

# International Investor

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## Inside International Investor

Baillie Gifford Shin Nippon plc  
performed very strongly in 2017 ..... 2

Investment Fund Survey: ..... 4 - 8  
International, United States, United Kingdom,  
Europe and Germany

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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	54%	Bullish	Neutral	Bearish	Bullish	-5.8%	-1.3%	+1.8%	5,790.28
Austria	59%	Neutral	Bullish	Bullish	Bearish	-4.0%	+5.6%	+38.8%	3,417.03
Belgium	52%	Bullish	Neutral	Neutral	Bearish	-5.6%	-0.3%	+19.2%	3,888.32
Canada	44%	Bullish	Bearish	Neutral	Bearish	-7.3%	-4.5%	+4.0%	15,273.97
Denmark	56%	Bullish	Bearish	Bullish	Neutral	-4.9%	-1.5%	+20.2%	968.06
Finland	64%	Bullish	Bullish	Neutral	Neutral	-0.5%	+2.3%	+21.3%	9,615.27
France	56%	Bullish	Bullish	Neutral	Bearish	-2.3%	+3.8%	+23.0%	4,189.66
Germany	49%	Bullish	Neutral	Neutral	Bearish	-5.0%	-0.1%	+19.4%	12,442.40
Ireland	50%	Bullish	Bearish	Neutral	Neutral	-5.1%	+1.3%	+15.3%	6,638.13
Italy	67%	Bullish	Bullish	Neutral	Bearish	+0.0%	+7.6%	+35.8%	25,566.29
Japan	55%	Bullish	Bullish	Neutral	Bearish	-4.8%	+7.3%	+20.2%	21,778.74
Netherlands	61%	Bullish	Bullish	Neutral	Bearish	-1.2%	+4.7%	+23.5%	548.05
New Zealand	66%	Bullish	Neutral	Neutral	Neutral	-2.5%	+5.8%	+10.5%	1,677.37
Norway	70%	Bullish	Bullish	Neutral	Neutral	+2.9%	+10.4%	+36.4%	947.70
Spain	57%	Bullish	Bearish	Bullish	Bearish	-5.2%	+0.2%	+11.2%	992.30
Sweden	61%	Bullish	Neutral	Bullish	Bearish	-7.9%	-6.1%	+10.0%	974.82
Switzerland	43%	Bullish	Bearish	Neutral	Bearish	-7.5%	-4.6%	+6.3%	8,776.17
Un. Kingdom	63%	Bullish	Bullish	Neutral	Bullish	-3.2%	+3.3%	+12.7%	7,264.56
USA	45%	Bearish	Neutral	Neutral	Bearish	-4.7%	+4.0%	+14.1%	2,656.30
Argentina	49%	Neutral	Bullish	Neutral	Bearish	-10.7%	+0.1%	+14.0%	31,593.11
Brazil	66%	Bullish	Bullish	Bullish	Bearish	-0.4%	+0.7%	+23.4%	84,334.41
Czech Rep.	70%	Bullish	Bullish	Neutral	Bearish	+4.3%	+14.6%	+42.5%	1,134.27
Chile	67%	Bearish	Bullish	Bullish	Bearish	-1.0%	+7.7%	+26.0%	28,166.50
China	38%	Bearish	Bearish	Neutral	Neutral	-5.1%	-2.3%	+6.9%	3,159.05
Greece	59%	Bearish	Bullish	Bullish	Bearish	-3.6%	+11.1%	+37.9%	810.93
Egypt	73%	Neutral	Bullish	Bullish	Bullish	+16.3%	+27.4%	+40.3%	17,615.69
Hong Kong	54%	Bullish	Bullish	Neutral	Bearish	-2.3%	+7.6%	+25.8%	30,808.38
Hungary	59%	Bearish	Neutral	Bullish	Bearish	-3.8%	+1.7%	+37.0%	38,351.65
India	50%	Bearish	Bullish	Bullish	Bearish	-3.7%	+4.5%	+14.6%	34,192.65
Indonesia	55%	Neutral	Bearish	Bullish	Bullish	-4.7%	+3.9%	+7.8%	6,270.33
Israel	74%	Bullish	Bullish	Bullish	Neutral	-8.1%	+0.7%	+10.7%	1,327.27
Korea	54%	Bullish	Bullish	Bearish	Neutral	-2.6%	+4.5%	+22.0%	2,455.07
Malaysia	66%	Bullish	Bullish	Bullish	Bearish	+5.0%	+15.9%	+22.6%	1,868.47
Mexico	47%	Bullish	Neutral	Bearish	Neutral	+4.3%	+1.9%	+1.8%	48,768.30
Philippines	30%	Neutral	Bearish	Neutral	Neutral	-13.2%	-8.0%	-1.6%	7,899.98
Poland	50%	Bearish	Neutral	Bullish	Bearish	-5.9%	-0.9%	+22.3%	60,477.53
Portugal	79%	Bullish	Bullish	Bullish	Neutral	-0.0%	+6.4%	+29.9%	3,053.36
Russia	74%	Bullish	Bullish	Bullish	Bearish	-7.9%	+0.4%	+8.2%	2,285.53
Singapore	54%	Neutral	Bullish	Neutral	Bearish	+0.3%	+8.5%	+17.7%	3,501.30
Sth Africa	69%	Bullish	Neutral	Bullish	Neutral	-3.7%	+7.4%	+17.3%	56,563.17
Taiwan	71%	Bullish	Bullish	Bullish	Bearish	+1.6%	+5.0%	+16.6%	10,965.39
Thailand	36%	Bullish	Bearish	Neutral	Bearish	-34.1%	-27.8%	-19.2%	1,166.38
Turkey	43%	Bullish	Bearish	Bearish	Neutral	-12.6%	-8.6%	+9.3%	109,604.00
Venezuela	63%	Bearish	Bullish	Neutral	Bullish	+994.3%	+3276.5%	+38306.9%	18,049.23

**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

## Fund Reports

**Fidelity European Values plc** lifted net assets 20.0% over the year to 31 December 2017, outperforming its benchmark index which rose 17.5%. The discount fell to 7%, lifting the share price 26.2% for the period.

A final dividend of 4.35 pence will be paid on 18 May (ex-dividend 22 March). That is a dividend yield of about 2.1%.

From 1 April the annual management fee will decline from 0.85% on the whole portfolio to 0.85% on the first £400 million and 0.75% on the balance above that amount. With assets of around £1000 million this will reduce the management fee to about 0.79% (saving about 0.1 pence per share in expenses).

The directors currently allocate 100% of the management fee to revenue, but in future will allocate 25% to revenues and 75% against capital. That will have no impact except to increase net income available for distribution by about 0.1 pence per share (and decrease capital appreciation by an equal amount).

Fidelity European Values “will typically focus on larger companies” with “good prospects for sustainable long term dividend growth”. The trust uses a moderate level of gearing - currently about 13.2% - through the “use of derivative instruments, primarily contracts for difference (CFD)” but also Euro Stoxx 50 futures contracts. In the second half of the year the Fund Manager “started to introduce *short positions* using CFDs” but offset by a similar value of *long* Euro Stoxx 50 futures contracts . . . but that resulted in “a slight loss”.

The fund's monthly factsheet suggested the gross value of short positions is currently about 3% of the portfolio. We would not want to see this increasing.

**Aberdeen Asian Smaller Companies plc** lifted net assets just 0.2% over the half year to 31 January 2018, under-performing its benchmark index which rose 9.3%. The share price *fell* 1.6%.

As previously reported, the Fund Manager is having difficulty finding shares that meet its value criteria. The under performance over this period was owing to “the strong performance of countries and sectors” in which the fund had limited exposure.

The definition of “smaller company” will be changed from “under US\$1 billion” capitalisation to “under US\$1.5 billion”. This will allow the trust to invest in a

wider range of companies as “the size and complexity of small companies in the region has greatly increased, particularly in the technology sector”. This will not result in any major change in the portfolio but requires shareholder approval at a general meeting.

**India Capital Growth Fund** lifted net assets 42.3% over the year to 31 December 2017, but slightly under-performed its smaller company benchmark index which rose 45.3% (the large company Indian index was up just 23.9%). The discount fell from 18% to 8%, lifting the share price 59%.

The stockmarket was helped by government actions to shrink the black economy, shifting savings from physical assets (i.e. cash, gold and unregulated property) into the financial system.

**Baillie Gifford Shin Nippon plc** lifted net assets by 46.1% over the year to 31 January 2018, far outperforming its benchmark index which was up just 17.0%. The share price rose 54.2%.

During the year the trust issued a further 7,090,000 shares at an average premium to net assets of 6.5%, to raise £55.8 million. This increased the issued capital 17.6%. Issuing these shares at a premium would also have boosted the net assets per share by around 1.1%.

As the share price has risen close to £10 the directors propose a 5 for 1 share split (subject to approval by shareholders at the AGM). This will make no difference to our total investment, but we will own five times as many shares, each of 1/5th the value.

The trust also raised its borrowing, in line with the appreciation of its investments and the new capital raised. The trust started the year with borrowings of Y3.35 billion (at 2.217%, maturing in November 2020), in March it drew down an additional Y2.0 billion (at 1.301%, maturing November 2020) and in December borrowed Y2.1 billion (at 1.693%, maturing in December 2024). Total borrowings are now Y7.45 billion (£47.9 million), equal to about 10.7% of its portfolio.

This trust is also making a small change to its investment policy. This will allow the Manager to increase the investment in any one holding from 3% to 5% of the portfolio at the time of initial purchase.

Many of the companies owned by the trust are benefiting from strong demand. **Outsourcing**, a specialist staffing company, “has been raising prices” owing to the tight labour market and “more than doubling

profits” in the last year. The share price rose 150.2% during 2017. **Optex**, which makes sensors for security systems and factory automation, rose 143.7%. Shares in stem cell company, **Sambio**, rose 201.6%.

The trust is a long term investor, so portfolio turnover was just 7.4%. Many so-called “passive” index funds would have a higher turnover owing to additions, deletions and quarterly rebalancing.

New holdings included **Locondo**, an online retailer with a “differentiated online business model” and “clever inventory system” which reduces the problem of high return rates when selling shoes online, and **Katitas**, a “niche renovation specialist” that acquires empty post-WWII houses, renovates them to a high standard and sells at “affordable prices to first-time buyers”.

### Share Repurchases and Issues

**Aberforth Smaller Companies plc** made 12 on-market share repurchases over the last five weeks, in total acquiring 499,179 shares at around an 11% discount to net asset value and returning £6,585,824 to investors.

**Aberdeen Asian Smaller Companies plc** made 10 on-market share purchases, acquiring 222,500 shares and returning £2,274,647 to investors.

**Scottish Oriental Smaller Companies plc** repurchased 27,000 shares for £254,800 in one transaction.

**Baillie Gifford Shin Nippon plc** issued and sold a total of 525,000 new shares on-market in three transactions. This raised £4,991,000 of new cash for investment from shares sold at a 9-11% premium to net asset value.

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>European</b>									
HOLD	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-11%	207.5p	401.4	+211
BUY	JPM European Smaller Cos	JESC	15/01/02	45.3p	153.2	-8%	402.0p	777.7	+408
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-11%	1344.0p	2600.1	+150
<b>Asian Regional</b>									
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-13%	1025.0p	1983.0	+700
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		135.2p	261.6	+146
HOLD	Janus Hend Asia Pac Capital	*	08/08/00	342.2p	1122.6		1071.0p	2072.0	+85
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-13%	980.0p	1895.9	+474
<b>China</b>									
HOLD	Janus Hend China Opportunities	*	09/07/07	548.9p	1410.4		1432.0p	2770.4	+96
<b>India</b>									
BUY	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-11%	101.0p	195.4	+42
HOLD	Stewart Ivory Indian Sub-Cont	*	13/12/10	209.2p	442.0		464.78p	899.2	+103
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+11%	948.0p	1834.0	+317
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-10%	147.75p	285.8	-11
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		132.73p	256.8	+41
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		374.6p	724.7	+246
<b>International</b>									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		692.48p	1339.7	+628
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-13%	1195.0p	2311.9	+182

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +238.5%. This is equal to an average annual rate of +15.2%, 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 49 closed out) is +13.6%.

### *Other Shares*

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust 2019** convertible notes at 119-123 pence.

“Clean” unit prices are: HSBC Asian Fund 154.6 pence, Janus Henderson Asia Pacific Capital 1190 pence, Janus Henderson China Opportunities 205.2 pence, Stewart Investors Indian Sub-Continent 234.49 pence, Invesco Perpetual Japanese Smaller Companies 407.11 pence, Baring Korea 374.6 pence and Aberdeen Emerging Markets 761.03 pence.









**France**



**Switzerland**



**Spain**



**Netherlands**



Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	T Rowe Price Cont Euro Equity	Medium	+2%	0.90		13	-2
	Threadneedle Euro (Ex UK) Gth	Medium	+1%	0.76	15	9	-2
	Threadneedle Euro Growth	Medium	+2%	0.79		14	-2
	Threadneedle Euro Sel Growth	Medium	+4%	0.86	25	17	-2
Avoid	Threadneedle Pan Euro Equity	Low	-8%	0.64		6	-4
	Threadneedle Pan Euro Focus	Medium	+0%	0.81		16	-1
	Threadneedle Pan Euro Gth	Medium	+4%	0.84	18	12	-3
	Vanguard FTSE Dev Europe Index	High	+4%	0.94	24	12	-3
	Vanguard SRI European Stock	Medium	+1%	0.94		10	-4
Buy	Vanguard SRI Global Stock	Medium	+7%	0.75		9	-3
	Winton European Equity	Low	+3%	0.72		11	-4

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	3i Infrastructure	Very Low	-0%	0.19	31	22	4
	Artemis Alpha	Very High	+2%	0.30	10	20	3
	Baring Emerging Europe	Medium	+6%	0.44	46	23	2
	Blackrock Greater Euro.	Medium	+4%	0.75	23	16	-4
	European Assets	Low	+3%	0.53	11	17	-3
	Henderson Eurotrust	Medium	+4%	0.72	18	12	-9
	JPM European IT	Medium	+4%	0.63	14	13	-8
	JPM European IT	Medium	+4%	0.65	14	13	-5
	JPM Russia	High	+6%	0.40	53	13	2
Buy	Jupiter European Opps	High	+9%	0.55	30	23	-1
	The European IT	High	+2%	0.64	10	14	-5

**EUROPE SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

	Aberdeen European Small Coys	Medium	+6%	0.75	38	21	0
	F & C European Small Cap	Low	+3%	0.72		16	-3
	Invesco Perp Euro Smaller Cos	Very Low	+5%	0.56	39	18	-3
Buy	JPM Europe Smaller Companies	Medium	+8%	0.76		24	-0
Buy	Janus Hnd European Small Cos	Medium	+15%	0.73	71	26	-2
	Jupiter Euro Spec Sits	Medium	+2%	0.87	23	11	-3
	Lazard European Smaller Coys	Low	+6%	0.60		23	-4
Buy	M & G European Smaller Coys	Medium	+8%	0.76	49	15	-4
	Marlborough UK Multi-Cap	Medium	+6%	0.56		27	-2
Buy	Old Mutual Europe Small Cos	Medium	+9%	0.65		12	-6
	Pictet Small Cap Europe	Low	+6%	0.63		20	-3
Buy	Schroder Euro Small Coys	Medium	+11%	0.74	54	26	-2
Buy	T Rowe Price European Small Co	Medium	+12%	0.76		30	-1
Buy	Threadneedle Euro Small Cos	Low	+10%	0.74	62	25	-0
Buy	Threadneedle Pan Euro Sm Coys	Medium	+8%	0.76	49	24	-1

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Fidelity Euro V.	High	+3%	0.72	16	18	-6
Buy	JPM Euro Small Coys	High	+15%	0.60	71	31	-2
Buy	Montanaro European SC	Medium	+11%	0.54	52	24	-0
Buy	TR European	Medium	+19%	0.36	68	22	-12

**GERMANY**

**UNITED KINGDOM BASED UNIT TRUSTS**

	Allianz German Equity	Medium	+2%	0.86		14	-5
	Baring German Growth	Medium	+5%	0.89	40	16	-5

**Germany**



*Next Issue:*

The next issue of *International Investor* will be emailed in four weeks time on Monday May 14, 2018.

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