

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	68%	Bullish	Bullish	Bullish	Neutral	+8.2%	+8.9%	-11.6%	5,124.06
Austria	66%	Neutral	Bullish	Bullish	Bullish	-1.0%	-0.9%	-3.6%	2,284.02
Belgium	66%	Bullish	Neutral	Bullish	Neutral	-1.8%	-1.9%	-2.4%	3,425.80
Canada	74%	Bullish	Neutral	Bullish	Bullish	+10.1%	+0.8%	-11.2%	13,522.00
Denmark	71%	Neutral	Bullish	Bullish	Neutral	+2.4%	+0.7%	+14.2%	974.23
Finland	63%	Bullish	Neutral	Bullish	Neutral	-2.2%	-1.5%	-6.2%	8,012.40
France	62%	Bullish	Neutral	Bullish	Bearish	+0.0%	-2.5%	-4.5%	3,473.85
Germany	63%	Bullish	Bearish	Bullish	Bullish	-3.6%	-4.5%	-12.3%	9,831.13
Ireland	49%	Bearish	Neutral	Bullish	Bearish	-3.0%	-3.3%	+8.4%	6,341.75
Italy	52%	Bullish	Bearish	Bullish	Bearish	-8.2%	-13.4%	-9.8%	20,585.20
Japan	49%	Bullish	Bearish	Neutral	Neutral	-6.4%	-1.7%	-6.2%	16,938.87
Netherlands	62%	Neutral	Bullish	Bullish	Bearish	+4.4%	+1.0%	-4.7%	441.75
New Zealand	64%	Bullish	Bullish	Bullish	Bearish	+1.0%	+12.3%	-9.6%	1,576.10
Norway	63%	Bullish	Neutral	Neutral	Bullish	+3.3%	-0.8%	-5.7%	632.73
Spain	59%	Bullish	Bearish	Bullish	Bearish	-4.1%	-8.3%	-12.8%	920.02
Sweden	76%	Bullish	Bullish	Bullish	Neutral	+2.5%	-3.9%	-5.2%	784.46
Switzerland	61%	Bullish	Bearish	Bullish	Bullish	-5.9%	-10.1%	-10.6%	7,998.43
Un. Kingdom	52%	Bullish	Bearish	Neutral	Neutral	-2.5%	-6.4%	-11.1%	6,139.79
USA	67%	Bullish	Bullish	Neutral	Bullish	+0.5%	+3.1%	-1.5%	2,022.19
Argentina	55%	Neutral	Neutral	Neutral	Bullish	-34.4%	-26.3%	-26.4%	13,051.54
Brazil	76%	Bullish	Bullish	Neutral	Bullish	+18.5%	+15.7%	-7.4%	49,638.68
Czech Rep.	56%	Bullish	Bearish	Bullish	Bearish	-0.5%	-10.7%	-6.0%	907.56
Chile	70%	Neutral	Bullish	Bullish	Bullish	+11.8%	+3.6%	-5.7%	18,815.72
China	45%	Bullish	Bearish	Bearish	Bullish	-21.7%	-17.1%	-22.7%	2,810.31
Greece	35%	Bearish	Bearish	Neutral	Bearish	-0.7%	-17.4%	-21.9%	566.20
Egypt	38%	Neutral	Bearish	Bearish	Neutral	-1.1%	-6.8%	-33.7%	6,563.65
Hong Kong	58%	Bullish	Bearish	Neutral	Bullish	-6.0%	-6.2%	-15.1%	20,199.60
Hungary	61%	Neutral	Bullish	Neutral	Bearish	+15.0%	+20.6%	+43.6%	25,608.69
India	42%	Bearish	Bearish	Neutral	Neutral	-1.3%	-4.5%	-18.3%	24,717.99
Indonesia	69%	Bullish	Bullish	Neutral	Bullish	+18.9%	+20.8%	-9.8%	4,813.78
Israel	55%	Bullish	Bearish	Bullish	Neutral	-4.4%	-9.3%	-3.8%	1,269.82
Korea	62%	Bullish	Bullish	Bullish	Neutral	+1.3%	+1.0%	-5.0%	1,971.41
Malaysia	57%	Bullish	Bullish	Neutral	Neutral	+10.0%	+11.9%	-13.1%	1,696.54
Mexico	38%	Bearish	Bullish	Bearish	Neutral	+4.6%	-0.6%	-11.1%	44,735.50
Philippines	55%	Neutral	Bullish	Bullish	Bearish	+7.5%	+3.1%	-13.4%	7,098.64
Poland	54%	Bullish	Bearish	Bullish	Bearish	+10.1%	-11.7%	-8.1%	47,182.13
Portugal	60%	Bullish	Neutral	Bullish	Neutral	+2.8%	+2.5%	+0.4%	2,406.34
Russia	79%	Bullish	Bullish	Bullish	Bullish	+9.7%	+5.8%	+2.5%	1,876.54
Singapore	60%	Bullish	Bullish	Neutral	Neutral	+2.7%	+0.8%	-14.7%	2,828.86
Sth Africa	51%	Bullish	Neutral	Bearish	Bullish	+12.3%	-5.8%	-18.2%	51,739.83
Taiwan	83%	Bullish	Bullish	Bullish	Bullish	+8.0%	+4.3%	-11.7%	8,706.14
Thailand	67%	Bullish	Bullish	Bullish	Neutral	+12.1%	+3.6%	-15.2%	1,393.41
Turkey	52%	Bullish	Bullish	Bearish	Neutral	+17.4%	+18.1%	-4.7%	79,380.18
Venezuela	68%	Bearish	Bullish	Bullish	Bullish	+6.3%	+13.2%	+253.0%	15,891.18

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

World stockmarket valuations continue to improve. Of course, that probably means that share *prices* have slipped *lower* - rather than corporate profits and dividends increasing - but the reason for the improvement is irrelevant.

Lower share prices and *steady* profits and dividends will make shares better value.

Steady share prices and *higher* profits and dividends will make shares better value.

We care only whether shares are over-valued or under-valued. The cause of that over-valuation or under-valuation is not important.

In fact, over the medium to long term, corporate profitability and dividends are *relatively* stable and probably grow in line with inflation and real economic growth. Let's say 5% per annum, with some annual volatility owing to fluctuations in economic conditions.

In comparison, share prices are significantly more volatile and again fluctuate owing to *expectations* of *future* economic conditions.

So, in reality, most of the changes in stockmarket valuations (i.e. Dividend Yields and Price/Earnings ratios) is caused by the *greater fluctuations in share prices*.

Earnings and dividends may dip in a recession, but

share prices will fall by a greater amount, so valuations improve. Fundamental indicators correctly show that shares are under-valued in a recession.

Similarly, earnings and dividends may rise in an economic boom, but share prices will rise more. So fundamental indicators will correctly show that shares are over-valued.

Fundamental indicators are the most reliable long term forecaster of future stockmarket returns. Of course, in the short to medium term, stockmarkets may continue to fall and become more under-valued or continue to rise and become more over-valued.

If you are a day-trader (or week-trader or month-trader or perhaps even a year-trader) then Fundamental indicators are probably of no value to you. Given that there are no rich share *traders* then nothing will be of much value!

If you are a long term *investor* seeking to build wealth over many years or decades, then Fundamental indicators are probably your best predictor of future performance over the next 3-5 years.

Historically low current stockmarket valuations predict historically high future returns over the next 3-5 years. Remain fully invested in the recommended international equity 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	£354	13	26.7	0.7	15.3	3.1	18.4		0.5	12.3	13.7	7.0	0.9	12.8	Sri Lanka 4.3%	
Baring Korea	£126	Nil	40.1	4.5					95.5							
Stewart Indian Sub-Cont	£266	Nil	49.5	6.9										82.0	Sri Lanka 6.9	
Henderson China Opps	£418	Nil	53.9	2.2	66.7								11.3		US 19.8	
HSBC Asian Fund	£43	Nil	40.6	8.7	18.5		2.7	10.5	26.1	5.9	5.8		16.1		Indo 4.8	
Hend Asian Pacific Cap	£163	Nil	43.9	2.5	13.0	9.6		12.8	7.3		4.6	6.3	18.2	22.4		
Scottish Oriental Sm Coys	£277	7	27.0	11.4	7.6		2.6	14.1	3.7	17.0	4.4	1.9	15.5	24.1	Sri Lanka 2.2	
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£954	4	24.1			100.0										
Baillie Gifford Shin Nippon	£175	12	29.0	2.8										97.2		
Fidelity European Values	£673	7	38.0				100.0									
Fidelity Japan Values plc	£94	24	45.5					100.0								
Herald Investment Trust	£521	4	19.0	9.9	20.8	60.7			8.6							
JPMorgan Euro Small Coys	£512	15	30.5	3.1			96.9									
Invesco Perp Japan Small	£38	Nil	34.9	2.5					97.5							
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	£1400	Nil	33.2	1.3	8.8	16.4	16.2	8.8	5.2	5.9	6.9	4.3	4.5	4.5		

Fidelity European Values plc now has 62% of its investments in three countries: France (27% of the portfolio), Switzerland (23%) and Germany (12%). It has smaller holdings in the UK (7%), Belgium (7%), Denmark (6%), Finland (5%), Spain (5%) and others (8%).

JPMorgan European Smaller Companies has its largest investments in France (25% of the portfolio), Germany (12%), Sweden (11%), Italy (11%), Switzerland (9%), Netherlands (7%), Ireland (4%), Denmark (4%), Belgium (3%) and others (4%).

Recommended International Investment Funds

Fidelity Japanese Values Subscription Shares

The **Fidelity Japanese Values plc** Subscription Shares have a final exercise/expiry date of 29 April 2016. Unless the ordinary share price rises above 86½ pence, these “subscription shares” (which allow us to buy an ordinary share at 86½ pence) will expire worthless at the end of next month.

Fund Report

Herald Investment Trust plc lifted net assets 8.4% over the year to 31 December 2015. Its two benchmark indices rose 5.4% and 6.2%. The share price rose 13.1%, as the discount to net assets narrowed to 15.5%.

There was a revenue loss (i.e. the low dividend income was exceeded by operating expenses) so no dividend will be paid.

The trust has 64% of its portfolio invested in UK technology shares, but takeovers and a lack of IPOs means the trust “must consider reallocating capital”.

(Continued on Page 6)

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price		Prem/ Disc to Net Assets	Recent Price Bid-Offer or Last Sale	Price NZ Cents	Gain or Loss %
				Foreign	NZ Cents				
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-12%	164.2p	350.0	+171
United Kingdom									
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-8%	275.25p	586.6	+283
Asian Regional									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-13%	1009.0p	2150.5	+106
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-14%	759.0p	1617.6	+553
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		86.74p	184.9	+74
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		714.0p	1521.7	+36
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-16%	730.0p	1555.8	+371
China									
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		791.4p	1686.7	+20
India									
HOLD	Stewrat Investors Indian Sub-Cont.	*	13/12/10	209.2p	442.0		328.82p	700.8	+59
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+4%	475.5p	1013.4	+130
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-14%	82.25p	175.3	-46
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		72.06p	153.6	-16
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		257.7-273.0p	565.5	+170
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		514.24p	1096.0	+496
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-21%	670.0p	1428.0	+74
HOLD	Private Equity Investor plc	PEQ	11/12/01	109.4p	375.4	-25%	167.0p	355.9	-5

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +154.7%. 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 +11.8%.

Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust** 2019 convertible notes at 107 pence. **Fidelity Japanese Values** subscription shares are 2.5 pence.

“Clean” unit prices are: HSBC Asian Fund 97.32 pence, Henderson Asia Pacific Capital 779.1 pence, Henderson China Opportunities 111.4 pence, Stewart Investors Indian Sub-Continent 163.53 pence, Invesco Perpetual Japanese Smaller Companies 217.37 pence, Baring Korea 263.8-266.1 pence and Aberdeen Emerging Markets 556.36 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.9	15.8
Austria	2.1	15.9
Belgium	3.2	17.8
Canada	3.1	24.4
Denmark	1.8	24.1
Finland	3.8	16.7
France	3.3	20.1
Germany	3.1	15.8
Ireland	1.5	20.9
Italy	3.3	27.0
Japan	2.2	14.6
Netherlands	2.3	22.0
New Zealand	4.3	20.0
Norway	4.3	14.6
Spain	5.0	15.3
Sweden	3.9	16.9
Switzerland	3.4	17.3
Un. Kingdom	4.3	15.9
USA	2.2	21.0
Argentina	1.3	13.8
Brazil	3.8	19.5
Czech Rep.	7.5	12.7

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.9	19.2
China	2.6	11.3
Greece	1.5	NE
Egypt	3.7	14.8
Hong Kong	3.6	9.5
Hungary	2.0	10.7
India	1.4	22.0
Indonesia	2.3	17.8
Israel	2.4	17.2
Korea	1.7	10.9
Malaysia	3.1	17.9
Mexico	1.4	26.9
Philippines	1.7	18.9
Poland	3.5	11.8
Portugal	3.9	24.6
Russia	4.4	9.1
Singapore	4.3	13.0
Sth Africa	3.0	18.2
Taiwan	4.1	12.5
Thailand	3.3	18.7
Turkey	3.1	11.7

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



Canada Dividend Yields



France Dividend Yields



China Dividend Yields



Switzerland Dividend Yields



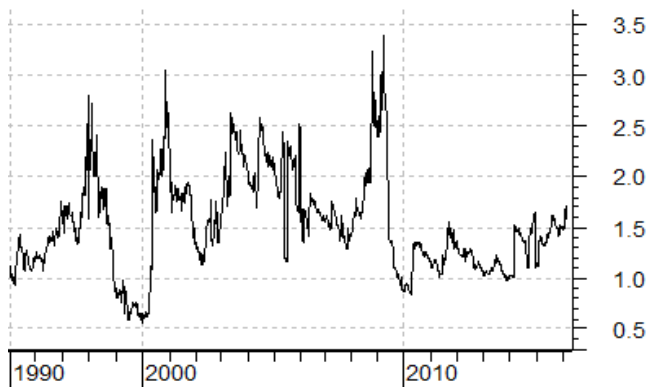
Brazil Dividend Yields



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	Warrant Return(%p.a.) from 10%pa	Warrant Return(%p.a.) from 20%pa	Break-Even Rate
<u>UNITED KINGDOM</u>												
Artemis Alpha	228.0p	345.0p	1-9	6.25p	0.22p	+2709	0.132	34.4	-100.0	-100.0	-100.0	+28%
<u>EUROPE</u>												
Blackrock Greater Europe	248.8p	248.0p	0-1	5.00p	4.90p	+2	0.152	43.1	-100.0	-99.9	-66.9	+23%
<u>JAPAN</u>												
Fidelity Japan Values	82.3p	86.5p	0-1	2.50p	0.52p	+379	0.198	79.8	-100.0	-100.0	-100.0	+158%

Recommended International Investment Funds

(Continued from Page 3)

More than half of the world's technology companies are listed in Asia but many have "concentrated customer lists, poor pricing power and poor governance" so are not attractive investments.

In the United States "there is the promising potential that a number of companies will come to market at sensible valuations as private owners come to terms with exits at lower values". The Fund Manager notes that "approximately ten times as much money has been invested in the recent past in private ventures than through IPOs", leading to a "big backlog in IPOs which we look forward to with interest".

The Fund Manager is also concerned that brokerage fees are falling to the point where stockbrokers can no longer provide research. US IPOs no longer hold a roadshow in London. The Manager is therefore opening an office in New York.

On the positive side, as "more professional investors desert small capitalisation equities in favour of ETFs, index trackers, hedge funds, private equity and bonds, there are richer potential pickings for the few of us focused on bottom up stock selection". This should lead to "greater returns from stock picking than asset allocation".

Share Repurchases and Sales

Aberforth Smaller Companies Trust plc made three on-market share repurchases over the last five weeks. It acquired 236,000 shares for £2,388,062.

Aberdeen Asian Smaller Companies Trust plc made 18 share repurchases, acquiring a total of 409,000 shares for £2,993,093.

Scottish Oriental Smaller Companies repurchased 39,000 shares for £278,850 in one transaction.

Baillie Gifford Shin Nippon plc - whose shares trade at a *premium* to net asset value - issued 275,000 new shares. These were sold on-market in three trades, raising £1,258,625 in cash for the trust.

Fidelity Japanese Values plc repurchased 210,000 shares on-market in six trades, returning £166,481 to investors.

Herald Investment Trust plc was active repurchasing its own shares over the last five weeks. In six trades it acquired 569,584 shares and returned £3,873,840 to investors. This reflects the fund's large cash holding (i.e. about 10% of the portfolio) and the large 20-21% discount to net asset value. Repurchasing its own shares at a discount is the same as acquiring additional portfolio company shares at a 20-21% discount to market values!

World Stockmarket Capitalisations

Over the three months to 31 January 2016 the world stockmarket capitalisation fell US\$6,727 billion (or 9.8%) to US\$61,929 billion.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	23,547	38.02	Norway	184	0.30
China	6,142	9.92	Qatar	139	0.22
Japan	4,523	7.30	Poland	133	0.21
Hong Kong	2,808	4.53	Ireland	115	0.19
India	2,748	4.44	Austria	88	0.14
United Kingdom	2,227	3.60	Colombia	83	0.13
France ¹	1,860	3.00	Portugal ¹	77	0.12
Germany	1,563	2.52	New Zealand	69	0.11
Canada	1,551	2.50	Peru	54	0.09
Switzerland	1,396	2.25	Argentina	52	0.08
South Korea	1,197	1.93	Hungary	52	0.08
Nordic Exchanges ²	1,192	1.92	Egypt	51	0.08
Australia	1,096	1.77	Vietnam	49	0.08
South Africa	899	1.45	Morocco	47	0.08
Taiwan	797	1.29	Luxembourg	44	0.07
Netherlands ¹	724	1.17	Nigeria	42	0.07
Spain	703	1.14	Oman	40	0.06
Singapore	601	0.97	Czech Republic	38	0.06
Belgium ¹	530	0.86	Greece	35	0.06
Italy	530	0.86	Kazakhstan	32	0.05
Brazil	491	0.79	Romania	32	0.05
Malaysia	389	0.63	Jordan	25	0.04
Mexico	387	0.62	Bahrain	19	0.03
Russia	386	0.62	Sri Lanka	19	0.03
Saudi Arabia	366	0.59	Mauritius	7	0.01
Thailand	356	0.57	Slovenia	6	0.01
Indonesia	353	0.57	Bulgaria	4	0.01
Israel	234	0.38	Malta	4	0.01
Philippines	225	0.36	Cyprus	3	0.00
UAE	188	0.30	Bermuda	2	0.00
Turkey	188	0.30			
Chile	187	0.30			
			TOTAL	\$61,929	100.00%

Notes:

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

Next Issue:

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

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