

# International Investor

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## Inside International Investor

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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	78%	Bullish	Bullish	Neutral	Bullish	+2.6%	+5.5%	+14.6%	5,514.06
Austria	67%	Bullish	Bullish	Bullish	Bearish	+2.0%	+11.4%	+6.7%	2,598.61
Belgium	59%	Bullish	Neutral	Bullish	Bearish	-6.6%	-3.0%	-3.4%	3,557.53
Canada	68%	Bullish	Bullish	Neutral	Neutral	+4.3%	+5.8%	+25.0%	15,312.20
Denmark	35%	Bullish	Bearish	Neutral	Bearish	-28.5%	-32.1%	-30.4%	697.06
Finland	70%	Bullish	Bullish	Bullish	Neutral	-3.6%	+2.8%	+0.6%	8,692.82
France	68%	Bullish	Bullish	Bullish	Neutral	-1.2%	+3.3%	+0.6%	3,687.74
Germany	68%	Bullish	Bullish	Bullish	Bearish	-0.4%	+6.9%	+4.1%	11,203.63
Ireland	64%	Bearish	Bullish	Bullish	Bullish	-2.1%	-2.9%	-6.7%	6,440.05
Italy	65%	Bullish	Bullish	Bullish	Bearish	-0.4%	-0.8%	-15.9%	19,927.85
Japan	67%	Neutral	Bullish	Bullish	Neutral	-0.3%	+6.1%	+3.6%	18,996.37
Netherlands	59%	Bullish	Bullish	Bullish	Bearish	-2.5%	+1.2%	+5.2%	469.77
New Zealand	50%	Bullish	Bearish	Neutral	Neutral	-9.6%	-4.5%	+6.7%	1,576.17
Norway	73%	Bullish	Bullish	Bearish	Bullish	+18.7%	+11.1%	+22.3%	757.43
Spain	64%	Bullish	Bullish	Bullish	Bearish	-4.5%	+1.4%	-8.8%	923.81
Sweden	76%	Bullish	Bullish	Bullish	Bearish	-2.3%	+3.5%	+4.6%	882.21
Switzerland	60%	Bullish	Bearish	Bullish	Neutral	-6.0%	-3.1%	-8.0%	8,099.63
Un. Kingdom	70%	Bullish	Bullish	Bullish	Neutral	-2.8%	+0.3%	-3.5%	6,954.21
USA	67%	Neutral	Bullish	Neutral	Bullish	+6.2%	+7.8%	+12.3%	2,259.53
Argentina	78%	Neutral	Bullish	Bullish	Bullish	+1.6%	+11.5%	-17.8%	17,196.77
Brazil	78%	Bullish	Bullish	Bullish	Bullish	+1.0%	+23.9%	+53.2%	60,500.62
Czech Rep.	50%	Bullish	Neutral	Bearish	Neutral	-3.7%	+0.6%	-6.4%	900.71
Chile	64%	Neutral	Bullish	Bullish	Bullish	+7.0%	+13.0%	+32.6%	21,321.77
China	44%	Neutral	Bullish	Bearish	Bullish	+1.7%	+5.0%	-15.2%	3,232.88
Greece	54%	Neutral	Bullish	Neutral	Bearish	+6.2%	-2.9%	+6.3%	640.09
Egypt	38%	Bearish	Neutral	Bearish	Bullish	-36.3%	-32.6%	-30.6%	10,688.16
Hong Kong	65%	Bullish	Bullish	Neutral	Neutral	-5.6%	+8.2%	+5.9%	22,760.98
Hungary	58%	Bearish	Bullish	Neutral	Neutral	-0.6%	+7.3%	+28.2%	30,588.38
India	50%	Bearish	Neutral	Bullish	Bearish	-7.9%	-0.4%	+6.0%	26,747.18
Indonesia	66%	Neutral	Bullish	Neutral	Bullish	-0.7%	+9.6%	+28.1%	5,308.13
Israel	44%	Bullish	Neutral	Bearish	Bearish	-3.0%	+2.4%	-3.6%	1,264.30
Korea	47%	Bullish	Neutral	Bearish	Neutral	-6.4%	+0.2%	+5.3%	2,024.69
Malaysia	44%	Bullish	Bearish	Neutral	Neutral	-9.8%	-7.6%	-2.0%	1,641.42
Mexico	33%	Neutral	Bearish	Bearish	Neutral	-6.4%	-5.2%	-4.8%	46,913.47
Philippines	39%	Neutral	Bearish	Bullish	Bearish	-11.6%	-13.4%	-0.3%	7,043.16
Poland	55%	Neutral	Bullish	Bearish	Neutral	-1.8%	+3.2%	+8.0%	50,693.75
Portugal	61%	Bullish	Neutral	Bullish	Neutral	-5.8%	-4.0%	+1.1%	2,498.55
Russia	72%	Bullish	Bullish	Bearish	Neutral	+12.7%	+21.1%	+44.4%	2,208.53
Singapore	59%	Bullish	Bullish	Neutral	Neutral	-2.3%	-0.4%	+3.1%	2,956.13
Sth Africa	49%	Bullish	Neutral	Bearish	Bullish	-0.3%	+5.6%	+21.9%	50,899.92
Taiwan	81%	Bullish	Bullish	Bullish	Bullish	+2.9%	+9.6%	+19.6%	9,392.68
Thailand	70%	Bullish	Bullish	Bullish	Bullish	+3.2%	+5.6%	+20.8%	1,526.32
Turkey	46%	Bullish	Bearish	Bearish	Bullish	-16.1%	-17.0%	-7.6%	75,727.28
Venezuela	68%	Bearish	Bullish	Bullish	Bullish	+202.7%	+140.3%	+52.9%	36,350.63

**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

Political, economic, social and technological changes are important to the stockmarket . . . but probably not as important as your 24 hours per day Financial News network TV channel would have you believe.

Limited liability companies are the most successful “species” on the planet, able to quickly “adapt or die” (and breed rapidly) to whatever changes may happen in the future!

With globalisation and a North American Free Trade Agreement, US based companies may move manufacturing jobs to China or Mexico to reduce costs and remain competitive (and profitable). But if the new President-elect wants to pay them a cash subsidy to keep manufacturing in America? Yes, that works too! (Especially as wage rates and other costs have risen in China over the last 20 years).

Change (especially “bad change”) can appear to have a significant negative impact on the economy, global trade and the revenues and profitability of individual companies. But those limited liability companies never stand still. They will adapt and prosper in the new environment (or die to be replaced by new companies that can).

In any species, the survival of individuals is unimportant. The same is true for stockmarket investment. The United States' five biggest companies are all relatively young businesses. Apple's IPO was in 1980 (and the business “failed” and re-invented itself at least a couple of times), Microsoft listed in 1986, Amazon in 1997, Alphabet (Google) in 2004 and Facebook in 2012. So today's five largest companies have “evolved” (as public companies) over an average period of only 20 years! Some of these companies may not exist in 20 years time. Probably only one or two will still be in the top five.

The survival of individual companies is also unimportant to individual investors. As companies “adapt or die” investors needs to hold a diversified spread of shares. Many of these companies will die. Many will adapt and prosper!

So, what is the most important factor to forecast long term (1-5 year) stockmarket returns? The answer is

simply the Average Dividend Yield. That answer is so simple that most people ignore it!

The Average Dividend Yield will indicate whether the stockmarket is *currently* over-valued or under-valued. As future political, economic, social and technological change is (1) unpredictable and (2) companies will adapt or die whatever happens, knowing the *current valuation* is a better guide to future stockmarket performance.

So take a close look at the charts on Page 4 and 5.

The first thing that sticks out on nearly every chart is that Average Dividend Yields predicted at the time that the Global Financial Crisis of late 2008 and 2009 was the best buying opportunity in half a lifetime! And wasn't that exactly the case? Even though, at the time, all the “experts” and Financial News networks were predicting doom and gloom.

Next look at the current Dividend Yields for the United States, UK, Japan, Canada, Switzerland and Australia. All of these Yields are at or near historical highs. Yields are higher than they have been over most of the last 23 years. So shares generally offer better value today than they have over the last quarter of a century!

What is that I see? Someone in the back row is shaking his head and predicting the *Stockmarket Crash of 2017*? Weren't you the guy who was here a year ago warning us about the stockmarket crash of 2016? In fact, don't you turn up at this time *every* year with that same prediction for the year ahead?

Average Dividend Yields for emerging markets is a little more volatile (and historically a little less reliable) but none are showing low Yields that would indicate over-valuation. In general, Yields are at or above recent historical levels, showing fair value to under-valuation.

## **Summary and Recommendation**

Relatively high Average Dividend Yields indicate relatively low valuations for shares. Low valuations are an excellent forecaster of above average stockmarket returns over the next one to five years. Remain fully invested in international equity funds.

# Recommended International Investment Funds

## Fund Report

**JPMorgan European Smaller Companies plc** lifted net assets 17.7% over the half year to 30 September, slightly ahead of its benchmark index which rose 16.1% (in Sterling terms). The discount to net assets increased, so the share price was up only 10.3%.

An interim dividend of 1.2 pence will be paid on 2 January 2017 (ex-dividend 1 December 2016).

## Share Repurchases and Sales

**JPMorgan European Smaller Companies plc** made two on-market share repurchases over the last five weeks, acquiring a total of 160,000 shares for £444,100.

**Aberforth Smaller Companies Trust plc** acquired 145,000 shares on-market in two trades for £1,450,597 at a discount of around 18% (£318,000) to net assets.

**Aberdeen Asian Smaller Companies Trust plc** made 11 on-market trades to acquire 117,500 shares for £1,111,514.

**Scottish Oriental Smaller Companies plc** repurchased 50,000 shares for £444,000.

**Baillie Gifford Shin Nippon plc** shares trade on-market at a premium to net assets, so the company issued 245,000 new shares in two transactions to raise a further £1,424,075 for investment.

Cashed up **Herald Investment Trust plc** made further significant share repurchases over the last month. It repurchased 532,630 shares, in two trades, for a total of £4,401,722. Repurchasing these shares at a 20% discount to net assets adds £1,100,430 to the net asset value of the remaining shares.

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		
	<b>Europe</b>								
BUY	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-13%	175.5p	309.3	+140
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-16%	282.75p	498.2	+225
	<b>United Kingdom</b>								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-18%	1027.0p	1809.7	+74
	<b>Asian Regional</b>								
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-14%	929.0p	1637.0	+561
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		111.2p	195.9	+84
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		880.6p	1551.7	+38
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-15%	878.0p	1547.1	+368
	<b>China</b>								
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		1057.0p	1862.6	+32
	<b>India</b>								
BUY	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-19%	73.0p	128.6	-7
HOLD	Stewart Ivory Indian Sub-Cont	*	13/12/10	209.2p	442.0		411.49p	725.1	+64
	<b>Japan</b>								
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+7%	559.0p	985.0	+124
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-16%	99.5p	175.3	-46
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		91.61p	161.4	-11
	<b>Korea</b>								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		292.7-295.2p	518.0	+147
	<b>International</b>								
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		629.06p	1108.5	+503
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-20%	842.0p	1483.7	+81

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +82.8%. This is equal to an average annual rate of +10.5%, 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 49 closed out) is +11.3%.

## Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust 2019** convertible notes at 116¾ pence.

“Clean” unit prices are: HSBC Asian Fund 125.4 pence, Henderson Asia Pacific Capital 967.1 pence, Henderson China Opportunities 149.8 pence, Stewart Investors Indian Sub-Continent 205.59 pence, Invesco Perpetual Japanese Smaller Companies 277.99 pence, Baring Korea 292.7-295.2 pence and Aberdeen Emerging Markets 684.39 pence.

# World Stockmarket Valuations

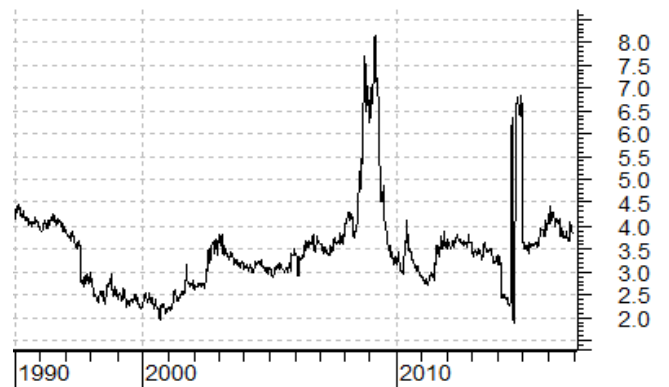
Country	Dividend Yield	Price/Earn. Ratio
Australia	4.1	19.0
Austria	2.5	14.6
Belgium	3.2	26.5
Canada	2.7	30.3
Denmark	2.2	25.1
Finland	3.7	19.6
France	3.4	20.8
Germany	2.7	18.3
Ireland	1.6	19.8
Italy	4.1	57.1
Japan	2.0	17.9
Netherlands	2.6	20.8
New Zealand	4.3	17.6
Norway	4.2	25.0
Spain	4.6	19.6
Sweden	3.8	26.3
Switzerland	3.2	24.2
Un. Kingdom	3.8	25.2
USA	2.0	23.6
Argentina	1.1	15.5
Brazil	3.4	21.8
Czech Rep.	8.2	12.4

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.5	19.8
China	2.0	15.5
Greece	2.0	Neg
Egypt	1.2	20.9
Hong Kong	3.0	13.8
Hungary	2.0	10.2
India	1.3	21.5
Indonesia	2.1	18.5
Israel	2.3	17.4
Korea	1.6	11.0
Malaysia	3.0	17.6
Mexico	1.8	23.7
Philippines	1.7	18.6
Poland	2.8	16.2
Portugal	4.2	18.3
Russia	4.4	8.4
Singapore	4.2	15.1
Sth Africa	3.0	20.6
Taiwan	3.9	15.8
Thailand	2.9	17.1
Turkey	3.0	9.6

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



Canada Dividend Yields



**France Dividend Yields**



**China Dividend Yields**



**Switzerland Dividend Yields**



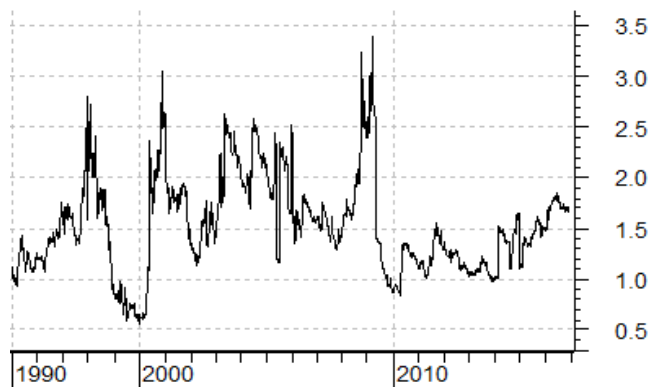
**Brazil Dividend Yields**



**Australia Dividend Yields**



**South Korea Dividend Yields**



**Germany Dividend Yields**



**India Dividend Yields**





# *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	Indo	
Aberdeen Asian Sm Coy	£470	8	28.2	2.6	16.2	3.2	17.6				10.9	12.1	7.0	0.6	11.7	Indo 8.1
Baring Korea	£157	Nil	51.8	2.4					97.6							
India Capital Growth	£102	Nil	36.9	4.7											95.3	
Stewart Indian Sub-Cont	£314	Nil	47.3	4.9											81.5	Sri Lanka 7.9
Henderson China Opps	£514	Nil	53.9	1.6	61.4								10.4			US 26.6
HSBC Asian Fund	£54	Nil	44.7	7.2	18.5		2.7	10.5	26.1	5.9	5.8		16.1			Indo 4.8
Hend Asian Pacific Cap	£191	Nil	45.4	1.2	9.1	6.1		16.0	12.4	3.6		5.4	15.3	23.8		Vietnam 2.2
Scottish Oriental Sm Coys	£362	6	26.4	12.7	5.6		1.1	11.0	3.8	10.7	5.2	4.8	14.6	25.2		Indo 6.3
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£1175	3	24.3			100.0										
Baillie Gifford Shin Nippon	£268	11	25.0	1.3					98.7							
Fidelity European Values	£881	3	36.6				100.0									
Fidelity Japan Values plc	£175	23	46.9					100.0								
Herald Investment Trust	£772	3	19.3	11.0	22.8	57.1	4.2	4.9								
JPMorgan Euro Small Coys	£627	7	20.0	10.3			93.4									
Invesco Perp Japan Small	£56	Nil	35.3	5.5				94.5								
				Cash Brazil HK/ China India Mexico Korea S.Africa Thail'd Taiwan Indonesia												
Aberdeen E/Markets	£1480	Nil	33.4	1.8	11.4	14.7	16.5	7.3	7.4	5.4	4.9	5.0	4.7			

**Fidelity European Values plc** now has 61% of its investments in three countries: France (29% of the portfolio), Switzerland (19%) and Germany (13%). It has smaller holdings in Belgium (7%), Spain (7%), the UK (7%), Finland (5%), Denmark (5%), Norway (4%), Netherlands (3%) and others (5%).

**JPMorgan European Smaller Companies** has its largest investments in France (23% of the portfolio), Sweden (13%), Italy (11%), Finland (9%), Netherlands (9%), Switzerland (6%), Germany (5%), Denmark (5%), Norway (4%), Spain (3%) and Belgium (2%).

## *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 Share Price 10%pa	Warrant Share Price 20%pa	Return(%p.a.) from appreciation of:	Break-Even Rate
<b><u>UNITED KINGDOM</u></b>													
Artemis Alpha Trust	235.3p	345.0p	1-0	1.88p	1.30p	+44	0.229	16.8	-100.0	-100.0	-100.0	+47%	
JPMorgan Smaller Coys	799.0p	915.0p	0-6	11.50p	4.61p	+149	0.151	40.8	-100.0	-100.0	-100.0	+34%	
Standard Life Equity Income	389.0p	320.0p	0-0	62.50p	69.00p	-9	0.149	5.6	-	-	-	-	

# World Stockmarket Capitalisations

Over the last three months the world stockmarket capitalisation rose just US\$76 billion (or 0.1%) to US\$69,339 billion.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States .....	25,628 .....	36.96	Argentina .....	68 .....	0.10
China .....	7,446 .....	10.74	Bangladesh .....	66 .....	0.10
Japan .....	5,104 .....	7.36	Luxembourg .....	61 .....	0.09
India .....	3,387 .....	4.88	Portugal .....	55 .....	0.08
Hong Kong .....	3,277 .....	4.73	Morocco .....	54 .....	0.08
United Kingdom .....	2,152 .....	3.10	Egypt .....	47 .....	0.07
France .....	1,973 .....	2.85	Czech Republic .....	40 .....	0.06
Canada .....	1,924 .....	2.77	Kazakhstan .....	39 .....	0.06
Germany .....	1,692 .....	2.44	Greece .....	36 .....	0.05
Switzerland .....	1,387 .....	2.00	Romania .....	34 .....	0.05
South Korea .....	1,288 .....	1.86	Nigeria .....	29 .....	0.04
Australia .....	1,265 .....	1.82	Jordan .....	24 .....	0.03
Nordic Exchanges <sup>1</sup> .....	1,228 .....	1.77	Oman .....	22 .....	0.03
Taiwan .....	958 .....	1.38	Hungary .....	22 .....	0.03
South Africa .....	943 .....	1.35	Croatia .....	21 .....	0.03
Brazil .....	829 .....	1.20	Kenya .....	20 .....	0.03
Netherlands .....	723 .....	1.04	Sri Lanka .....	19 .....	0.03
Spain .....	717 .....	1.03	Romania .....	18 .....	0.03
Singapore .....	655 .....	0.94	Bahrain .....	18 .....	0.03
Belgium .....	636 .....	0.92	Panama .....	13 .....	0.02
Russia .....	537 .....	0.77	Lebanon .....	12 .....	0.02
Italy .....	492 .....	0.71	Tunisia .....	9 .....	0.01
Indonesia .....	452 .....	0.65	Mauritius .....	8 .....	0.01
Thailand .....	427 .....	0.62	Jamaica .....	6 .....	0.01
Mexico .....	396 .....	0.57	Slovenia .....	6 .....	0.01
Malaysia .....	393 .....	0.57	Malta .....	5 .....	0.01
Saudi Arabia .....	379 .....	0.55	Ukraine .....	5 .....	0.01
Philippines .....	256 .....	0.37	Bulgaria .....	4 .....	0.01
Norway .....	224 .....	0.32	Bardados .....	3 .....	0.00
Chile .....	223 .....	0.32	Cyprus .....	3 .....	0.00
UAE .....	214 .....	0.31	Palestine .....	3 .....	0.00
Israel .....	212 .....	0.31	Costa Rica .....	3 .....	0.00
Turkey .....	192 .....	0.28	Bermuda .....	2 .....	0.00
Qatar .....	150 .....	0.22	Namibia .....	2 .....	0.00
Poland .....	140 .....	0.20	Papua New Guinea .....	2 .....	0.00
Ireland .....	116 .....	0.17	Belarus .....	1 .....	0.00
Iran .....	109 .....	0.16			
Colombia .....	105 .....	0.15			
Austria .....	98 .....	0.14			
New Zealand .....	84 .....	0.12			
Peru .....	78 .....	0.11			
Vietnam .....	70 .....	0.10			
			TOTAL .....	\$69,339 .....	100.00%

## Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday January 16, 2017.

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

Note 1. Mainly Denmark, Sweden and Finland.

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