

International Investor

Issue No. 228

www.stockmarket.co.nz

December 8, 2014

Inside International Investor

Low Commodity and Oil prices favourable
for most Asian and European Economies 2

World Stockmarket Valuations 4, 5
Warrant Analysis 6
World Stockmarket Capitalisations 7

Founder: James R Cornell (B.Com.)

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	55%	Bullish	Bearish	Neutral	Neutral	-15.5%	-12.9%	-6.1%	5,272.73
Austria	70%	Bullish	Bearish	Bullish	Bullish	-8.0%	-19.8%	-18.3%	2,286.30
Belgium	69%	Bullish	Bullish	Bullish	Bearish	-1.7%	-5.3%	+7.2%	3,335.69
Canada	40%	Bearish	Bearish	Bullish	Bearish	-11.6%	-6.8%	+1.4%	14,473.70
Denmark	68%	Bearish	Bullish	Bullish	Bearish	-0.7%	-4.8%	+17.5%	773.54
Finland	76%	Bullish	Bullish	Bullish	Neutral	-2.2%	-7.2%	+1.3%	8,003.64
France	61%	Neutral	Neutral	Bullish	Bullish	-6.1%	-13.2%	-3.4%	3,386.86
Germany	70%	Neutral	Bullish	Bullish	Neutral	-1.8%	-9.0%	-1.4%	10,087.12
Ireland	80%	Neutral	Bullish	Bullish	Bearish	+2.0%	-4.3%	+8.8%	5,325.15
Italy	54%	Neutral	Bearish	Bullish	Neutral	-11.2%	-19.4%	-1.8%	21,199.43
Japan	69%	Bearish	Bullish	Bullish	Bullish	-1.1%	+0.3%	-0.8%	17,920.45
Netherlands	73%	Bullish	Bullish	Bullish	Neutral	-2.9%	-6.1%	-0.2%	431.06
New Zealand	47%	Neutral	Bullish	Neutral	Bearish	-3.4%	-4.2%	+0.4%	1,594.92
Norway	39%	Bullish	Bearish	Neutral	Bearish	-21.7%	-26.6%	-10.0%	610.96
Spain	65%	Neutral	Bullish	Bullish	Bearish	-7.8%	-12.2%	+3.4%	1,104.20
Sweden	73%	Bullish	Bullish	Bullish	Neutral	-0.5%	-7.4%	+3.7%	760.69
Switzerland	66%	Neutral	Bullish	Bullish	Neutral	-0.2%	-2.9%	+4.1%	9,212.85
Un. Kingdom	63%	Bullish	Neutral	Bullish	Bearish	-6.1%	-8.8%	-1.9%	6,742.84
USA	78%	Bullish	Bullish	Bullish	Bearish	+3.4%	+6.5%	+15.0%	2,075.37
Argentina	48%	Bearish	Bullish	Bearish	Bullish	-9.4%	+15.4%	+31.3%	9,580.55
Brazil	53%	Bullish	Bearish	Neutral	Bullish	-25.9%	-15.0%	-8.3%	51,992.89
Czech Rep.	58%	Bullish	Neutral	Bullish	Bearish	-4.3%	-13.1%	-8.0%	1,006.25
Chile	56%	Bearish	Bearish	Bullish	Bullish	-6.0%	-9.5%	-8.9%	19,357.98
China	65%	Bearish	Bullish	Bearish	Bullish	+26.1%	+47.1%	+29.8%	2,937.65
Greece	51%	Bullish	Bearish	Bullish	Bearish	-18.2%	-28.7%	-21.3%	1,032.98
Egypt	43%	Bearish	Bullish	Bearish	Bearish	-2.0%	+11.4%	+43.9%	9,458.57
Hong Kong	72%	Bullish	Bullish	Bullish	Bearish	-4.9%	+4.6%	+1.1%	24,002.64
Hungary	54%	Bullish	Bearish	Bullish	Bearish	-6.9%	-17.0%	-15.3%	17,751.87
India	64%	Bearish	Bullish	Neutral	Bullish	+2.3%	+6.8%	+34.3%	28,458.10
Indonesia	50%	Bearish	Neutral	Neutral	Bullish	-5.7%	-0.1%	+18.8%	5,187.99
Israel	52%	Bearish	Bullish	Bullish	Bullish	-7.6%	-9.1%	-4.9%	1,319.48
Korea	61%	Bullish	Bearish	Bullish	Bullish	-11.4%	-9.6%	-5.5%	1,986.62
Malaysia	46%	Bullish	Bearish	Neutral	Neutral	-14.7%	-13.7%	-11.5%	1,749.37
Mexico	47%	Neutral	Bearish	Bullish	Bearish	-15.1%	-9.0%	-7.1%	43,230.34
Philippines	61%	Bearish	Bullish	Bullish	Bullish	-2.7%	+4.5%	+18.5%	7,230.56
Poland	61%	Bullish	Neutral	Bullish	Bearish	-6.1%	-10.6%	-8.2%	53,652.58
Portugal	38%	Neutral	Bearish	Bullish	Bearish	-18.1%	-33.0%	-21.2%	2,326.16
Russia	28%	Bearish	Neutral	Bearish	Neutral	-27.8%	-33.1%	-34.7%	1,529.20
Singapore	63%	Bullish	Neutral	Neutral	Bullish	-5.7%	-4.6%	+0.8%	3,324.39
Sth Africa	43%	Neutral	Bearish	Neutral	Bearish	+0.4%	-7.7%	+0.7%	49,506.59
Taiwan	61%	Bearish	Bullish	Bullish	Bullish	-6.2%	-3.1%	+4.6%	9,206.57
Thailand	69%	Bearish	Bullish	Bullish	Neutral	-2.3%	+7.9%	+14.6%	1,597.76
Turkey	60%	Bearish	Bullish	Neutral	Bullish	-0.8%	-2.4%	+4.1%	85,239.92
Venezuela	44%	Bearish	Bullish	Bearish	Neutral	+15.8%	+40.6%	+18.3%	3,064.61

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

Low commodity prices and a low oil price are usually considered as negative factors for the global economy and world stockmarkets. In fact, low prices for commodities and/or oil reflect low demand, which is a symptom of an economic recession. That is, low commodity and/or oil prices do not cause recessions. Recessions cause low commodity and/or oil prices.

The impact on *individual* economies - that is, whether low commodity/oil prices will make the current recession *better* or *worse* - will depend on whether a country is a net importer or net exporter of commodities and oil.

OPEC countries and Russia are some of the largest petroleum exporters. Australia is clearly a major commodity exporter, but also a major energy exporter (i.e. mainly in the form of coal and oil) equal to about 140% of its domestic energy usage (i.e. from all sources). Canada's energy exports equal around 65% of domestic consumption. OPEC, Russia, Australia and Canada will be hurt by low commodity and oil prices.

At the other end of the scale, Japan imports 90% of its energy (and most other commodities). China imports 70% of its energy. India 310%. Most western European countries import 45-80% of their energy. The UK imports 40%. Overall, most Asian and European economies should benefit significantly from low commodity and oil prices.

Some Asian countries are net exporters: Indonesia (90%), South Korea (30%) and Malaysia (15%).

Norway is the major exception in Europe, with oil exports equal to about six times its total domestic energy usage. Denmark is also a small net exporter.

The United States is a major oil producer, but also a large energy consumer, with net imports equal to about 15% of its needs. New Zealand is also a slight net importer, with oil imports equal to about 15% of total energy usage in the country.

Chile imports 70% of its energy, Brazil just 10%, while Mexico is a net exporter (20%).

Recommended Funds Geographic Portfolio Spread

Fund Name	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 Coy	£450	Nil	27.3	0.2	14.1	3.2	19.6		0.6	11.1	13.2	5.6	1.6	15.1	Indo 6.7
Baring Korea	£110	Nil	46.7	3.9					96.1						
First State Indian Sub-Cont	£273	Nil	48.1	9.5										85.5	Sri Lanka 4.1
Henderson China Opps	£488	Nil	47.4	0.7	86.0								5.8		US 7.6
HSBC Asian Fund	£37	Nil	36.2	5.9	18.5		2.7	10.5	26.1	5.9	5.8		16.1		Indo 4.8
Hend Asian Pacific Cap	£193	Nil	27.5	1.1	10.3	13.1		8.1	14.1	8.0	4.1	2.4	23.7	12.1	Indo 3.1
Scottish Oriental Sm Coys	£301	7	25.5	11.9	8.1			11.9	4.9	17.1	2.9	1.0	14.7	25.1	Indo 2.5
				Cash USA UK Europe Japan Other											
Aberforth Small Cos Trust	£1024	2	27.4				100.0								
Baillie Gifford Shin Nippon	£137	15	22.8	5.7										94.3	
Fidelity European Values	£787	8	39.1				100.0								
Fidelity Japan Values plc	£117	23	33.1					100.0							
Herald Investment Trust	£638	4	19.3	6.2	20.5	64.6	3.5		5.2						
JPMorgan Euro Small Coys	£413	11	19.3	8.9			91.1								
Invesco Perp Japan Small	£41	Nil	36.9	6.6				93.4							
Private Equity Investor plc	£50	Nil	-	13.6	86.4										
				Cash Brazil HK/China India Mexico Turkey Korea S.Africa Thail'd Taiwan											
Aberdeen E/Markets	£2200	Nil	31.5	Nil	12.7	16.9	14.8	7.9	5.4	5.7	6.5	5.0	5.0		

Fidelity European Values plc has 59% of its investments in three countries: France (25% of the portfolio), Switzerland (20%) and Germany (15%). It has smaller holdings in Belgium (7%), Norway (6%), Denmark (6%), Finland (5%), UK (5%), Spain (3%), Sweden (3%) and others (6%).

JPMorgan European Smaller Companies has its largest investments in France (19% of the portfolio), Sweden (17%), Switzerland (14%), Italy (13%), Germany (9%), Netherlands (5%), Spain (5%), Denmark (4%), Belgium (3%) with smaller holdings in Finland, Norway and Ireland.

Recommended International Investment Funds

Fund Reports

JPMorgan European Smaller Companies Trust plc suffered a 16.6% decline in net assets over the half year to 30 September 2014. This under-performed its benchmark index which declined 9.5%.

The trust will pay an interim dividend of 1.2 pence on 14 January (ex-dividend 18 December).

The Fund Manager reports that “European earnings have been recovering since the first quarter of 2013 and smaller company earnings have been growing fastest. We continue to find well managed businesses with strong franchises, sound balance sheets, positive operating momentum and attractive valuations in which to invest.”

Private Equity Investor plc holds investments in 22 venture capital funds, giving it an interest in 308 private companies and 47 public companies at a valuation of £43.3 million. Cash is £6.8 million. Future funding commitments are just £2.8 million.

The Funds and their investments continue to mature, with funds established in 1999/2000 “in extension or in a winding down phase” while 2004/2007 funds have “mainly completed their investment stage and have entered their realisation phase”.

“The majority of liquidity events for venture-backed companies have been through acquisitions” and the “pace of acquisitions of venture-backed companies has increased over the last year”. This could be “especially relevant for the company”.

Value from venture capital investments is also realised through the IPO market and 2014 is “on track to see substantially more IPOs of these companies than occurred in each of the past several years.”

Those statements are then apparently contradicted by the comment that “given the age profile of the portfolio, we expect the pace of realisations will slow down”.

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								
BUY	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-8%	162.0p	327.3	+153
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-14%	202.13p	408.3	+167
	United Kingdom								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-5%	1074.0p	2169.7	+108
	Asian Regional								
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-4%	951.0p	1921.2	+675
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		92.09p	186.0	+75
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		754.1p	1523.4	+36
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-5%	858.0p	1733.3	+424
	China								
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		821.1p	1658.8	+18
	India								
HOLD	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		334.1p	674.9	+53
	Japan								
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-4%	317.25p	640.9	+46
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-13%	72.25p	146.0	-55
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		63.42p	128.1	-30
	Korea								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		250.2-265.2p	520.6	+149
	International								
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		551.13p	1113.4	+505
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-17%	662.5p	1338.4	+63
BUY	Private Equity Investor plc	PEQ	11/12/01	117.9p	404.5	-19%	187.0p	377.8	-7

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +148.8%. This is equal to an average annual rate of +11.2%, 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 +12.1 %.

Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust 2019** convertible notes at 116½ pence. **Fidelity Japanese Values** subscription shares are 4¼ pence.

“Clean” unit prices are: Henderson Asia Pacific Capital 814 pence, Henderson China Opportunities 114.3 pence, First State Indian Sub-Continent 164.68 pence, Invesco Perpetual Japanese Smaller Companies 189.37 pence and Aberdeen Emerging Markets 590.71 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.3	16.6
Austria	4.0	83.3
Belgium	3.5	32.2
Canada	2.0	21.0
Denmark	0.8	20.9
Finland	3.4	15.7
France	2.7	27.6
Germany	2.1	15.7
Ireland	1.8	40.6
Italy	2.3	NE
Japan	1.3	15.5
Netherlands	2.8	27.8
New Zealand	3.3	18.2
Norway	3.8	9.8
Spain	3.0	18.3
Sweden	3.6	13.4
Switzerland	2.3	18.7
Un. Kingdom	6.4	16.5
USA	2.0	19.5
Argentina	0.0	36.2
Brazil	4.0	13.1
Czech Rep.	5.9	10.5

Country	Dividend Yield	Price/Earn. Ratio
Chile	1.6	18.2
China	1.6	11.3
Greece	3.6	NE
Egypt	1.8	30.4
Hong Kong	3.4	11.0
Hungary	3.3	10.2
India	0.5	19.5
Indonesia	1.3	17.2
Israel	0.7	59.4
Korea	1.6	11.3
Malaysia	3.8	14.8
Mexico	1.7	21.0
Philippines	0.8	20.0
Poland	3.7	21.7
Portugal	3.3	20.9
Russia	0.8	5.1
Singapore	3.3	13.2
Sth Africa	2.3	19.3
Taiwan	1.6	15.3
Thailand	2.2	16.7
Turkey	1.5	11.6

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



Canada Dividend Yields



France Dividend Yields



China Dividend Yields



Switzerland Dividend Yields



Brazil Dividend Yields



Australia Dividend Yields



South Korea Dividend Yields



Germany Dividend Yields



India Dividend Yields



Listed Investment Trust Warrant Analysis

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 Share Price 5%pa	Return(%p.a.) from Price appreciation of: 10%pa	20%pa	Break-Even Rate
<u>LATIN AMERICA</u>												
Aberdeen Latin American	71.9p	120.0p	1-1	1.75p	0.03p	+6289	0.196	34.6	-100.0	-100.0	-100.0	+63%
<u>UNITED KINGDOM</u>												
Artemis Alpha	298.6p	345.0p	3-1	36.75p	15.92p	+131	0.147	8.0	-60.4	+14.4	+67.1	+8%
<u>EUROPE</u>												
Blackrock Greater Europe	231.8p	248.0p	1-5	13.00p	12.70p	+2	0.174	9.4	-92.4	+22.1	+166.2	+9%
<u>JAPAN</u>												
Fidelity Japan Values	72.3p	86.5p	1-1	4.30p	1.89p	+127	0.211	11.9	-100.0	-100.0	-61.5	+23%

World Stockmarket Capitalisations

The world's total stockmarket capitalisation rose 0.7% over three months to the end of October at US\$69,043 billion. China's capitalisation rose US\$672 billion, lifting its share of the total from 6.19% to 7.12%. India's capitalisation rose US\$175 billion, from 4.30% to 4.52% of the world's total. The United States capitalisation increased US\$1,024 billion, from 36.47% to 37.71% of the world's total.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	26,036	37.71	Israel	204	0.30
China	4,915	7.12	Qatar	200	0.29
Japan	4,429	6.41	Colombia	183	0.27
United Kingdom ¹	3,320	4.81	Poland	182	0.26
Hong Kong	3,265	4.73	Ireland	163	0.24
India	3,123	4.52	Austria	101	0.15
France ²	2,148	3.11	Portugal ²	84	0.12
Canada	2,141	3.10	Peru	79	0.11
Germany	1,692	2.45	Argentina	74	0.11
Switzerland	1,515	2.19	New Zealand	71	0.10
Australia	1,407	2.04	Egypt	71	0.10
South Korea	1,233	1.79	Luxembourg	66	0.10
Nordic Exchanges ³	1,231	1.78	Greece	64	0.09
Spain	1,067	1.55	Morocco	58	0.08
Brazil	989	1.43	Vietnam	51	0.07
South Africa	973	1.41	Czech Republic	49	0.07
Taiwan	930	1.35	Romania	40	0.06
Singapore	769	1.11	Oman	39	0.06
Netherlands ²	823	1.19	Jordan	26	0.04
Italy ¹	596	0.86	Sri Lanka	24	0.03
Russia	554	0.80	Kazakhstan	24	0.03
Saudi Arabia	545	0.79	Hungary	16	0.02
Mexico	538	0.78	Mauritius	9	0.01
Malaysia	524	0.76	Slovenia	8	0.01
Thailand	452	0.65	Bulgaria	5	0.01
Indonesia	420	0.61	Slovakia	5	0.01
Belgium ²	317	0.46	Malta	4	0.01
Philippines	257	0.37	Cyprus	2	0.00
Norway	247	0.36	Bermuda	2	0.00
Chile	246	0.36			
UAE	222	0.32			
Turkey	215	0.31			
			TOTAL	\$69,043	100.00%

Notes:

1. Estimated split of EuroNext data between France, Netherlands, Belgium and Portugal.
2. Mainly Denmark, Sweden and Finland.

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday January 12, 2015.

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 Ltd, 3/47 Boyce Ave, Mt Roskill, Auckland. Subscribe online at www.stockmarket.co.nz 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.