

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	54%	Neutral	Bullish	Neutral	Bullish	+11.1%	-3.6%	+7.3%	4,600.70
Austria	47%	Bearish	Bearish	Bullish	Bearish	+10.2%	-9.7%	-15.0%	2,487.27
Belgium	58%	Bearish	Bullish	Bullish	Neutral	+9.2%	-9.8%	-9.2%	2,569.72
Canada	57%	Bearish	Bullish	Bullish	Bearish	+3.3%	-1.1%	+11.6%	12,097.09
Denmark	58%	Bearish	Bullish	Bullish	Bearish	+8.2%	+2.9%	+8.6%	416.34
Finland	47%	Neutral	Bullish	Neutral	Bearish	+11.0%	-10.5%	-6.0%	6,972.32
France	51%	Neutral	Neutral	Bullish	Bearish	+9.8%	-11.3%	-11.7%	2,704.52
Germany	49%	Bearish	Bullish	Bullish	Bearish	+7.6%	-3.7%	-4.0%	6,214.77
Ireland	34%	Bearish	Bearish	Neutral	Bullish	-4.5%	-16.2%	-25.8%	2,780.60
Italy	46%	Neutral	Bearish	Bullish	Bearish	+10.5%	-14.5%	-21.0%	21,377.72
Japan	39%	Bearish	Bearish	Bullish	Bearish	+3.7%	-7.6%	-4.6%	9,239.17
Netherlands	48%	Bearish	Neutral	Bullish	Bearish	+7.7%	-9.1%	-5.5%	334.96
New Zealand	48%	Neutral	Neutral	Bullish	Bearish	+6.0%	-1.2%	-3.3%	1,347.66
Norway	67%	Bearish	Bullish	Bullish	Bullish	+10.1%	-4.8%	+15.5%	341.63
Spain	63%	Bullish	Neutral	Bullish	Neutral	+17.0%	-11.4%	-20.0%	1,103.88
Sweden	51%	Bearish	Bullish	Neutral	Bearish	+14.6%	+1.1%	+13.1%	334.63
Switzerland	61%	Neutral	Bullish	Bullish	Bearish	+13.3%	-1.9%	+5.6%	6,467.69
Un. Kingdom	59%	Bearish	Bullish	Bullish	Bearish	+12.4%	-1.2%	+0.9%	5,501.64
USA	47%	Bearish	Neutral	Bullish	Bearish	+1.6%	-3.5%	+6.4%	1,109.55
Argentina	69%	Bearish	Bullish	Bullish	Bullish	+5.3%	-0.4%	+28.0%	8,593.55
Brazil	60%	Bearish	Bullish	Bullish	Bearish	+10.4%	-1.4%	+21.8%	66,806.79
Czech Rep.	46%	Bullish	Bearish	Neutral	Neutral	+8.9%	-8.5%	-10.2%	1,138.80
Chile	57%	Bearish	Bullish	Bearish	Bullish	+29.6%	+28.6%	+59.6%	22,106.52
China	58%	Bearish	Bullish	Neutral	Bearish	+18.7%	+5.3%	+28.6%	258.85
Greece	41%	Neutral	Bearish	Neutral	Bullish	+12.0%	-30.8%	-45.4%	1,588.33
Egypt	71%	Bullish	Bearish	Bullish	Bullish	+3.6%	-8.9%	-6.0%	6,499.63
Hong Kong	65%	Bearish	Bullish	Bullish	Bearish	+7.3%	+0.1%	+0.2%	21,257.39
Hungary	49%	Bearish	Neutral	Neutral	Bullish	+12.5%	-14.2%	-0.1%	23,045.71
India	52%	Bearish	Bullish	Neutral	Bearish	+11.4%	+7.6%	+20.9%	18,799.66
Indonesia	66%	Bearish	Bullish	Neutral	Bullish	+17.8%	+23.2%	+47.5%	3,230.89
Israel	52%	Bearish	Bullish	Bullish	Neutral	+9.9%	-6.9%	+21.6%	1,085.61
Korea	56%	Bearish	Bullish	Neutral	Bearish	+15.1%	+5.0%	+14.4%	1,802.58
Malaysia	51%	Bearish	Bullish	Neutral	Bearish	+17.5%	+16.8%	+33.8%	1,437.78
Mexico	43%	Bearish	Bullish	Neutral	Bearish	-0.8%	-2.8%	+14.4%	32,626.87
Philippines	72%	Bearish	Bullish	Bullish	Neutral	+26.4%	+32.2%	+49.4%	3,902.56
Poland	56%	Bearish	Bullish	Neutral	Bullish	+17.1%	-3.9%	+9.9%	43,671.28
Portugal	42%	Neutral	Bearish	Bullish	Bearish	+9.4%	-11.0%	-17.3%	2,642.55
Russia	45%	Bearish	Neutral	Neutral	Bearish	+11.8%	-9.9%	+16.5%	2,115.22
Singapore	72%	Bearish	Bullish	Bullish	Bullish	+13.1%	+9.1%	+19.6%	3,022.28
Sth Africa	54%	Bearish	Bullish	Neutral	Bearish	+11.4%	+2.2%	+15.8%	28,087.10
Taiwan	51%	Neutral	Bullish	Neutral	Bearish	+9.9%	+1.2%	+9.8%	7,890.11
Thailand	72%	Bearish	Bullish	Bullish	Bearish	+26.6%	+33.1%	+44.2%	924.57
Turkey	62%	Bearish	Bullish	Bullish	Bearish	+14.9%	+17.6%	+28.8%	60,608.08
Venezuela	65%	Neutral	Neutral	Bullish	Bullish	+2.5%	+14.7%	-37.4%	65,270.64

One Year Forecasts predict the probability that a stock-market will rise over the next year. Investors should seek to invest in markets with forecasts of 60-100%, while avoiding markets with forecasts of 0-40%. Bullish = Favourable. Bearish = Unfavourable.

World Stockmarket Outlook

Dividend Yields peaked in late 2008 - caused by the drop in stock prices during the global financial crisis (see the charts on pages 4-5). Since then Yields have dropped reflecting the fall in dividend payouts resulting from the decline in corporate profitability during the recession.

Profits and dividends remain depressed by subdued economic activity - but most stockmarkets have Dividend Yields *above* their historical levels. That shows that stockmarkets offer good value *at current levels of corporate profitability and dividend payouts*.

Given that the economy is only slowly recovering from a recession, there is a very high probability that corporate profits and dividends would be considerably higher under more normal economic conditions.

So share prices offer good value *now* and there is potential for significant growth as the global economy steadily recovers. Remain fully invested in the recommended international equity funds.

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	£217	3	29.9	2.0	16.0	1.0	16.0		1.0	13.0	11.0	6.0	14.0	Indo 10.0%, Sri Lanka 6.0%	
Baring Korea	£159	Nil	47.9	2.7					97.3						
Gartmore China Opps	£728	Nil	39.7	2.6	87.0								4.2		
Gartmore Pacific Opps	£102	Nil	30.4		35.9	2.4	2.5	11.1	17.8	5.4	4.2		12.9	Indonesia 6.3%	
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	£134	Nil	37.2	2.1	46.8			18.6	11.9	6.0	2.3		8.3	Indonesia 4.0%	
Scottish Oriental Sm Coys	£174	Nil	16.9	5	11.0		8.0	12.0	10.0	13.0	11.0	6.0	11.0	2.0	Indo 7.0%, Sri Lanka 3.0%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust	£664	9	24.9			100.0									
Baillie Gifford Shin Nippon	£57	19	31.9	1.4					98.6						
Fidelity European Values	£652	9	27.8	9.0			91.0								
Fidelity Japan Values plc	£56	Nil	18.4	0.5				99.5							
Herald Investment Trust	£442	13	24.7	14.0	20.0	58.0	2.0			6.0					
JPMorgan Euro Small Coys	£374	2	15.3	4.0			96.0								
Invesco English & Int'l	£51	Nil	18.8	21.0	1.0	78.0									
Invesco Perp Japan Small	£42	Nil	37.5	4.6				95.4							
Private Equity Investor plc	£76	Nil	-	21.0	79.0										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen E/Markets	£1700	Nil	33.6	3.7	48.3	28.9	5.2	13.8							

Fidelity European Values plc continues to have its largest investments in Germany (25% of the portfolio) and France (21%), followed by Switzerland (15%). It has smaller holdings in Netherlands (12%), Belgium (4%), Sweden (3%), Denmark (3%), Italy (3%), Israel (2%), Norway (1%), Luxembourg (1%), Finland (1%), and Spain (1%).

JPMorgan Fleming European Fledgling has its largest investments in Germany (15% of the portfolio), Switzerland (12%), France (12%), Italy (10%), Netherlands (9%), Finland (9%), Sweden (8%), Belgium (6%), Denmark (5%), Spain (4%), Ireland (3%), Austria (2%), and Greece (1%).

Recommended International Investment Funds

Fund Liquidation

As we updated in an email, our shares in **Invesco English & International Trust plc** defaulted to the Cash Option (as we are foreign investors) and will be liquidated and repaid in cash.

At the September EGM, 79.6% of shares elected (or defaulted) to the Cash option and 20.4% elected (or defaulted) for the option of receiving units in Invesco Perpetual UK Smaller Companies Growth Fund.

As previously announced, a second EGM on 1 October will authorise the liquidation of the trust with the cash paid out on 11 October. There may be further smaller payments in the future when difficult to sell shares are sold and/or from legal claims to recover VAT.

Fund Report

Baillie Gifford Shin Nippon plc lifted net assets 9.7%

over the six month to 31 July, outperforming its benchmark index that was up 6.0%. The share price rose 16.0%. Smaller Japanese shares, however, underperformed larger Japanese shares over the period.

The Fund Manager points out that “Japanese smaller company valuations remain close to historical lows, despite a period of good earnings performance”. This has resulted in a rise in management buyouts at “substantial premiums to market” and “a record number of Chinese companies purchasing Japanese companies” owing to “the potential for their technology and brands in China”.

Share Buy-Backs

JPMorgan European Smaller Companies Trust plc has made three on-market share buy-backs over the last month, acquiring 195,000 shares

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price Foreign	Price NZ	Prem/ Disc to Net Assets	Recent Price Bid-Offer or Last Sale	Price NZ	Gain or Loss %
Europe									
HOLD	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-15%	1004.0p	2125.8	+65
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-16%	688.0p	1456.7	+90
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-14%	533.0p	1128.5	+8
HOLD	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-8%	224.0p	474.3	-32
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS AASW		09/09/03	75.3p	209.1		448.5p	949.6	+354
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		681.81p	1443.6	+2
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		416.63p	882.1	+737
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		92.17p	195.2	+84
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		628.5p	1330.7	+19
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-7%	533.5p	1129.6	+242
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-17%	127.5p	270.0	-39
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-18%	48.25p	102.2	-68
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		46.3p	98.0	-46
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		228.80-242.70p	499.2	+138
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		481.87p	1020.3	+455
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-19%	402.25p	851.7	+4
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-44%	125.5p	265.7	-37

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +116.2%. This is equal to an average annual rate of +11.3%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 17 current and 46 closed out) is +11.6%.

Other Shares and Warrants

Alternative investments to those recommended above include **Aberdeen Asian Smaller Companies** shares at 552½ pence (trading at a 9% discount to net asset value) and **Fidelity Japanese Values** subscription shares (i.e. warrants) at 6½ pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	3.6	33.9
Austria	2.8	NE
Belgium	2.3	17.2
Canada	2.3	30.5
Denmark	1.1	37.5
Finland	3.9	37.5
France	3.5	24.1
Germany	2.9	21.0
Ireland	2.2	NE
Italy	3.7	15.9
Japan	1.7	29.3
Netherlands	2.8	33.7
New Zealand	5.4	49.0
Norway	3.0	17.6
Spain	5.3	11.4
Sweden	2.5	13.3
Switzerland	2.7	18.6
Un. Kingdom	3.2	14.8
USA	1.8	24.7
Argentina	1.3	14.3
Brazil	2.4	9.6
Czech Rep.	5.9	11.4

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.1	24.6
China	1.8	7.6
Greece	3.6	12.2
Egypt	11.3	5.2
Hong Kong	2.7	13.9
Hungary	1.2	12.4
India	1.0	19.6
Indonesia	2.3	22.4
Israel	0.9	48.9
Korea	1.3	12.7
Malaysia	2.5	20.8
Mexico	1.2	19.3
Philippines	2.7	13.7
Poland	1.8	19.0
Portugal	4.4	12.0
Russia	1.8	8.7
Singapore	3.0	21.4
Sth Africa	2.3	16.5
Taiwan	3.4	25.8
Thailand	3.0	16.0
Turkey	2.4	12.9
Venezuela	6.2	0.0

United States Dividend Yield



United Kingdom Dividend Yield



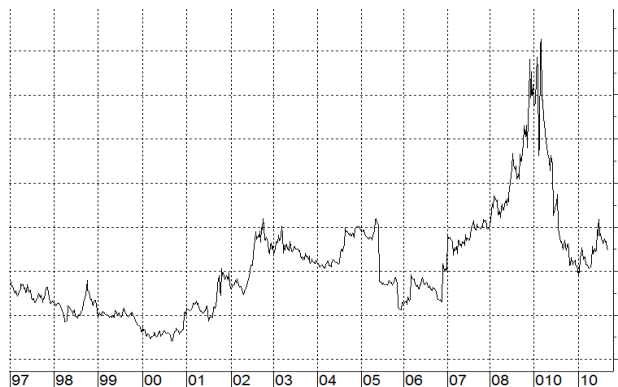
Japan Dividend Yield



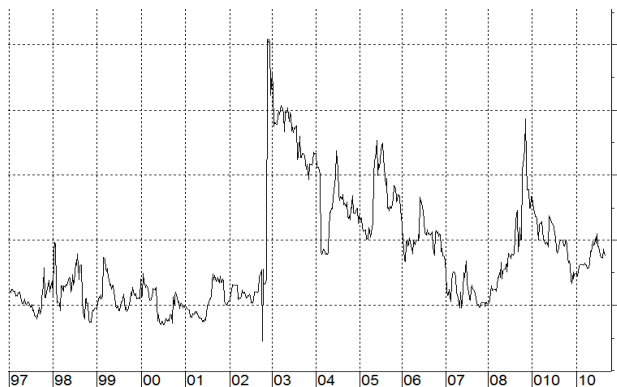
Canada Dividend Yield



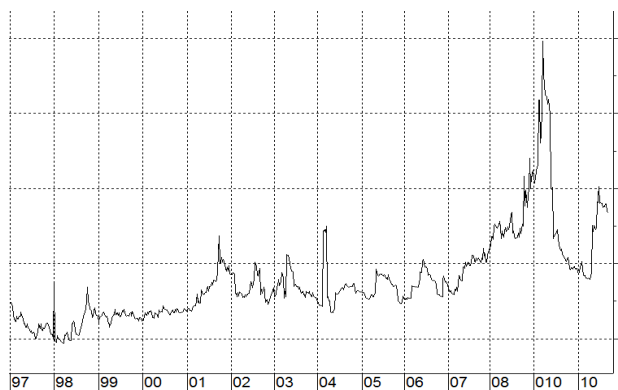
France Dividend Yield



China Dividend Yield



Switzerland Dividend Yield



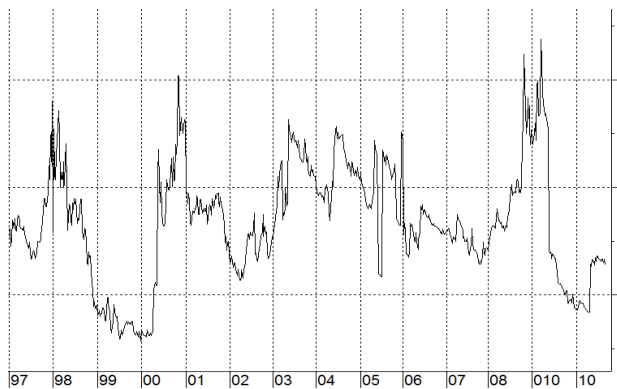
Brazil Dividend Yield



Australia Dividend Yield



South Korea Dividend Yield



Germany Dividend Yield



Taiwan Dividend Yield



Listed Investment Trust Warrant Analysis

Review of Existing Warrants/Subscription Shares

Aberdeen Asian Income shares rose 8¾ pence (5.9%) over the last three months, lifting the warrants (code AAIW) 5¾ pence (20.2%) to 34¼ pence.

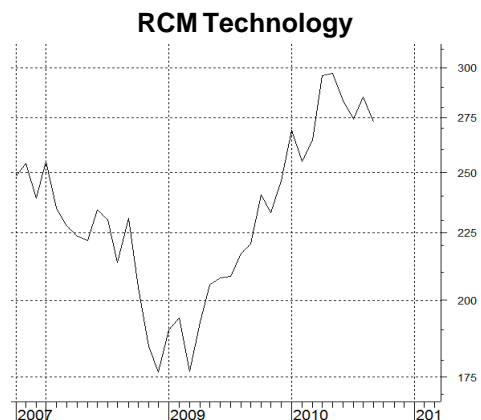
The warrants currently trade at an 8% discount to their *intrinsic* value and a 21% discount to their *fair* value.

If the share price continues to appreciate over the two years and eight months until the final exercise/expiry date, then the options will yield significantly higher leveraged returns. As shown in our table, if the shares appreciate by 5% per annum, then the warrants will appreciate by 22.7% per annum! If the shares appreciate at 20% per annum, then the warrants would rise at 67.6% per annum!

The only problem with these warrants is a large bid/offer spread. At 30-35 pence that is 16.7%. That makes the warrants unattractive for short term trading, but they still remain an attractive way to benefit from the recovery of Asian stockmarkets over the next 2¾ years!

RCM Technology shares fell 1 penny (0.4%) over the last three months but the subscription shares (code RTTS) are down 6¾ pence (15.3%)

The subscription shares have fallen to a slight discount to fair value, but the bid/offer spread has widened to 36.9% (i.e. bid at 32½ pence, offered at 44½ pence). That large spread, plus only 18 months to the final exercise/expiry makes the subscription shares unattractive for new purchases, but investors should hold any existing positions as they offer a highly leveraged investment in major technology shares.



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>UNITED KINGDOM</u>												
Henderson Opportunities	388.5p	936.0p	3-5	3.13p	23.55p	-87	0.391	3.7	-100.0	-100.0	-100.0	+30%
Perpetual Income & Growth	236.4p	218.9p	2-11	26.00p	31.93p	-19	0.121	5.9	+28.2	+54.9	+95.4	+1%
Dunedin Smaller Companies	115.0p	170.0p	1-5	1.50p	1.60p	-6	0.237	10.9	-100.0	-100.0	-100.0	+33%
<u>FAR EASTERN</u>												
Aberdeen Asian Income	157.3p	120.0p	2-8	34.25p	43.63p	-21	0.189	3.2	+22.7	+39.2	+67.6	-1%
Aberdeen Asian Smaller Coys	552.5p	100.0p	0-2	448.50p	452.63p	-1	0.214	1.2	+11.9	+18.5	+31.7	-4%
Fidelity Asian Values	186.0p	191.0p	2-8	22.00p	32.72p	-33	0.276	3.6	-2.0	+34.8	+83.8	+5%
Invesco Asia Trust	143.8p	125.0p	1-11	25.75p	31.03p	-17	0.259	3.6	+13.5	+37.7	+79.3	+3%
<u>JAPAN</u>												
Fidelity Japan Values	48.3p	55.0p	2-5	6.50p	6.71p	-3	0.296	3.9	-100.0	-5.0	+59.1	+11%
<u>THAILAND</u>												
Aberdeen New Thai	259.3p	200.0p	2-4	60.25p	78.78p	-24	0.289	2.7	+19.1	+36.2	+66.0	+0%
<u>TECHNOLOGY</u>												
RCM Technology	284.0p	267.0p	1-6	37.25p	40.07p	-7	0.213	5.1	+3.3	+39.1	+100.9	+5%

World Stockmarket Capitalisations

The world's total stockmarket capitalisation rose just US\$232 billion - or 0.8% - over the last three months, to US\$27,515 billion at the end of August 2010.

The United States stockmarket was down 3.0%, reducing from 43.5% to 41.8% of the global total.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	11,602	41.81	Denmark	119	0.43
Japan	2,443	8.81	Malaysia	109	0.39
United Kingdom	2,303	8.30	Norway	106	0.38
Canada	1,250	4.51	Israel	98	0.35
France	994	3.58	Chile	93	0.34
Australia	904	3.26	Indonesia	83	0.30
Switzerland	880	3.17	Turkey	71	0.26
Germany	788	2.84	Thailand	67	0.24
China	630	2.27	Luxembourg	55	0.20
Brazil	576	2.08	Poland	51	0.18
South Korea	544	1.96	Austria	48	0.17
Taiwan	474	1.71	Portugal	43	0.16
Spain	391	1.41	Greece	37	0.14
Italy	364	1.31	Ireland	37	0.14
India	354	1.27	Peru	28	0.10
Sweden	336	1.21	Philippines	26	0.10
Hong Kong	331	1.20	Egypt	23	0.08
Netherlands	285	1.03	Morocco	18	0.06
Russia	266	0.96	New Zealand	16	0.06
South Africa	264	0.95	Czech Republic	16	0.06
Singapore	204	0.73	Hungary	15	0.05
Mexico	144	0.52			
Finland	131	0.47	TOTAL	\$27,515	100.00%
Belgium	121	0.44			

Next Issue:

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

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

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