around a 10% discount to net asset value, that would have *added* around £650,000 to the net asset value of the remaining 51,439,875 shares - or about 1.3 pence per share.

JPMorgan European Fledgeling Investment Trust plc has repurchased 274,000 shares in two transactions worth £1.84 million.

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	-10%	1096.0p	2455.7	+90
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-20%	652.0p	1460.9	+91
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-10%	528.5p	1184.2	+14
HOLD	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-10%	206.0p	461.6	-34
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS AASW		09/09/03	75.3p	209.1		255.0p	571.4	+173
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		630.81p	1413.4	+0
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		373.62p	837.1	+695
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		81.98p	183.7	+73
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		576.7p	1292.2	+15
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-9%	390.0p	873.9	+164
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-16%	114.0p	255.4	-42
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-16%	46.75p	104.8	-68
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		48.2p	108.0	-41
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		196.1-207.9p	452.6	+116
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		402.87p	902.7	+391
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-23%	310.0p	694.6	-15
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-41%	114.0p	255.4	-39
* United Kingdom based Unit Trust									

The average Gains/Losses of all current investments from initial recommendation is +93.1%. This is equal to an average annual rate of +9.8%, 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 +10.9%.

Other Shares and Warrants

Alternative investments to those recommended above include **Aberdeen Asian Smaller Companies** shares at 359 pence (trading at a 16% discount to net asset value) and **Fidelity Japanese Values** subscription shares (i.e. warrants) at 8.125 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio	Country	Dividend Yield	Price/Earn. Ratio
Australia	3.1	42.3	Chile	2.2	17.2
Austria	2.7	98.5	China	1.5	9.4
Belgium	2.0	NE	Greece	2.8	11.9
Canada	2.2	21.2	Egypt	11.9	5.0
Denmark	1.0	16.1	Hong Kong	2.3	27.5
Finland	3.7	13.6	Hungary	1.0	8.6
France	3.1	19.3	India	0.9	22.8
Germany	3.1	14.8	Indonesia	1.9	28.2
Ireland	1.7	29.7	Israel	0.9	46.8
Italy	3.2	9.3	Korea	0.9	17.2
Japan	1.5	NE	Malaysia	2.7	21.0
Netherlands	2.5	31.2	Mexico	1.2	22.5
New Zealand	4.8	NE	Philippines	3.1	17.6
Norway	2.1	20.2	Poland	2.3	18.5
Spain	4.6	12.1	Portugal	3.5	16.9
Sweden	2.3	34.4	Russia	0.2	6.8
Switzerland	1.9	32.4	Singapore	3.0	46.9
Un. Kingdom	3.3	19.4	Sth Africa	2.2	17.4
USA	1.8	NE	Taiwan	2.3	43.8
Argentina	1.5	12.6	Thailand	3.1	17.5
Brazil	2.0	8.3	Turkey	2.1	12.6
Czech Rep.	5.2	10.0	Venezuela	7.5	6.1

As we have discussed previously, Fundamental valuation statistics can become of little value in a major recession.

Price/Earnings ratios and Dividend Yields measure share prices against corporate profitability and dividends. *Usually* share prices are the most volatile part of those ratios. So a high P/E ratio or low Yield *usually* indicates a high (i.e. over-valued) share price. A low P/E ratio or high Yield *usually* a low (i.e. under-valued) share price.

That normal situation breaks down in a major recession when corporate profitability can be unusually low or even negative, owing to large losses and accounting write-downs. The shares of companies trading at a loss (or earning very low profits) will *look* expensive at any price. A Price/Earnings ratio has little meaning when the "Earnings" part of the ratio is severely depressed or zero or negative!

Overall Dividend Yields (which compares dividends to share prices) is a better and more reliable valuation statistic. Dividends tend to be even more stable than Earnings, so variations in Dividend Yields are a better measure of the over-valuation or under-valuation of share prices. Companies like to pay *sustainable* dividends and to build a record of *raising* - not *cutting* - their annual dividends . . . except, of course, in a major economic downturn when the lack of cashflow and difficulty refinancing debt can make it necessary to cut dividends or to temporarily stop paying dividends.

The bottom line is that Fundamental statistics are currently Bearish or unfavourable. Share prices are

over-valued in relation to the *current levels of corporate profits* and at best look to be fairly valued relative to *current dividend levels*. These statistics therefore have a negative input into our Stockmarket Forecasts at the present time.

We believe that the economic recession has depressed current profits and dividends below their normal level - and that current Fundamental statistics therefore understate the true value of stockmarkets.

We could adjust these statistics for this situation (i.e. the recession) which we believe is self evident . . . but this leads to its own dangers. In a boom, most analysts start adjusting fundamental valuations by comparing share prices not with *current* (and known) earnings and dividends, but with *forecast* earnings and dividends - for the coming year, or the one after that. A share on a P/E ratio of 50 is usually over-valued, but factor in 40% growth over each of the next two years and that becomes a very reasonable 25. Or - as in previous booms - factor in 100% p.a. growth over two years and the share must be a BUY on a prospective P/E of just 12!

It is these expectations about future growth - high expectations in a boom, and low or negative expectations in a bust - that cause stockmarkets to fluctuate between extremes of over-valuation and under-valuation. One way to keep your feet firmly planted in reality is to compare share prices with *current* (i.e. actual) earnings and dividends - even if that comparison does occasionally break-down in a major recession.

United States Dividend Yield



Canada Dividend Yield



Japan Dividend Yield



China Dividend Yield



United Kingdom Dividend Yield



Hong Kong Dividend Yield



France Dividend Yield



India Dividend Yield



Listed Investment Trust

Warrant Analysis

Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued(%)	Share Volatility	Warrant Leverage	Warrant Share Price appreciation of:	5%pa	10%pa	20%pa	Break-Even Rate
<u>UNITED KINGDOM</u>													
Midas Income & Growth	105.5p	100.0p	0-8	17.00p	10.05p	+69	0.200	8.0	-61.6	-37.6	+19.4	+17%	
Perpetual Income & Growth	203.0p	218.9p	3-8	23.50p	14.36p	+64	0.121	7.6	+0.4	+34.1	+73.5	+5%	
<u>FAR EASTERN</u>													
Aberdeen Asian Income	131.0p	120.0p	3-5	30.00p	26.00p	+15	0.202	3.7	+4.4	+23.3	+51.6	+4%	
Aberdeen Asian Smaller	359.0p	100.0p	0-11	255.00p	259.60p	-2	0.218	1.4	+8.8	+15.8	+30.0	-1%	
Aberdeen New India	188.5p	100.0p	0-7	85.00p	88.90p	-4	0.283	2.1	+18.7	+30.5	+54.7	-3%	
<u>JAPAN</u>													
Fidelity Japan Values	46.8p	55.0p	3-2	8.13p	7.43p	+9	0.301	3.4	-100.0	+0.4	+48.3	+10%	
<u>INDIA</u>													
JP Morgan India	377.0p	227.0p	0-0	143.00p	150.00p	-5	0.330	2.5	-	-	-	-	
<u>INTERNATIONAL</u>													
Impax Environmental	111.9p	96.0p	0-6	21.50p	17.87p	+20	0.250	5.6	-28.5	-6.0	+47.0	+11%	
Jupiter Green	82.3p	100.0p	1-7	5.50p	3.32p	+66	0.208	8.6	-100.0	-100.0	+43.8	+17%	
<u>TECHNOLOGY</u>													
RCM Technology	253.5p	267.0p	2-3	33.50p	29.14p	+15	0.217	5.0	-26.6	+17.4	+73.2	+8%	

World Stockmarket Capitalisations

The world's total stockmarket capitalisation recovered a further 8% - or US\$2,098 billion - over the last three months to the end of November 2009 to US\$28,526 billion.

The United States stockmarket rose 9% to \$11,695 billion, so its share of the world's equities rose from 40.4% to 41.0%. China was up 19% to 9th place. New Zealand lagged other small stockmarkets, becoming the smallest stockmarket in our table!

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	11,695	41.00	Denmark	120	0.42
Japan	2,417	8.47	Norway	119	0.42
United Kingdom	2,372	8.32	Ireland	114	0.40
France	1,196	4.19	Israel	99	0.34
Canada	1,188	4.16	Malaysia	90	0.32
Australia	981	3.44	Chile	68	0.24
Switzerland	980	3.44	Greece	67	0.23
Germany	900	3.16	Indonesia	66	0.23
China	639	2.24	Luxembourg	58	0.20
Brazil	599	2.10	Austria	57	0.20
Spain	525	1.84	Turkey	53	0.19
South Korea	499	1.75	Portugal	51	0.18
Taiwan	470	1.65	Thailand	49	0.17
Italy	440	1.54	Poland	48	0.17
Hong Kong	340	1.19	Peru	26	0.09
India	327	1.15	Egypt	21	0.07
Sweden	324	1.14	Morocco	20	0.07
Netherlands	309	1.08	Philippines	21	0.07
Russia	260	0.91	Hungary	18	0.06
South Africa	242	0.85	Czech Republic	17	0.06
Singapore	185	0.65	New Zealand	17	0.06
Mexico	151	0.53			
Finland	147	0.52	TOTAL	\$228,526	100.00%
Belgium	136	0.48			

Next Issue:

The next issue of *International Investor* will be emailed in four weeks time on Monday January 11, 2010.

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

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