

International Investor

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Inside International Investor

Baillie Gifford Shin Nippon plc shares trade at a 10% premium to net asset value	3	World Stockmarket Valuations	4, 5
		World Stockmarket Capitalisations	6

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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	66%	Bullish	Bullish	Neutral	Neutral	-1.5%	+5.4%	+8.8%	5,947.78
Austria	68%	Neutral	Bullish	Bullish	Bearish	+0.7%	+9.0%	+42.7%	3,327.38
Belgium	66%	Bullish	Bullish	Bullish	Bearish	-0.0%	+7.3%	+26.1%	4,025.75
Canada	56%	Bullish	Bullish	Neutral	Bearish	+1.7%	+9.1%	+7.8%	16,096.07
Denmark	71%	Bullish	Bullish	Bullish	Neutral	-2.6%	+5.6%	+31.0%	1,008.54
Finland	65%	Bullish	Bearish	Bullish	Neutral	-2.8%	+0.0%	+20.5%	9,400.39
France	62%	Bullish	Bullish	Bullish	Bearish	+2.7%	+6.9%	+27.9%	4,232.23
Germany	66%	Bullish	Bullish	Bullish	Bearish	+4.6%	+7.9%	+30.9%	13,153.70
Ireland	72%	Bullish	Bullish	Bullish	Neutral	+3.4%	+6.1%	+22.3%	7,067.17
Italy	73%	Bullish	Bullish	Bullish	Bearish	+2.2%	+13.1%	+40.6%	25,140.24
Japan	57%	Neutral	Bullish	Neutral	Bearish	+12.5%	+10.9%	+22.1%	22,811.08
Netherlands	67%	Bullish	Bullish	Bullish	Bearish	+3.2%	+9.1%	+29.8%	547.22
New Zealand	69%	Bullish	Neutral	Bullish	Neutral	-3.1%	-0.6%	+1.5%	1,668.59
Norway	70%	Bullish	Bullish	Bullish	Bearish	-0.2%	+15.3%	+18.5%	875.92
Spain	62%	Bullish	Neutral	Bullish	Bearish	-0.1%	-0.8%	+25.8%	1,042.40
Sweden	61%	Bullish	Neutral	Bullish	Bearish	-2.1%	+0.7%	+21.1%	982.40
Switzerland	69%	Bullish	Bullish	Bullish	Neutral	-0.4%	+2.9%	+17.9%	9,319.15
Un. Kingdom	62%	Bullish	Neutral	Neutral	Bullish	+1.6%	+3.2%	+13.2%	7,393.96
USA	54%	Bearish	Bullish	Neutral	Bearish	+7.7%	+9.0%	+17.3%	2,651.50
Argentina	60%	Bearish	Bullish	Neutral	Neutral	+11.5%	+14.7%	+44.6%	26,841.50
Brazil	69%	Neutral	Bullish	Bullish	Bearish	-6.6%	+17.1%	+23.4%	72,731.85
Czech Rep.	63%	Bullish	Bullish	Neutral	Bearish	+4.0%	+13.5%	+39.0%	1,062.35
Chile	45%	Neutral	Bearish	Bullish	Neutral	-8.6%	+2.5%	+14.8%	24,616.08
China	38%	Bearish	Neutral	Bearish	Neutral	-4.3%	+7.0%	+6.1%	3,289.99
Greece	51%	Neutral	Neutral	Bullish	Bearish	-9.8%	-0.4%	+29.0%	740.72
Egypt	60%	Neutral	Bullish	Neutral	Neutral	+5.8%	+6.6%	+36.4%	14,294.73
Hong Kong	66%	Bullish	Bullish	Bullish	Bearish	+3.6%	+9.9%	+25.1%	28,639.85
Hungary	56%	Bearish	Bullish	Bullish	Bearish	-2.8%	+11.3%	+39.7%	38,232.56
India	51%	Bearish	Bullish	Neutral	Bearish	+3.9%	+6.0%	+30.1%	33,250.30
Indonesia	69%	Neutral	Bullish	Bullish	Neutral	+0.3%	+4.2%	+11.8%	6,030.96
Israel	73%	Bullish	Bullish	Bullish	Neutral	+3.9%	+2.1%	+13.1%	1,315.99
Korea	53%	Neutral	Bullish	Neutral	Bearish	+9.1%	+6.7%	+30.8%	2,464.00
Malaysia	51%	Bullish	Neutral	Bullish	Bearish	-0.8%	+0.4%	+13.4%	1,721.25
Mexico	36%	Bullish	Bearish	Bearish	Neutral	-11.2%	-7.0%	+9.3%	47,572.86
Philippines	53%	Bearish	Bullish	Neutral	Neutral	+4.4%	+2.1%	+16.4%	8,304.70
Poland	53%	Neutral	Bullish	Bullish	Bearish	-4.0%	+6.9%	+45.5%	62,430.24
Portugal	85%	Bullish	Bullish	Bullish	Neutral	+1.3%	+6.3%	+32.3%	2,965.57
Russia	67%	Bullish	Bullish	Bullish	Bearish	+0.4%	+7.9%	+0.8%	2,104.99
Singapore	57%	Neutral	Bullish	Neutral	Bearish	+5.2%	+7.7%	+22.5%	3,424.64
Sth Africa	64%	Bullish	Bullish	Neutral	Bullish	-1.2%	+5.5%	+15.2%	58,012.31
Taiwan	64%	Bullish	Neutral	Bullish	Bearish	-2.2%	+2.1%	+17.0%	10,398.62
Thailand	77%	Bullish	Bullish	Bullish	Bullish	+5.9%	+13.8%	+22.2%	1,706.52
Turkey	50%	Bullish	Bullish	Bearish	Neutral	-11.4%	+0.6%	+29.1%	107,921.40
Venezuela	68%	Bearish	Bullish	Bullish	Bullish	+362.2%	+1299.6%	+3456.6%	1,292,520.00

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

Share Repurchases and Issues

Aberforth Smaller Companies Trust plc made five trades on-market over the last four weeks to repurchase a total of 281,260 shares trading at discounts of 13-14% to net asset value. This returned £3,677,570 to investors and would also have increased the net assets of the remaining shares by about £573,000. That, of course, is only 0.04% - or about 0.5 pence per share - but over a full year this level of share repurchases would lift the net asset value of the remaining shares by around 0.5%. More practically, repurchases (or issues) seek to prevent share price volatility which could potentially see the shares trading at even larger discounts (or premiums) to net asset values.

Aberdeen Asian Smaller Companies Trust plc made five share purchases to acquire 57,500 shares for £596,781.

Scottish Oriental Smaller Companies Trust plc made one repurchase of 12,000 shares for £122,940.

Baillie Gifford Shin Nippon plc shares have been trading at a *premium* to net assets, so the company has been taking the opposite action by issuing and selling new shares at a premium. Over the last four weeks it issued and sold 660,000 new shares in seven on-market trades to raise £5.54 million in new cash for investment.

Selling new shares at a premium also increases the net asset value of the existing shares. The trust is authorised to issue new shares up to 10% of its existing issued capital over the next year. If it were to issue that full 10%, say at an average premium of 8%, the net asset value of all existing shares would be lifted by about an additional 0.8%.

Premiums and Discounts

Listed investment trust shares trade on market with their share prices determined by the supply and demand from investors. Those share prices can therefore vary from the trust's net asset value although, obviously, investors use the net asset value as the best guide to the value of the shares. For most trusts, the shares will trade between a discount of 20% (i.e. if the trust or its sector is performing poorly and out-of-favour) through to a premium of 10% (i.e. if the

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	£477	9	28.3	0.4	15.0	2.4	14.7	1.0	0.9	12.1	14.6	6.2	0.2	13.0	Indo 8.1	
Baring Korea	£119	Nil	42.8	1.8					98.2							
India Capital Growth	£137	Nil	40.7	4.1										95.7		
Stewart Indian Sub-Cont	£264	Nil	47.5	6.7										77.3	Sri Lanka 8.3	
Henderson China Opps	£1080	Nil	52.4	1.2	64.0								19.0		US 15.8	
HSBC Asian Fund	£42	Nil	42.9	3.1	16.1		2.3	11.9	23.1	6.1	1.0	1.4	29.9		Indo 4.8	
Hend Asian Pacific Cap	£209	Nil	43.7	1.6	8.6	6.1		21.3	13.0	2.0	1.6	2.8	22.8	17.1	Vietnam 1.9	
Scottish Oriental Sm Coys	£368	Nil	26.2	7.9	6.6		3.3	10.6	3.3	4.3	2.4	9.2	9.6	26.1	Indo 7.7	
				Cash	USA	UK	Europe	Japan	Other							
Aberforth Small Cos Trust	£1406	Nil	25.7				100.0									
Baillie Gifford Shin Nippon	£358	10	25.9	1.7					98.3							
Fidelity European Values	£1027	4	37.6				100.0									
Fidelity Japan Values plc	£210	20	42.8					100.0								
Herald Investment Trust	£954	Nil	19.1	9.4	21.3	58.0	5.8	5.4								
JPMorgan Euro Small Coys	£787	5	25.1	3.0			97.0									
Invesco Perp Japan Small	£68	Nil	33.7	6.0				94.0								
				Cash	Brazil	HK/China	India	Mexico	Korea	Turkey	Thail'd	Taiwan	Indonesia			
Aberdeen E/Markets	£1700	Nil	37.0	1.0	12.1	20.6	15.6	5.8	8.9	3.8	4.1	4.9	5.4			

Fidelity European Values plc now has 56% of its investments in three countries: France (28.2% of the portfolio), Switzerland (15.3%) and Germany (12.8%). It has smaller holdings in the United Kingdom (6.6%), Netherlands (5.9%), Belgium (5.5%), Finland (4.7%), Denmark (4.4%), Spain (4.3%), Norway (3.9%) and others (12.3%).

JPMorgan European Smaller Companies has its largest investments in Italy (19.6% of the portfolio), France (17.1%), Germany (12.9%), Switzerland (10.7%), Sweden (9.2%), Netherlands (8.7%), Norway (8.7%), Denmark (65.0%), Finland (3.5%) and Belgium (1.6%).

trust or its sector is performing well and popular with investors). On average, listed investment trusts usually trade at around a 10% discount to net asset values.

We would not buy a trust simply if it was trading at a large discount. Nor would we sell an investment trust shareholding simply if it was trading at a premium to net assets. The discount/premium is, however, one factor to take into consideration. If we can buy an investment trust at a 20% discount, then a \$1000 investment buys \$1250 of underlying share investments. If, at some time in the future, we can sell that trust at a 10% premium, then we could realise \$1375 (i.e. a 37.5% gain) - even if the net asset value is unchanged. If the net asset value had risen 100% over a number of years from \$1250 to \$2500, then selling at a 10% premium would realise \$2750 - which is a 175% gain on the shares. So buying at a discount and selling at a premium can help to boost long term returns compared with an exchange traded index fund which will likely always trade within 1-2% of net asset value.

Baillie Gifford Shin Nippon plc has performed very well over the last few years and this has resulted in the share price rising to a 10% premium to net assets. The trust rates very well, with a +13% "Superiority Rating" in our *Investment Fund Survey*. The trust focuses on small Japanese growth companies, usually with disruptive technologies. This is a sector in which we want to continue to invest and which could continue to perform well. A 10% premium to net assets, however, is getting close to the top of the range. If that premium declines, the share price will slightly underperform the future growth in net asset values. A high current premium therefore makes the shares less attractive to buy or hold for future gains.

As we would prefer to buy investment trusts at a discount to net assets we are downgrading Baillie Gifford Shin Nippon shares from a "Buy" to a "Hold". While we would not sell a good investment trust simply as it now trades at a 10% premium to net asset value, this is perhaps an opportunity for investors to look at individual portfolios. Some portfolios may be heavily over-weighted in Baillie Gifford Shin Nippon shares and under-weighted in some other holdings. When that is the case, then the large premium offers the opportunity for some partial profit-taking and some portfolio re-balancing to maintain good diversification.

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		
	European								
HOLD	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-8%	226.10p	442.7	+243
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-6%	410.50p	803.8	+425
	United Kingdom								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-13%	1310.00p	2565.1	+146
	Asian Regional								
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-12%	1038.00p	2032.5	+720
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		134.90p	264.1	+148
HOLD	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		1102.00p	2157.8	+92
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-11%	1026.00p	2009.0	+508
	China								
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		1415.00p	2770.7	+96
	India								
BUY	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-14%	105.00p	205.6	+49
HOLD	Stewart Ivory Indian Sub-Cont	*	13/12/10	209.2p	442.0		473.51p	927.2	+110
	Japan								
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+10%	853.00p	1670.3	+279
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-9%	144.00p	282.0	-13
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		127.31p	249.3	+37
	Korea								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		366.10p	716.9	+242
	International								
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		709.87p	1390.0	+656
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-13%	1175.00p	2300.8	+181

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +245.0%. This is equal to an average annual rate of +16.0%, 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 49 closed out) is +14.0%.

Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust** 2019 convertible notes at 124 pence.

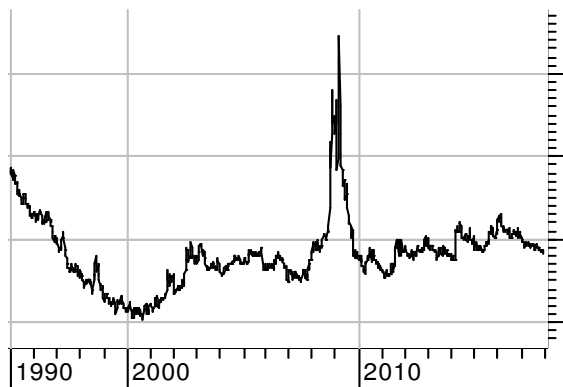
"Clean" unit prices are: HSBC Asian Fund 153.9 pence, Henderson Asia Pacific Capital 1221 pence, Henderson China Opportunities 202.1 pence, Stewart Investors Indian Sub-Continent 238.26 pence, Invesco Perpetual Japanese Smaller Companies 389.41 pence, Baring Korea 368.8 pence and Aberdeen Emerging Markets 778.13 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.2	16.5
Austria	2.4	14.7
Belgium	3.2	25.1
Canada	2.7	19.9
Denmark	2.1	22.0
Finland	3.8	18.5
France	3.0	18.4
Germany	2.5	18.9
Ireland	1.6	18.8
Italy	3.2	34.6
Japan	1.9	16.3
Netherlands	2.4	20.1
New Zealand	4.3	18.9
Norway	4.0	29.0
Spain	3.9	15.4
Sweden	3.3	14.8
Switzerland	3.0	25.9
Un. Kingdom	3.7	20.5
USA	1.8	25.5
Argentina	0.5	18.7
Brazil	2.7	16.7
Czech Rep.	7.0	12.9

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.5	21.2
China	1.7	17.1
Greece	1.8	17.7
Egypt	2.3	12.9
Hong Kong	2.6	14.2
Hungary	2.0	11.7
India	1.2	26.4
Indonesia	2.2	17.3
Israel	2.4	15.7
Korea	1.4	11.6
Malaysia	2.9	17.2
Mexico	2.5	17.0
Philippines	1.3	20.8
Poland	2.1	12.9
Portugal	4.3	14.0
Russia	5.2	7.9
Singapore	3.5	16.0
Sth Africa	2.7	21.7
Taiwan	3.9	14.4
Thailand	2.7	17.3
Turkey	3.0	10.0

United States Dividend Yield



United Kingdom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



France Dividend Yield



China Dividend Yield



Switzerland Dividend Yield



Taiwan Dividend Yield



Australia Dividend Yield



South Korea Dividend Yield



Germany Dividend Yield



India Dividend Yield



World Stockmarket Capitalisations

Over the last three months the world stockmarket capitalisation rose US\$3,751 billion (or 4.7%) to US\$83,806 billion.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	30,962	36.94	Bangladesh	84	0.10
China	8,731	10.42	Belarus	80	0.10
Japan	5,974	7.13	Portugal	75	0.09
India	4,369	5.21	Morocco	66	0.08
Hong Kong	4,134	4.93	Luxembourg	64	0.08
United Kingdom	2,526	3.01	Czech Republic	57	0.07
Canada	2,360	2.82	Greece	46	0.05
France	2,234	2.67	Egypt	45	0.05
Germany	2,181	2.60	Kazakhstan	44	0.05
Switzerland	1,689	2.02	Romania	41	0.05
South Korea	1,683	2.01	Nigeria	35	0.04
Nordic Exchanges ¹	1,561	1.86	Hungary	31	0.04
Australia	1,428	1.70	Jordan	24	0.03
Taiwan	1,175	1.40	Kenya	24	0.03
South Africa	1,129	1.35	Romania	23	0.03
Netherlands	954	1.14	Croatia	23	0.03
Brazil	935	1.12	Bahrain	21	0.03
Spain	896	1.07	Oman	21	0.02
Singapore	775	0.92	Sri Lanka	20	0.02
Belgium	761	0.91	Iran	17	0.02
Italy	760	0.91	Panama	15	0.02
Russia	618	0.74	Bulgaria	13	0.02
Thailand	522	0.62	Lebanon	11	0.01
Indonesia	490	0.58	Mauritius	10	0.01
Saudi Arabia	440	0.53	Jamaica	9	0.01
Malaysia	427	0.51	Tunisia	8	0.01
Mexico	414	0.49	Slovenia	6	0.01
Chile	288	0.34	Ukraine	5	0.01
Norway	282	0.34	Malta	5	0.01
Philippines	275	0.33	Palestine	4	0.00
UAE	233	0.28	Bardados	3	0.00
Turkey	220	0.26	Cyprus	3	0.00
Israel	217	0.26	Costa Rica	3	0.00
Poland	195	0.23	Namibia	3	0.00
Austria	146	0.17	Bermuda	3	0.00
Ireland	142	0.17	Papua New Guinea	2	0.00
Qatar	120	0.14			
Iran	117	0.14			
Colombia	110	0.13			
Vietnam	104	0.12			
Argentina	104	0.12			
Peru	92	0.11			
New Zealand	89	0.11			
			TOTAL	\$80,055	100.00%

Note 1. Mainly Denmark, Sweden and Finland.

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on **Monday January 15, 2018**.

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

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