Information and Advice on World Stockmarkets from Securities Research Company's . . .

International Investor

Issue No. 216

www.stockmarket.co.nz

December 9, 2013

Inside International Investor

World Stockmarket Forecasts

Stockmarket		Fundamental	Technical	Monetary	Economic		Il Performanc		Share
	Forecast	Indicators	Indicators	Indicators	Indicators	3 mths	6 mths	12 mths	Index
Australia	61%	Bullish	Bearish	Bullish	Bullish	-0.2%	+4.8%	-1.3%	5,138.98
Austria	49%	Bearish	Bullish	Neutral	Neutral	+4.5%	+8.0%	+14.4%	2,509.56
Belgium	70%	Neutral	Bullish	Bullish	Neutral	+6.3%	+10.3%	+22.0%	2,790.24
Canada	57%	Bullish	Bullish	Bullish	Bearish	+1.4%	+2.9%	+1.8%	13,280.72
Denmark	54%	Bearish	Bullish	Neutral	Bearish	+11.3%	+16.5%	+25.8%	591.87
Finland		Bullish	Bullish	Neutral	Neutral	+10.5%	+21.2%	+28.7%	7,082.82
France		Neutral	Bullish	Bullish	Bearish	+6.7%	+11.7%	+23.0%	3,141.47
Germany	62%	Neutral	Bullish	Neutral	Bearish	+15.3%	+15.2%	+29.3%	9,172.41
Ireland	59%	Bearish	Bullish	Bullish	Neutral	+8.0%	+14.3%	+38.9%	4,388.37
Italy	68%	Neutral	Bullish	Bullish	Neutral	+11.2%	+13.4%	+23.8%	19,349.38
Japan	55%	Bearish	Bullish	Bullish	Bearish	+6.3%	+12.6%	+28.6%	15,299.86
Netherlands	63%	Bearish	Bullish	Bullish	Neutral	+8.5%	+13.8%	+19.7%	387.01
New Zealand		Bullish	Bullish	Bearish	Bearish	+4.5%	+7.3%	+6.6%	1,479.58
Norway		Bullish	Bullish	Bearish	Bearish	+4.9%	+4.4%	+9.9%	584.57
Spain	56%	Bearish	Bullish	Bullish	Bearish	+13.5%	+19.2%	+28.0%	957.09
Sweden	58%	Bullish	Bullish	Neutral	Bearish	+3.7%	+8.1%	+23.2%	631.47
Switzerland	57%	Bearish	Bullish	Bullish	Bearish	+6.7%	+8.7%	+22.0%	8,066.07
Un. Kingdom		Neutral	Bullish	Bullish	Bearish	+4.7%	+7.4%	+12.9%	6,551.99
USA	58%	Bearish	Bullish	Bullish	Bearish	+9.1%	+9.8%	+27.3%	1,805.09
USA Argentina	49%	Bearish	Bullish	Bearish	Neutral	+16.4%	+31.2%	+72.0%	5,331.28
Brazil	39%	Bullish	Bearish	Bearish	Neutral	-6.0%	-9.6%	-22.3%	50,944.27
Brazil Czech Rep	62%	Bullish	Neutral	Bullish	Bearish	+0.5%	-1.7%	-4.6%	975.32
Chile	35%	Neutral	Bearish	Neutral	Neutral	-5.8%	-14.6%	-18.6%	18,235.75
China	56%	Bullish	Bullish	Bearish	Neutral	+5.3%	+2.1%	+22.0%	2,237.11
Greece	65%	Bearish	Bullish	Bullish	Neutral	+30.4%	+23.8%	+48.4%	1,177.34
Egypt	66%	Bearish	Bullish	Neutral	Bullish	+22.9%	+27.0%	+16.4%	6,332.13
Hong Kong	62%	Neutral	Bullish	Bullish	Bearish	+5.0%	+10.2%	+6.9%	23,743.10
Hungary	44%	Neutral	Neutral	Neutral	Bearish	+6.5%	-3.8%	+3.8%	18,464.46
India	60%	Neutral	Bullish	Bearish	Bullish	+15.8%	+0.4%	-4.2%	20,996.53
India Indonesia	29%	Bullish	Bearish	Bearish	Neutral	+0.0%	-28.9%	-21.0%	4,180.79
Israel	71%	Bearish	Bullish	Bullish	Bullish	+17.0%	+14.5%	+23.0%	1,221.21
Korea	49%	Bearish	Neutral	Bullish	Bearish	+4.7%	+8.9%	+3.5%	1,980.41
Malaysia	54%	Neutral	Bullish	Neutral	Bearish	+9.1%	-1.6%	+6.7%	1,826.95
Mexico	46%	Bearish	Neutral	Bullish	Bearish	+7.0%		-2.7%	41,925.54
Philippines		Bearish	Bearish	Bullish	Bearish	+1.4%	-13.8%	-3.5%	6,014.94
Poland		Bullish	Bullish	Neutral	Neutral	+20.0%	+14.9%	+20.7%	52,727.52
Portugal		Bullish	Bullish	Bullish	Bearish	+7.7%	+8.5%	+24.4%	2,646.70
Russia	58%	Bullish	Bearish	Bullish	Bearish	+3.5%	+5.6%	-6.9%	1,448.67
Singapore		Bullish	Bearish	Neutral	Neutral	+4.2%	-2.2%	-2.1%	3,114.17
Sth Africa		Bullish	Bullish	Neutral	Neutral	+1.0%	+5.5%	-2.1%	44,616.21
Taiwan		Bearish	Bullish	Neutral	Bullish	+2.8%	+3.5%	+7.3%	8,367.72
Thailand	38%	Neutral	Bearish	Neutral	Neutral	+1.9%	-14.9%	-3.1%	1,361.57
Turkey	19%	Neutral	Bearish	Bearish	Neutral	+10.6%	-13.3%	-14.9%	73,378.44
Venezuela		Bearish	Bullish	Bearish	Bearish		+219.3%		2,597,592
One Year Forecasts									

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

Private Equity Investor plc has disclosed a significant investment in **Twitter Inc** shares, held through its investment in **Institutional Venture Partners XII LP**, although it cannot exactly calculate its "underlying interest in Twitter and an accurate valuation". The Venture Capital fund will have valued its Twitter shares at cost, which could be significantly lower than the US\$26 IPO price. Twitter shares have since risen to US\$44.95.

The Twitter shareholding is probably worth around $\pounds 1.5$ million (8 pence per share), adding around 3.5% to net assets.

The VC funds are usually required to hold shares for a period of time after an IPO, after which the shares are usually distributed to their investors or sold and the cash proceeds distributed. Private Equity Investors' policy is to sell shares soon after they are received.

At 30 September, Private Equity Investor held

US\$13.3 million in cash and realisable assets, with future commitments to VC funds of US\$5.7 million, leaving "free" cash of US\$7.6 million (£4.7 million or 25 pence per share).

JPMorgan European Smaller Companies Trust plc performed well over the six months to 30 September. Net assets rose 17.4%, "significantly outperforming the benchmark index" which was upjust 4.3%. The discount declined from 13.0% to 10.5%, so the share price rose 21.0%.

The trust will pay a steady 6.0 pence interim dividend on 15 January, ex-dividend 18 December. The trust's main objective is capital growth, so the income yield is only around 1.5%.

The Fund Manager is optimistic, expecting "earnings recovery to be rapid next year" as "the first year after a recession is usually the best year for earnings growth". The trust has taken profits on some strong performers, re-invested in "Greek companies as the economy is

Recommended Funds Geographic Portfolio Spread

Fund Name	Size I	Leverage	Top 10	Portfolio	investe	ed in (%	6):								
	(Mil)	(%debt)	Hldgs (%)	Cash	ΗK	Austra	liaMalay	Taiwar	n Korea	Sing.	Thail'd	Phil.	China	India	
Aberdeen Asian Sm Coy	£396	Nil	28.2	3.3	15.4	3.1	21.8		0.8	10.9	12.7	6.0	1.0	11.2	Indo 6.4
Baring Korea	£160	Nil	41.0	3.2					96.4						
First State Indian Sub-Cont	£208	Nil	50.1	6.1										90.0	Sri Lanka 3.4
Henderson China Opps	£382	Nil	43.2	1.4	86.7								6.0		US 5.9
HSBC Asian Fund	£38	Nil	30.6	3.5	18.5		2.7	10.5	26.1	5.9	5.8		16.1		Indo 4.8
Hend Asian Pacific Cap	£206	Nil	29.7	1.1	12.2	21.4		8.6	14.2	4.1	3.2		20.5	7.2	Indo 3.4, US 1.9
Scottish Oriental Sm Coys	£280	7	20.5	11.8	10.1		5.1	15.4	6.8	11.8	4.6	2.7	16.8	16.5	Indo 3.7
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust	£1138	7	24.9			100.0									
Baillie Gifford Shin Nippon	£114	6	28.1	0.7				99.3							
Fidelity European Values	£761	12	39.9				100.0								
Fidelity Japan Values plc	£108	21	24.2	3.90				96.1							
Herald Investment Trust	£641	4	21.0	4.0	21.6	65.3	3.5		5.6						
JPMorgan Euro Small Coys	£445	13	23.9	1.0			99.0								
Invesco Perp Japan Small	£49	Nil	32.4	5.6				94.4							
Private Equity Investor plc	£51	Nil	-	18	82.0										
				Cash	E	Brazil H	HK/ China	a India	Mex	ico Tu	rkey	Korea	S.Afric	a Thail	'd Taiwan
Aberdeen E/Markets	£3221	Nil	31.8	0.7	1	5.8	16.7	13.4	7.)	5.0	6.6	5.2	5.1	4.6

Fidelity European Values plc has 59% of its investments in three countries: France (24% of the portfolio), Germany (18%) and Switzerland (17%). It has smaller holdings in Belgium (8%), Denmark (6%), Norway (5%), UK (4%), Netherlands (4%), Sweden (4%), Spain (3%), Turkey (1%) and Italy (1%).

JPMorgan European Smaller Companies has its largest investments in Netherlands (17% of the portfolio), Germany (13%), Italy (11%), France (11%), Sweden (11%), Switzerland (11%), Greece (7%), Denmark (6%), Spain (5%), Norway (3%), Ireland (2%) and Austria (2%)

stabilising" and industries which have suffered "a prolonged downturn due to the financial crisis on evidence that fundamentals are finally improving".

The Manager also believes that "investor interest in Europe has picked up dramatically and recent increased flows in European equities will be sustained into the next year".

Fund Repurchases and Sales

Aberforth Smaller Companies Trust plc repurchased 50,000 of its own shares on-market, returning £502,500 to investors, while increasing net assets of the remaining shares by around £50,000.

Aberdeen Asian Smaller Companies Investment

Trust plc sold 100,000 shares in three on-market transactions, raising £948,500 in cash for investment. The trust has authority to re-sell "treasury" shares, or to create new shares up to 10% of the company's capital, at a premium of 2% or greater above net asset value.

These three sales were made at a premium of about 3%, but the share price has dipped to currently trade at a 3% *discount* to net assets.

Baillie Gifford Shin Nippon plc has made three onmarket sales over the last four weeks. In total it issued 700,000 new shares, raising slightly under £2¼ million in new cash for investment. These shares were issued at a 5% premium to net asset value.

Current Advice Investment Fund	EPIC Code	Initial Red Date			Prem/ Disc to Net Assets	<u>Recent</u> Bid-Offer or Last Sale	Price NZ Cents	Gain or Loss %
Europe								
BUY Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-7%	1499.0p	2958.4	+129
BUY JPM European Smaller Cos United Kingdom	JESC	15/01/02	226.5p	765.8	-8%	1088.5p	2148.2	+181
BUY Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-8%	1022.0p	2017.0	+94
Asian Regional	/ IOL	10/07/00	070.0p	1042.0	070	1022.00	2017.0	104
BUY Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-3%	877.25p	1731.3	+599
HOLD HSBC Asian Fund	*	10/11/98	34.4p	106.3	0,0	87.47p	172.6	+62
BUY Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		695.5p	1372.6	+22
BUY Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	+1%	817.5p	1613.4	+388
BUY Henderson China Opportunities	*	09/07/07	548.9p			742.9p	1466.2	+4
India								
HOLD First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		214.88p	424.1	-4
Japan								
BUY Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+5%	313.0p	617.7	+40
BUY Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-7%	72.63p	143.3	-56
HOLD Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		68.13p	134.5	-26
Korea								
HOLD Baring Korea Trust	*	12/04/94	81.1p	209.4		252.8-267.6p	513.5	+145
International								
HOLD Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		519.75p	1025.8	+458
BUY Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-14%	683.0p	1347.9	+64
BUY Private Equity Investor plc	PEQ	11/12/01	117.9p	404.5	-23%	173.5p	342.4	-15
* United Kingdom based Unit Trust								

The average Gains/Losses of all current investments from initial recommendation is +130.3%. This is equal to an average annual rate of +10.6%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 16 current and 48 closed out) is +11.9%.

Other Shares

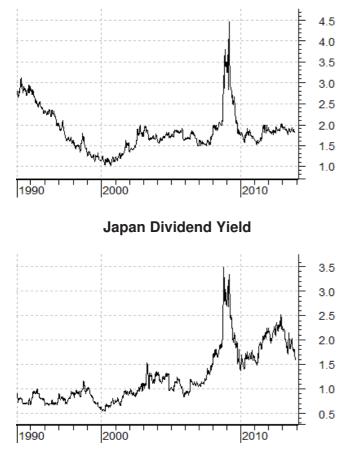
An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust** 2019 convertible notes at 121 pence.

"Clean" unit prices are: Henderson Asia Pacifc Capital 744.3 pence, Henderson China Opportunities 102.5 pence, Invesco Perpetual Japanese Smaller Companies 310.44 pence and Aberdeen Emerging Markets 553 pence.

World Stockmarket Valuations

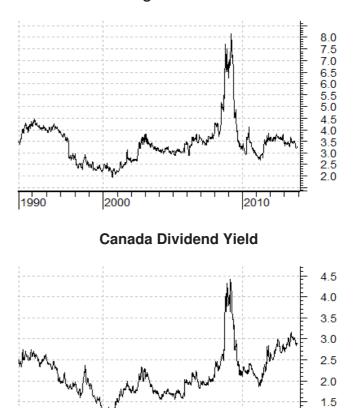
Country	Dividend Yield	Price/Earn. Ratio
Australia	4.3	21.8
Austria	2.5	17.2
Belgium	2.8	21.5
Canada	2.9	21.9
Denmark	1.5	25.2
Finland	3.3	NE
France	2.9	20.7
Germany	2.8	16.0
Ireland	1.2	NE
Italy	3.0	NE
Japan	1.6	26.1
Netherlands	2.2	28.1
New Zealand	4.7	19.2
Norway	3.9	14.5
Spain	1.2	84.4
Sweden	3.4	16.0
Switzerland	2.0	22.2
Un. Kingdom	3.3	19.1
USA	1.8	22.0
Argentina	0.0	20.1
Brazil	3.5	17.4
Czech Rep	6.0	10.2

United States Dividend Yield



Country	Dividend Yield	Price/Earn. Ratio
Chile		
China	2.4	12.5
Greece	1.2	NE
Egypt	2.6	20.3
Hong Kong	2.6	12.7
Hungary	3.2	10.6
India	1.6	16.7
Indonesia	2.8	17.5
Israel	0.8	55.0
Korea	1.0	14.9
Malaysia	2.9	17.9
Mexico	1.3	23.4
Philippines	1.9	19.4
Poland	3.7	12.6
Portugal	3.8	55.2
Russia	4.0	5.6
Singapore	3.6	12.7
Sth Africa	3.0	17.0
Taiwan	2.6	24.2
Thailand	3.2	17.3
Turkey	2.5	11.1

United Kingdom Dividend Yield



1.0

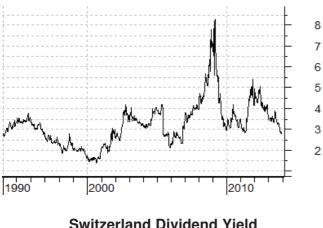
2010



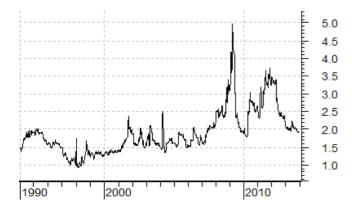
1990

2000

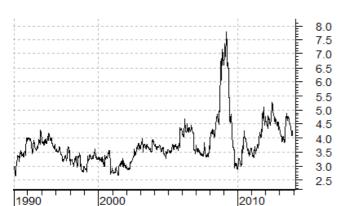




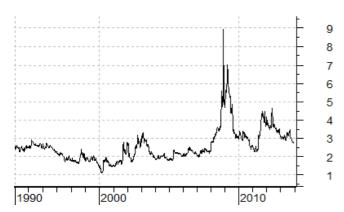
Switzerland Dividend Yield

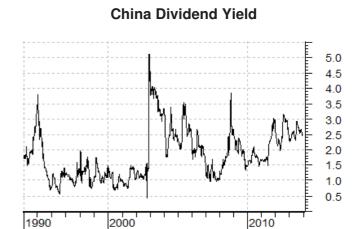


Australia Dividend Yield

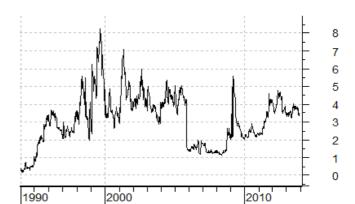




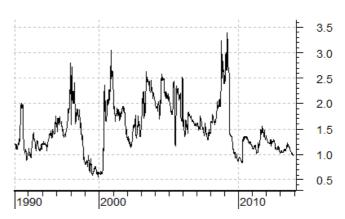




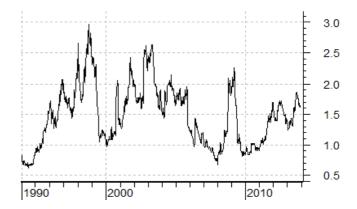
Brazil Dividend Yield



South Korea Dividend Yield



India Dividend Yield



Copyright © Securities Research Company Ltd

Listed Investment Trust Warrant Analysis

Henderson International Income shares (code HINT) rose 3.4% to 118¹/₄ pence over the last three months, lifting the highly leveraged warrants (code HINS) 18.5% to 19¹/₄ pence.

The warrants have a final exercise/expiry date of 31 August 2014 - and trade at a slight *discount* to their fair value and a slight premium to their intrinsic value - so remain an 8½ month "call option" over a portfolio of large international companies.

Henderson International Income shares continue to trade at a small 4% premium to net asset value. "Hold".

Warrant	Current Share Price	Warrant Exercise Prices	Years & Months to Expiry	Current Warrant Price		Warrant Dver/Under Valued (%)	Share Vola- tility	Warrant Leverage	Share	it Return(% Price appr 10%pa	• /	
GOLD & MINING BlackRock New Energy	43.1p	59.0p	0-7	0.25p	0.06p	+335	0.199	39.3	-100.0	-100.0	-100.0	+72%
INTERNATIONAL												
Henderson International Inc	118.3p	100.0p	0-8	19.25p	19.94p	-3	0.200	5.5	+23.5	+57.0	+129.9	+1%
JPMorgan Emerging Markets	556.0p	543.0p	0-7	51.50p	41.74p	+23	0.203	9.5	-62.5	-21.3	+92.2	+12%
LATIN AMERICA Aberdeen Latin American Inc	ome 79.9p	o 120.0p	2-0	5.75p	1.06p	+443	0.203	10.8	-100.0	-100.0	-100.0	+25%
<u>UNITED KINGDOM</u>	1											
Artemis Alpha	297.3p	345.0p	4-0	43.25p	24.78p	+75	0.167	5.7	-21.6	+20.2	+58.3	+7%
Henderson Opportunities	804.0p	936.0p	0-2	1.26p	1.19p	+5	0.244	92.1	-100.0	-100.0	-100.0	+241%
<u>FAR EASTERN</u> JPMorgan Asian	206.8p	203.0p	0-3	13.00p	10.69p	+22	0.209	14.5	-94.5	-79.6	+12.6	+19%

World Stockmarket Capitalisations

Over the three months to the end of October, the world's total stockmarket capitalisation jumped 6.7%. That is an increase of US\$4,043 billion to US\$64,122 billion.

The United States was up 4.2%, slipping slightly to 35.69% of the global total. European markets were strong: Spain up 19.6%, Germany 11.7%, France 9.7% and Switzerland up 8.6%.

Country	Market Percentage Capitalisation of Total (US\$ Billions)
United States	
Japan	4,466 6.96
United Kingdom ¹	3,621 5.65
Hong Kong	
France ²	
India	
Canada	
Germany	1,815 2.83
Switzerland	1,511 2.36
Australia	1,454 2.27
	1,241 1.94
	1,208 1.88
Brazil	1,134 1.77
Spain	1,131 1.76
South Africa	
Taiwan	886 1.38
Netherlands ²	850 1.33
Russia	
•	
Italy ¹	644 1.00
Mexico	513 0.80
Malaysia	512 0.80
Saudi Arabia	432 0.67
Thailand	410 0.64
Indonesia	
Belgium ²	
Chile	
Norway	
Philippines	

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.

Country	Capitalisation (US\$ Billions)	
Turkey		
Colombia	229	0.36
Poland	209	0.33
Israel	189	0.29
Ireland	160	0.25
Austria	114	0.18
UAE		0.15
Portugal ²		0.14
Greece	85	0.13
Peru	82	0.13
Luxembourg		0.11
New Zealand		
Egypt		0.09
Morocco	55	0.09
Argentina	53	0.08
Oman		
Czech Republic		0.05
Jordan		0.04
Hungary	21	0.03
Sri Lanka	19	0.03
Romania	18	0.03
Mauritius		0.01
Bulgaria	8	0.01
Slovenia	7	0.01
Slovakia	7	0.01
Malta		0.01
Cyprus		0.00
Bermuda	2	0.00
TOTAL	\$64,122	100.00%

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on <u>Monday January 13, 2014</u>.

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 <u>www.stockmarket.co.nz</u> 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.