

International Investor

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Dividend Yield spike, indicating stockmarkets are likely close to their lows 2, 4-5

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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	43%	Neutral	Bearish	Neutral	Bullish	-8.0%	-6.4%	+5.4%	4,277.40
Austria	30%	Neutral	Bearish	Neutral	Bearish	-28.1%	-28.0%	-11.4%	2,046.13
Belgium	29%	Bearish	Bearish	Neutral	Bearish	-21.7%	-21.6%	-11.2%	2,117.82
Canada	37%	Bearish	Bearish	Bullish	Bearish	-6.9%	-11.7%	+6.5%	12,387.50
Denmark	27%	Bearish	Bearish	Neutral	Bearish	-24.6%	-26.1%	-10.2%	347.15
Finland	32%	Bullish	Bearish	Bearish	Bearish	-24.3%	-27.6%	-17.0%	5,375.97
France	38%	Bullish	Bearish	Bullish	Bearish	-24.3%	-23.5%	-10.6%	2,244.78
Germany	37%	Bullish	Bearish	Neutral	Bearish	-30.1%	-27.0%	-10.1%	5,189.93
Ireland	35%	Bearish	Bearish	Neutral	Neutral	-19.4%	-15.6%	-5.3%	2,444.02
Italy	36%	Neutral	Bearish	Neutral	Bearish	-32.0%	-34.9%	-24.9%	14,912.90
Japan	42%	Bearish	Bearish	Bullish	Neutral	-5.0%	-10.1%	+2.5%	8,737.66
Netherlands	31%	Neutral	Bearish	Neutral	Bearish	-21.3%	-24.5%	-11.2%	276.10
New Zealand	36%	Neutral	Bearish	Neutral	Bearish	-10.6%	-1.4%	-0.3%	1,190.81
Norway	37%	Neutral	Bearish	Neutral	Neutral	-15.3%	-15.6%	+8.6%	331.47
Spain	47%	Bullish	Bearish	Neutral	Neutral	-25.0%	-26.3%	-22.1%	798.24
Sweden	35%	Neutral	Bearish	Neutral	Bearish	-22.0%	-23.0%	-6.9%	280.64
Switzerland	45%	Neutral	Bearish	Bullish	Bearish	-16.4%	-10.1%	-3.1%	5,430.77
Un. Kingdom	35%	Bearish	Bearish	Neutral	Bearish	-11.4%	-11.6%	-1.9%	5,214.65
USA	52%	Bullish	Bearish	Bullish	Bearish	-9.2%	-11.5%	+4.0%	1,154.23
Argentina	32%	Bearish	Bearish	Neutral	Bullish	-16.3%	-26.1%	+1.6%	9,294.11
Brazil	41%	Neutral	Bearish	Neutral	Neutral	-15.1%	-16.7%	-14.1%	55,778.40
Czech Rep.	55%	Bullish	Bearish	Neutral	Bullish	-23.7%	-20.9%	-6.2%	983.80
Chile	25%	Bearish	Bearish	Bearish	Neutral	-12.6%	-3.1%	-5.7%	19,721.80
China	25%	Neutral	Bearish	Bearish	Neutral	+3.7%	-17.8%	+4.6%	255.43
Greece	40%	Bearish	Bearish	Neutral	Bullish	-32.6%	-44.9%	-39.9%	886.73
Egypt	67%	Bullish	Bearish	Bullish	Bullish	-14.1%	-16.7%	-30.2%	4,755.07
Hong Kong	33%	Bearish	Bearish	Bullish	Bearish	-11.5%	-14.6%	-6.9%	19,866.60
Hungary	42%	Bearish	Bearish	Bearish	Bullish	-33.2%	-26.8%	-19.5%	17,042.00
India	29%	Bearish	Bearish	Neutral	Bearish	-11.2%	-10.0%	-10.7%	16,867.00
Indonesia	63%	Bearish	Bullish	Neutral	Bullish	+5.0%	+15.6%	+30.0%	3,998.50
Israel	28%	Bearish	Bearish	Bearish	Bullish	-20.5%	-20.1%	-10.2%	954.16
Korea	34%	Bearish	Bearish	Neutral	Neutral	-10.9%	-3.3%	+8.8%	1,812.93
Malaysia	44%	Bearish	Bearish	Bullish	Bearish	-5.2%	-0.6%	+5.6%	1,469.12
Mexico	23%	Bearish	Bearish	Bearish	Bearish	-9.4%	-12.1%	+5.6%	33,812.60
Philippines	82%	Bearish	Bullish	Bullish	Bullish	+4.7%	+13.5%	+15.0%	4,346.07
Poland	47%	Neutral	Bearish	Bearish	Bullish	-31.2%	-25.7%	-12.3%	38,708.60
Portugal	48%	Bullish	Bearish	Neutral	Neutral	-18.6%	-18.5%	-4.5%	2,343.05
Russia	49%	Neutral	Bearish	Bullish	Bearish	-21.8%	-20.1%	+9.8%	2,250.87
Singapore	56%	Neutral	Bearish	Bullish	Bullish	-7.6%	-4.2%	+2.0%	2,825.10
Sth Africa	30%	Bearish	Bearish	Bearish	Bearish	-8.9%	-7.7%	+7.1%	30,440.90
Taiwan	43%	Neutral	Bearish	Bullish	Neutral	-15.1%	-10.1%	+5.1%	7,610.57
Thailand	61%	Bearish	Bullish	Bullish	Bullish	+5.3%	+6.8%	+17.8%	1,062.37
Turkey	22%	Neutral	Bearish	Bearish	Bearish	-22.8%	-22.5%	-22.3%	55,903.00
Venezuela	72%	Bearish	Bullish	Bullish	Neutral	+23.0%	+46.9%	+52.8%	99,720.30

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

The combination of weaker share prices *and* the steady recovery in corporate profits (and dividends) is having an important impact on share valuations!

Corporate profits and dividends are reported annually (and with a delay of several months after the end of the company's financial year), so change only slowly. Share prices fluctuate daily. So in the *short term* changes in share prices have the greatest impact on Price/Earnings ratios and Dividend Yields. That is why Dividend Yields spiked (see the charts on pages 4-5). Those spikes, however, exactly match the low point in the stockmarkets involved.

Corporate profits and dividends fell during the global financial crisis. This reduced Dividend Yields, although they generally stayed near the upper end of their historical range - indicating that share prices were *cheap*, even relative to the depressed levels of profitability and dividend payouts.

Now Dividend Yields are again spiking - especially in the United States and European markets. Short term this again mainly reflects the recent drop in share prices, but the level has been helped by the recovery in profits and dividends over the last year.

While it is always impossible to pick the ultimate peak in Dividend Yields in any cycle in advance - and the ultimate low in share prices - it is clear that in many cases Dividend Yields are near their historical highs. That indicates that share prices are likely to be *near* their lows for this cycle!

Recommended Funds Geographic Portfolio Spread

FundName	Size (Mil)	Leverage (%debt)	Top10 Hldgs(%)	Portfolio invested in (%):												
				Cash	HK	Australia	Malay	Taiwan	Korea	Sing.	Thail'd	Phil.	China	India	Indo	
Aberdeen Asian Sm Coy	£240	2	34.2		14.0	1.0	18.0	-	1.0	11.0	13.0	6.0	-	14.0	Indo 10.0	
First State Indian Sub-Cont	£293	Nil	41.7	7.2										90.5	Sri Lanka 2.3	
Henderson China Opps	£701	Nil	41.7	0.4	83.9					1.9			6.9		US 6.9	
Gartmore Pacific Opps				merged with Henderson Asia Pacific Capital												
HSBC Asian Fund	£42	Nil	27.3	5.8	19.2		2.8	18.2	24.0	5.2	2.3		20.2		Indo 3.3	
Hend Asian Pacific Cap	£269	Nil	40.0	1.8	41.1		3.1	11.9		4.9	6.5			8.3	Indo 3.6	
Scottish Oriental Sm Coys	£209	11	17.3	8.0	9.0		8.0	13.0	12.0	14.0	8.0	4.0	15.0	2.0	Indo 5.0	
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£701	10	27.1			100.0										
Baillie Gifford Shin Nippon	£65	17	32.2	1.6							98.4					
Fidelity European Small Co	£613	12	29.7	1.0				99.0								
Fidelity Japan Values plc	£61	Nil	25.1	6.0						92.0	2.0					
Herald Investment Trust	£482	12	23.4	6.0	21.0	64.0	2.0		7.0							
JPMorgan Euro Small Coys	£356	4	27.9	14.0				86.0								
Invesco Perp Japan Small	£41	Nil	38.3	3.9						96.1						
Private Equity Investor plc	£65	Nil	-	20.0	80.0											
				Cash Asia LatinAmer Africa Europe & Middle East												
Aberdeen E/Markets	£2800	Nil	33.6	3.9		51.9		29.4		3.7		11.0				

Fidelity European Values plc's largest country investments are in France (20% of the portfolio), Germany (19%) and Switzerland (16%), with smaller holdings in Italy (7%), Belgium (7%), Netherlands (6%), Sweden (6%), Denmark (5%), Norway (3%), UK (2%), Brazil (2%), Finland (1%), Israel (1%), Luxembourg (1%), Portugal (1%), Spain (1%) and Turkey (1%).

JPMorgan European Smaller Companies has its largest investments in France (19% of the portfolio), Italy (16%) and Germany (15%), with smaller holdings in Netherlands (7%), Finland (4%), Sweden (4%), Belgium (4.0%), Spain (4%), Denmark (3%), Switzerland (3%), Austria (2%), Ireland (2%), Norway (2%) and Greece (1%).

Recommended International Investment Funds

Fund Merger

Henderson Group has merged the £108 million **Henderson (Gartmore) Pacific Growth Fund** with its £161 million **Henderson Asia Pacific Capital Fund**. Every unit of Pacific Growth Fund has become 0.64012 units in the Asia Pacific Capital fund.

Henderson Group acquired Gartmore Group in April and is merging funds with similar investment objectives.

International Investor already has investments in both of these funds. Gartmore Pacific Growth was purchased in 1985 and is up almost 10-fold in Sterling terms or almost 7½-fold in NZ dollar terms. Henderson Asia Pacific Capital was purchased in 2000 and is up 85% in Sterling terms but only up 9% in NZ dollars (owing to the strength of the NZ dollar over the last decade).

Investors need take no action. Our portfolios will now hold a larger investment in Henderson Asia Pacific Capital, rather than smaller holdings in two Asian funds. These are diversified investment funds, so a bigger

holding does not expose our portfolio to higher risks.

For the newsletter we need to account for this merger, as it would be silly to show two investments in Henderson Asia Pacific Capital. Therefore - for the purposes of the newsletter's "track record" - we shall record the "sale" of our Gartmore Pacific Growth units at today's date at a price of 405.2 pence (782.2 NZ cents) being the equivalent value of the Asia Pacific Capital units received (i.e. 0.64012 units worth 633 pence).

Fund Repurchases

Fidelity European Smaller Companies made ten on-market share re-purchases over the last month, buying back 663,929 of its own shares and returning £6.94 million to investors.

Fund News

Scottish Oriental Smaller Companies has borrowed US\$32.5 million for three years at (an undisclosed) fixed interest rate. Secured over the fund's £209 million portfolio of smaller Asian shares, the interest rate on this loan should be around 1-3%.

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	-9%	996.0p	1922.8	+49
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-10%	732.0p	1413.1	+85
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-15%	546.0p	1054.1	+1
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	+3%	668.5p	1290.5	+421
-	Henderson Gartmore Pacific Gth Fund	*	29/10/85	41.4p	105.4		405.2p	782.2	+642
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		90.18p	174.1	+64
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		633.0p	1222.0	+9
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-3%	590.75p	1140.4	+245
China									
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		652.4p	1259.5	-11
India									
BUY	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		201.52p	389.0	-12
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-2%	174.38p	336.6	-24
HOLD	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	55.0p	106.2	-67
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		50.04p	96.6	-47
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		250.5-265.4p	498.0	+138
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		496.27p	958.1	+421
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-18%	437.0p	843.6	+3
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-32%	163.5p	315.6	-25

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +111.3%. This is equal to an average annual rate of +10.1%, 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 47 closed out) is +10.8%.

Other Shares and Warrants

An alternative investment to those recommended above includes **Fidelity Japanese Values** subscription shares (i.e. warrants) at 8.375 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.0	14.9
Austria	3.4	12.9
Belgium	3.5	12.1
Canada	2.2	19.4
Denmark	1.3	12.0
Finland	6.0	10.4
France	4.6	10.4
Germany	4.5	7.9
Ireland	2.3	37.1
Italy	5.3	7.8
Japan	2.1	15.7
Netherlands	3.9	9.8
New Zealand	4.6	21.7
Norway	4.6	12.4
Spain	7.4	6.9
Sweden	4.4	7.6
Switzerland	3.2	13.5
Un. Kingdom	3.4	13.4
USA	3.1	16.0
Argentina	1.2	15.4
Brazil	3.3	6.0
Czech Rep.	7.4	8.9

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.9	15.9
China	2.3	4.8
Greece	3.0	73.6
Egypt	15.5	3.8
Hong Kong	2.7	9.7
Hungary	2.1	10.2
India	1.4	14.6
Indonesia	2.2	23.2
Israel	1.0	42.9
Korea	1.4	8.0
Malaysia	3.0	16.5
Mexico	1.4	17.8
Philippines	2.4	13.6
Poland	4.2	11.3
Portugal	5.5	10.4
Russia	2.2	5.1
Singapore	3.5	11.4
Sth Africa	2.9	15.6
Taiwan	4.3	13.7
Thailand	3.1	14.9
Turkey	3.1	10.3
Venezuela	4.0	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



India Dividend Yield



Listed Investment Trust

Warrant Analysis

Aberdeen Asian Income shares dipped 2¼ pence or 1.3% to 170½ pence over the last three months. The warrants (code AAIW) rose ¼ pence or 0.5% to 47½ pence.

The warrants remain at an 11% discount to *fair value* and offer a very high leverage of 3.1 times. Owing to the discount, the *Break-Even* rate is -1%.

If Asian stockmarkets increase in value over the 20 months until the warrant's final exercise/expiry date, then the *percentage* gain in the warrants will be over *three-times* the gain in the shares - so offer a highly leveraged investment. Of course, if the shares *fall* in value then the warrants would decline three-times as fast (in percentage terms). "Hold".

shares (code RTTS) are down 29 pence (34.1%) to 56 pence. This is a slight discount to *fair value*.

The warrants now only have six months until their final exercise/expiry date. Both the shorter remaining *life* and the lower share/warrant price *increase* leverage - which is now 5.4 times!!

High leverage, of course, means high risks . . . but in the stockmarket those risks are always limited to a 100% loss, while there is no limit on potential gains. If RCM Technology shares fall a further 53 pence (or more) to below the exercise price of 267 pence, then the warrants would expire worthless (i.e. a 100% loss). On the other hand, a 59 pence increase in the share price to 326 pence would result in a 100% increase in the value of the warrants to 112 pence. A 25% increase in the shares to 400 pence would lift the warrant value 137% to 133 pence. "Hold".



RCM Technology shares fell 31 pence (8.8%) to 320 pence over the last three months. The subscription

Warrant	Current Share Price	Warrant Exercise Prices	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	403.5p	936.0p	2-5	1.63p	9.41p	-83	0.354	5.5	-100.0	-100.0	-100.0	+43%
Perpetual Income & Growth	241.6p	218.9p	1-11	37.50p	31.96p	+17	0.121	6.4	+11.7	+39.6	+86.4	+3%
Dunedin Smaller Companies	134.0p	170.0p	0-5	2.00p	0.63p	+216	0.237	28.0	-100.0	-100.0	-100.0	+82%
<u>FAR EASTERN</u>												
Aberdeen Asian Income	170.5p	120.0p	1-8	47.50p	53.09p	-11	0.180	3.1	+20.6	+36.6	+66.4	-1%
Fidelity Asian Values	185.0p	191.0p	1-8	21.00p	24.76p	-15	0.275	4.5	-37.2	+13.3	+87.2	+9%
Invesco Asia Trust	150.1p	125.0p	0-11	27.50p	30.13p	-9	0.252	4.3	+17.9	+45.7	+102.2	+2%
<u>JAPAN</u>												
Fidelity Japan Values	55.0p	55.0p	1-5	8.38p	7.41p	+13	0.273	4.7	-41.3	-3.6	+59.4	+11%
<u>THAILAND</u>												
Aberdeen New Thai	286.5p	200.0p	1-4	84.50p	93.65p	-10	0.280	2.8	+18.3	+34.4	+65.4	-1%
<u>TECHNOLOGY</u>												
RCM Technology	320.0p	267.0p	0-6	56.00p	56.31p	-1	0.198	5.4	+19.1	+50.8	+121.8	+2%

World Stockmarket Capitalisations

The world's total stockmarket capitalisation fell US\$4,347 billion - or 7.1% over the three months to the end of July 2011.

The United States fell 13.0%, declining from 30.95% to 28.98% of the global total. China slipped just 3.%, so its share of the total *rose* from 6.92% to 7.21%. Japan was up 3.7%, lifting its global market share from 6.39% to 7.13%

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	16,452	28.98	Belgium ²	250	0.44
China	4,092	7.21	Poland	208	0.37
Japan	4,048	7.13	Colombia	207	0.37
United Kingdom ¹	3,339	5.88	Israel	206	0.36
India	2,960	5.21	Philippines	173	0.31
Hong Kong	2,732	4.81	Austria	124	0.22
Canada	2,210	3.89	Iran	105	0.19
France ²	2,132	3.76	Luxembourg	93	0.16
Germany	1,575	2.77	Peru	92	0.16
Brazil	1,486	2.62	Portugal ²	74	0.13
Australia	1,436	2.53	Ireland	68	0.12
Switzerland	1,319	2.32	Morocco	65	0.11
Spain	1,297	2.28	Egypt	65	0.11
South Korea	1,245	2.19	Greece	62	0.11
Russia	1,062	1.87	Argentina	58	0.10
Nordic Exchanges ³	975	1.72	Czech Republic	50	0.09
South Africa	908	1.60	New Zealand	47	0.08
Taiwan	801	1.41	Hungary	30	0.05
Singapore	693	1.22	Jordan	28	0.05
Netherlands ²	629	1.11	Sri Lanka	22	0.04
Italy ¹	463	0.82	Romania	19	0.03
Mexico	458	0.81	Slovenia	9	0.02
Malaysia	442	0.78	Mauritius	9	0.02
Indonesia	438	0.77	Bulgaria	8	0.01
Saudi Arabia	340	0.60	Slovakia	6	0.01
Chile	322	0.57	Cyprus	5	0.01
Thailand	313	0.55	Malta	4	0.01
Turkey	265	0.47			
Norway	259	0.46			
			TOTAL	\$56,778	100.00%

Notes:

1. Estimated split of LSE data between United Kingdom and Italy.
2. Estimated split of EuroNext data between France, Netherlands, Belgium and Portugal.
3. Mainly Denmark, Sweden and Finland.

Next Issue:

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