

International Investor

Issue No. 240

www.stockmarket.co.nz

December 14, 2015

Inside International Investor

Forecasts are mixed, but Fundamental indicators show best value in 15-20 years 1, 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 | 42% | Bullish | Bearish | Neutral | Neutral | +0.7% | -15.6% | -15.8% | 4,987.19 |
| Austria | 59% | Neutral | Bearish | Bullish | Neutral | +0.1% | -8.4% | -3.4% | 2,339.86 |
| Belgium | 64% | Bullish | Neutral | Bullish | Neutral | -0.1% | -4.9% | -1.7% | 3,538.54 |
| Canada | 60% | Bullish | Bearish | Bullish | Bullish | -8.4% | -22.3% | -21.6% | 12,789.95 |
| Denmark | 65% | Neutral | Bullish | Bullish | Neutral | -1.7% | -3.0% | +14.3% | 965.74 |
| Finland | 64% | Bullish | Neutral | Bullish | Neutral | +0.7% | -3.3% | -4.0% | 8,305.25 |
| France | 56% | Neutral | Bearish | Bullish | Bearish | -2.5% | -9.1% | -1.8% | 3,522.78 |
| Germany | 57% | Bullish | Bearish | Bullish | Bullish | -0.9% | -9.9% | -4.9% | 10,340.06 |
| Ireland | 63% | Bearish | Bullish | Bullish | Bearish | -0.3% | +4.2% | +15.2% | 6,628.15 |
| Italy | 48% | Bullish | Bearish | Bullish | Bearish | -5.7% | -9.0% | +1.9% | 22,752.72 |
| Japan | 58% | Neutral | Neutral | Bullish | Neutral | +5.0% | -3.8% | +8.7% | 19,230.48 |
| Netherlands | 52% | Neutral | Bearish | Bullish | Bearish | -3.3% | -12.3% | -6.8% | 429.10 |
| New Zealand | 57% | Bullish | Neutral | Neutral | Bearish | +11.2% | -3.8% | -14.8% | 1,568.45 |
| Norway | 45% | Bullish | Bearish | Neutral | Neutral | -4.0% | -17.4% | -8.1% | 632.93 |
| Spain | 49% | Bullish | Bearish | Bullish | Bearish | -4.4% | -15.2% | -16.6% | 972.71 |
| Sweden | 49% | Bullish | Bearish | Bullish | Neutral | -6.2% | -12.4% | -5.9% | 779.71 |
| Switzerland | 56% | Bullish | Bearish | Bullish | Bullish | -4.4% | -11.1% | -6.2% | 8,502.06 |
| Un. Kingdom | 40% | Bullish | Bearish | Neutral | Neutral | -4.0% | -14.2% | -8.5% | 5,952.78 |
| USA | 46% | Bullish | Bearish | Bearish | Neutral | +2.6% | -3.9% | +0.5% | 2,012.37 |
| Argentina | 66% | Bullish | Bullish | Bearish | Bullish | +12.4% | +14.8% | +35.3% | 12,779.23 |
| Brazil | 51% | Bullish | Bearish | Bearish | Bullish | -2.4% | -31.6% | -35.4% | 45,262.72 |
| Czech Rep. | 45% | Bullish | Bearish | Bullish | Bearish | -10.2% | -8.1% | -14.3% | 922.71 |
| Chile | 49% | Bullish | Bearish | Bullish | Bullish | -7.3% | -19.1% | -18.3% | 17,493.78 |
| China | 52% | Bullish | Bearish | Neutral | Bullish | +5.9% | -36.1% | +11.9% | 3,434.58 |
| Greece | 38% | Bullish | Bearish | Neutral | Bearish | -16.8% | -27.1% | -38.1% | 578.30 |
| Egypt | 24% | Neutral | Bearish | Bearish | Neutral | -5.7% | -25.0% | -31.1% | 6,637.91 |
| Hong Kong | 58% | Bullish | Bearish | Bullish | Bullish | -0.2% | -21.3% | -7.7% | 21,464.05 |
| Hungary | 63% | Neutral | Bullish | Bullish | Bearish | +4.9% | +1.4% | +14.1% | 23,125.86 |
| India | 34% | Bearish | Bearish | Neutral | Neutral | -3.3% | -9.3% | -14.4% | 25,044.43 |
| Indonesia | 38% | Bullish | Bearish | Bearish | Bullish | +1.6% | -16.0% | -23.9% | 4,393.52 |
| Israel | 54% | Bullish | Bearish | Bullish | Bullish | -5.1% | -9.6% | +2.7% | 1,320.47 |
| Korea | 47% | Bullish | Bearish | Bullish | Neutral | -0.2% | -11.1% | -5.8% | 1,948.62 |
| Malaysia | 44% | Bullish | Bearish | Neutral | Neutral | +1.8% | -18.1% | -23.5% | 1,640.14 |
| Mexico | 24% | Bearish | Bearish | Bearish | Bearish | -5.0% | -16.8% | -14.5% | 42,000.63 |
| Philippines | 38% | Neutral | Bearish | Neutral | Neutral | -4.1% | -14.4% | -12.6% | 6,735.01 |
| Poland | 36% | Bullish | Bearish | Neutral | Bearish | -19.8% | -24.1% | -28.5% | 44,220.32 |
| Portugal | 50% | Bullish | Bearish | Bullish | Bearish | -0.3% | -11.9% | -2.4% | 2,374.05 |
| Russia | 71% | Bullish | Bearish | Bullish | Bullish | -3.6% | -18.3% | -2.5% | 1,720.31 |
| Singapore | 50% | Bullish | Neutral | Bearish | Bullish | -1.9% | -19.7% | -20.8% | 2,834.63 |
| Sth Africa | 40% | Bullish | Bearish | Bearish | Bullish | -16.1% | -27.7% | -27.0% | 48,067.53 |
| Taiwan | 57% | Bullish | Bearish | Bullish | Bullish | -3.4% | -17.9% | -14.2% | 8,115.89 |
| Thailand | 48% | Bullish | Bearish | Bullish | Neutral | -7.6% | -21.0% | -23.3% | 1,280.92 |
| Turkey | 32% | Bullish | Bearish | Bearish | Neutral | +0.6% | -20.6% | -34.9% | 70,280.35 |
| Venezuela | 69% | Bearish | Bullish | Bullish | Bullish | +6.6% | +10.2% | +288.1% | 15,005.31 |

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

Most stockmarkets have weakened over the last six months and as stockmarkets *tend* to move in trends, this has weakened our Technical/Trend Following indicators. Economic indicators are relatively Neutral. We aren't in a recession (which would be favourable for *future* share prices), but neither are we in a boom (which would be unfavourable).

Monetary indicators are also fairly Neutral. Interest rates are low, so generally not trending significantly lower, but neither are they likely to rise significantly.

The one consistently favourable (bullish) group are the Fundamental indicators. Most world stockmarkets trade at low valuations. Often at near their lowest valuation in 15-20 years.

This is significant, as Fundamental indicators are one of the best forecasters of *future* share price movements over the medium to longer term - perhaps up to the next five years. So a *long* term period of above average stockmarket returns probably lies ahead!

Fundamental indicators, however, are not good at forecasting *short* term trends, so share prices could trend lower in the short term, perhaps becoming more undervalued!

Summary and Recommendation

Current low valuations indicate that this is the time to be fully invested in equities. Therefore we recommend holding the existing portfolio of recommended international investment funds.

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 | Sri Lanka | |
| Aberdeen Asian Sm Coy | £361 | 12 | 25.6 | 2.4 | 15.8 | 2.7 | 17.0 | | 0.6 | 11.6 | 12.9 | 6.7 | 09 | 14.5 | Sri Lanka 5.7 | |
| Baring Korea | £97 | Nil | 40.8 | 3.0 | | | | | 97.0 | | | | | | | |
| Stewart Indian Sub-Cont | £277 | Nil | 49.4 | 8.7 | | | | | | | | | | 82.0 | Sri Lanka 6.1 | |
| Henderson China Opps | £432 | Nil | 47.0 | 1.6 | 73.3 | | | | | | | | 11.6 | | US 13.5 | |
| HSBC Asian Fund | £42 | Nil | 42.4 | 7.2 | 18.5 | | 2.7 | 10.5 | 26.1 | 5.9 | 5.8 | | 16.1 | | Indo 4.8 | |
| Hend Asian Pacific Cap | £164 | Nil | 42.5 | 2.2 | 12.3 | 8.2 | | 10.6 | 9.4 | 4.4 | 4.3 | 5.0 | 20.1 | 21.5 | Indo 1.9 | |
| Scottish Oriental Sm Coys | £261 | 8 | 26.2 | 12.3 | 8.3 | | 2.2 | 13.1 | 3.9 | 16.6 | 4.4 | 1.8 | 16.4 | 22.6 | Sri Lanka 3.0 | |
| | | | | Cash USA UK Europe Japan Other | | | | | | | | | | | | |
| Aberforth Small Cos Trust | £1094 | 4 | 25.0 | | | | 100.0 | | | | | | | | | |
| Baillie Gifford Shin Nippon | £163 | 11 | 27.2 | 5.2 | | | | | 94.8 | | | | | | | |
| Fidelity European Values | £700 | 7 | 39.2 | | | | 100.0 | | | | | | | | | |
| Fidelity Japan Values plc | £96 | 24 | 29.0 | | | | | 100.0 | | | | | | | | |
| Herald Investment Trust | £577 | 4 | 19.6 | 9.3 | 19.5 | 63.2 | | | 8.0 | | | | | | | |
| JPMorgan Euro Small Coys | £441 | 15 | 22.6 | 4.7 | | | 95.3 | | | | | | | | | |
| Invesco Perp Japan Small | £33 | Nil | 34.2 | 3.4 | | | | | 96.6 | | | | | | | |
| Private Equity Investor plc | £25 | Nil | - | 20.4 | 79.6 | | | | | | | | | | | |
| | | | | Cash Brazil HK/ China India Mexico Turkey Korea S.Africa Thail'd Taiwan Russia | | | | | | | | | | | | |
| Aberdeen E/Markets | £1500 | Nil | 34.6 | 1.0 | 8.6 | 16.8 | 15.8 | 8.7 | 4.8 | 7.1 | 7.4 | 4.2 | 4.9 | 4.2 | | |

Fidelity European Values plc now has over 63% of its investments in three countries: France (28% of the portfolio), Switzerland (24%) and Germany (12%). It has smaller holdings in the UK (7%), Belgium (7%), Denmark (6%), Finland (6%), Spain (5%) and others (7%).

JPMorgan European Smaller Companies has its largest investments in France (19% of the portfolio), Germany (16%), Italy (14%), Sweden (13%), Switzerland (11%), Netherlands (7%), Denmark (4%), Belgium (3%) and others (8%).

Recommended International Investment Funds

Share Repurchases

Aberforth Smaller Companies Trust plc has made one on-market share buyback, acquiring 90,000 shares for £1.0 million.

Aberdeen Asian Smaller Companies plc made 12 small on-market share repurchases over the last five weeks. In total acquiring 174,201 shares and returning £1.27 million to investors.

Herald Investment Trust plc made five large share repurchases, buying back 900,000 of its own shares (about 1.1% of its capital) for £6.6 million.

Fund Reports

JPMorgan European Smaller Companies Trust plc out-performed its benchmark index over the six months to 30 September. The Smaller European Companies index fell -3.8%, while the trust achieved a positive return: up +2.4%. The share price was up just +0.7%, with the discount to net assets increasing to 14.4% (from 13.0%).

The trust will pay an interim dividend of 1.2 pence on 15 January, ex-dividend 17 December.

The Fund Manager notes that European consumers are benefiting from low oil prices and low interest rates. The portfolio is “focusing on high quality, well managed companies either exposed to the revival in European consumer confidence or companies that are generally less correlated with global economic trends”.

| 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 | | | | | | | | | |
| BUY | Fidelity European Values plc | FEV | 13/05/03 | 46.4p | 129.1 | -7% | 166.9p | 378.1 | +193 |
| BUY | JPM European Smaller Cos | JESC | 15/01/02 | 45.3p | 153.2 | -7% | 270.5p | 612.8 | +300 |
| United Kingdom | | | | | | | | | |
| BUY | Aberforth Smaller Cos Trt plc | ASL | 15/07/03 | 375.5p | 1042.0 | -7% | 1151.0p | 2607.6 | +150 |
| Asian Regional | | | | | | | | | |
| BUY | Aberdeen Asian Small Coys | AAS | 09/09/03 | 89.2p | 247.8 | -11% | 700.0p | 1585.9 | +540 |
| HOLD | HSBC Asian Fund | * | 10/11/98 | 34.4p | 106.3 | | 82.15p | 186.1 | +75 |
| HOLD | Henderson Asia Pac Capital | * | 08/08/00 | 342.2p | 1122.6 | | 680.6p | 1541.9 | +37 |
| BUY | Scot Oriental Smaller Coy | SST | 11/11/03 | 121.9p | 330.5 | -12% | 729.75p | 1653.3 | +400 |
| China | | | | | | | | | |
| BUY | Henderson China Opportunities | * | 09/07/07 | 548.9p | 1410.4 | | 823.9p | 1866.6 | +32 |
| India | | | | | | | | | |
| HOLD | Stewart Investors Indian Sub-Cont. | * | 13/12/10 | 209.2p | 442.0 | | 322.15p | 729.8 | +65 |
| Japan | | | | | | | | | |
| BUY | Baillie Gifford Shin Nippon plc | BGS | 11/01/94 | 156.0p | 440.3 | +2% | 425.5p | 964.0 | +119 |
| BUY | Fidelity Japan Values plc | FJV | 10/01/06 | 126.0p | 322.7 | -13% | 84.0p | 190.3 | -41 |
| HOLD | Invesco Perp Japan Small Coys | * | 13/07/99 | 61.3p | 182.3 | | 65.76p | 149.0 | -18 |
| Korea | | | | | | | | | |
| HOLD | Baring Korea Trust | * | 12/04/94 | 81.1p | 209.4 | | 261.3-276.9p | 609.7 | +191 |
| International | | | | | | | | | |
| HOLD | Aberdeen Emerging Markets | * | 13/08/91 | 61.7p | 184.0 | | 462.74p | 1048.3 | +470 |
| BUY | Herald Investment Trust | HRI | 12/10/04 | 310.8p | 820.1 | -15% | 735.0p | 1665.2 | +103 |

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +185.0%. This is equal to an average annual rate of +13.0%, 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 +12.9%.

Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust 2019** convertible notes at 105.5 pence. **Fidelity Japanese Values** subscription shares are 2.75 pence.

“Clean” unit prices are: HSBC Asian Fund 91.97 pence, Henderson Asia Pacific Capital 741.1 pence, Henderson China Opportunities 115.7 pence, Stewart Investors Indian Sub-Continent 159.92 pence, Invesco Perpetual Japanese Smaller Companies 197.97 pence, Baring Korea 266.9-269.4 pence and Aberdeen Emerging Markets 499.7 pence.

World Stockmarket Valuations

| Country | Dividend Yield | Price/Earn. Ratio |
|-------------|----------------|-------------------|
| Australia | 5.2 | 15.4 |
| Austria | 2.1 | 18.2 |
| Belgium | 3.1 | 18.8 |
| Canada | 3.3 | 23.3 |
| Denmark | 1.7 | 23.8 |
| Finland | 3.6 | 19.1 |
| France | 3.1 | 20.9 |
| Germany | 2.9 | 17.1 |
| Ireland | 1.4 | 21.4 |
| Italy | 3.0 | 22.5 |
| Japan | 1.9 | 16.1 |
| Netherlands | 2.5 | 21.1 |
| New Zealand | 4.3 | 19.2 |
| Norway | 4.7 | 10.2 |
| Spain | 5.1 | 14.8 |
| Sweden | 3.8 | 14.3 |
| Switzerland | 3.2 | 17.9 |
| Un. Kingdom | 4.1 | 15.9 |
| USA | 2.1 | 21.0 |
| Argentina | 1.6 | 7.2 |
| Brazil | 4.2 | 16.1 |
| Czech Rep. | 7.6 | 12.7 |

| Country | Dividend Yield | Price/Earn. Ratio |
|-------------|----------------|-------------------|
| Chile | 3.3 | 18.1 |
| China | 2.4 | 12.4 |
| Greece | 3.2 | NE |
| Egypt | 3.5 | 17.5 |
| Hong Kong | 3.4 | 10.1 |
| Hungary | 2.2 | 9.3 |
| India | 1.5 | 22.6 |
| Indonesia | 2.7 | 17.7 |
| Israel | 2.6 | 16.2 |
| Korea | 1.5 | 11.7 |
| Malaysia | 3.3 | 16.5 |
| Mexico | 1.5 | 26.6 |
| Philippines | 1.9 | 18.2 |
| Poland | 3.9 | 11.0 |
| Portugal | 4.2 | 27.9 |
| Russia | 5.0 | 8.1 |
| Singapore | 4.5 | 12.4 |
| Sth Africa | 3.2 | 17.0 |
| Taiwan | 4.4 | 11.2 |
| Thailand | 3.5 | 15.6 |
| Turkey | 3.6 | 9.9 |

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



Canada Dividend Yields



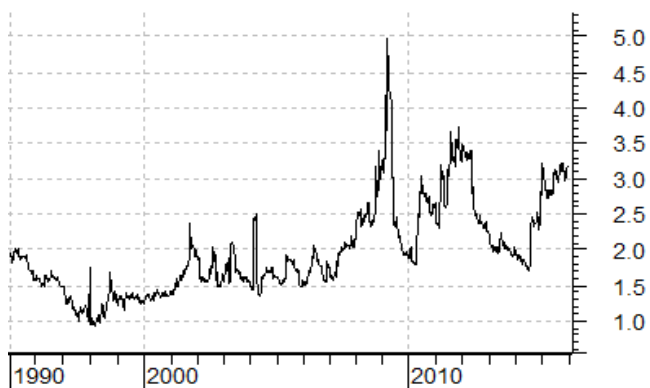
France Dividend Yields



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 appreciation of: | Return(%p.a.) from 5%pa | Return(%p.a.) from 10%pa | Return(%p.a.) from 20%pa | Break-Even Rate |
|------------------------------|---------------------|-------------------------|--------------------------|-----------------------|---------------------|-------------------------------|------------------|------------------|--------------------------------------|-------------------------|--------------------------|--------------------------|-----------------|
| <u>LATIN AMERICA</u> | | | | | | | | | | | | | |
| Aberdeen Latin American | 44.5p | 120.0p | 0-0 | 0.05p | 0.00p | +9999 | 0.202 | 99.9 | -100.0 | -100.0 | -100.0 | +999% | |
| <u>UNITED KINGDOM</u> | | | | | | | | | | | | | |
| Artemis Alpha | 247.0p | 345.0p | 2-0 | 18.25p | 1.22p | +1396 | 0.140 | 20.4 | -100.0 | -100.0 | -23.5 | +21% | |
| <u>EUROPE</u> | | | | | | | | | | | | | |
| Blackrock Greater Europe | 245.4p | 248.0p | 0-4 | 9.88p | 7.39p | +34 | 0.148 | 22.8 | -99.7 | -84.5 | +115.2 | +16% | |
| <u>JAPAN</u> | | | | | | | | | | | | | |
| Fidelity Japan Values | 84.0p | 86.5p | 0-0 | 1.55p | 0.00p | +9999 | 0.205 | 99.9 | -100.0 | -100.0 | -100.0 | +999% | |

World Stockmarket Capitalisations

Over the last three months the world stockmarket capitalisation fell US\$3,262 billion (or 4.5%) to US\$68,656 billion.

| Country | Market Capitalisation of Total (US\$ Billions) | Percentage of Total | Country | Market Capitalisation of Total (US\$ Billions) | Percentage of Total |
|-------------------------------|--|---------------------|-----------------------|--|---------------------|
| United States | 26,067 | 37.97 | Turkey | 198 | 0.29 |
| China | 7,510 | 10.94 | Qatar | 167 | 0.24 |
| Japan | 4,805 | 7.00 | Ireland | 145 | 0.21 |
| Hong Kong | 3,236 | 4.71 | Poland | 121 | 0.18 |
| India | 2,989 | 4.35 | Colombia | 101 | 0.15 |
| United Kingdom | 2,487 | 3.62 | Austria | 95 | 0.14 |
| France ¹ | 1,819 | 2.65 | Portugal ¹ | 81 | 0.12 |
| Germany | 1,719 | 2.50 | Argentina | 76 | 0.11 |
| Canada | 1,713 | 2.50 | New Zealand | 68 | 0.10 |
| Switzerland | 1,515 | 2.21 | Peru | 60 | 0.09 |
| South Korea | 1,294 | 1.88 | Egypt | 57 | 0.08 |
| Nordic Exchanges ² | 1,217 | 1.77 | Vietnam | 54 | 0.08 |
| Australia | 1,133 | 1.65 | Luxembourg | 50 | 0.07 |
| Spain | 856 | 1.25 | Nigeria | 50 | 0.07 |
| South Africa | 853 | 1.24 | Morocco | 47 | 0.07 |
| Taiwan | 847 | 1.23 | Czech Republic | 43 | 0.06 |
| Belgium ¹ | 832 | 1.21 | Kazakhstan | 41 | 0.06 |
| Singapore | 663 | 0.97 | Oman | 38 | 0.06 |
| Netherlands ¹ | 662 | 0.96 | Greece | 35 | 0.05 |
| Italy | 658 | 0.96 | Romania | 34 | 0.05 |
| Brazil | 529 | 0.77 | Jordan | 24 | 0.03 |
| Malaysia | 488 | 0.71 | Bahrain | 20 | 0.03 |
| Russia | 450 | 0.66 | Hungary | 16 | 0.02 |
| Saudi Arabia | 435 | 0.63 | Mauritius | 7 | 0.01 |
| Mexico | 435 | 0.63 | Slovenia | 5 | 0.01 |
| Thailand | 380 | 0.55 | Bulgaria | 4 | 0.01 |
| Indonesia | 346 | 0.50 | Slovakia | 4 | 0.01 |
| Philippines | 245 | 0.36 | Malta | 4 | 0.01 |
| Israel | 214 | 0.31 | Cyprus | 3 | 0.00 |
| UAE | 207 | 0.30 | Bermuda | 1 | 0.00 |
| Chile | 201 | 0.29 | | | |
| Norway | 201 | 0.29 | | | |
| | | | TOTAL | \$68,656 | 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 four weeks time on Monday January 11, 2016.

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.