

# International Investor

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## Inside International Investor

REDEEM Janus Henderson Asia Pacific Capital  
 REDEEM Stewart Ivory Indian Sub-Continent  
 REDEEM Invesco Perpetual Japan Smaller Coys  
 REDEEM Baring Korea Trust ..... 2

World Stockmarket Valuations ..... 4, 5  
 World Stockmarket Capitalisations ..... 8  
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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	72%	Bullish	Bullish	Bullish	Bullish	+1.3%	-8.7%	-7.1%	5,968.27
Austria	58%	Bearish	Bearish	Bullish	Bullish	-5.0%	-19.3%	-15.7%	2,485.00
Belgium	61%	Bearish	Bullish	Neutral	Bullish	+3.1%	-8.0%	+2.0%	3,540.00
Canada	83%	Bullish	Bullish	Bullish	Bullish	-2.0%	-7.9%	-3.4%	15,854.07
Denmark	73%	Bearish	Bullish	Bullish	Bullish	+8.1%	+12.0%	+24.3%	1,231.49
Finland	57%	Bearish	Bullish	Neutral	Bullish	+5.7%	+4.9%	+5.6%	9,674.47
France	69%	Bearish	Bullish	Bullish	Bullish	+0.7%	-9.4%	-3.7%	4,015.24
Germany	71%	Bearish	Bullish	Bullish	Bullish	+11.4%	-0.3%	+6.2%	12,847.68
Ireland	70%	Neutral	Bullish	Bullish	Bullish	+1.5%	-8.6%	+2.5%	6,358.90
Italy	74%	Neutral	Bullish	Bullish	Bullish	-2.3%	-11.4%	-1.7%	22,007.64
Japan	74%	Neutral	Bullish	Neutral	Bullish	+6.0%	-3.0%	+8.1%	22,863.73
Netherlands	71%	Bearish	Bullish	Bullish	Bullish	+7.8%	-2.9%	+3.7%	572.80
New Zealand	62%	Bearish	Neutral	Bullish	Bullish	-6.1%	-14.7%	-9.7%	1,555.07
Norway	56%	Neutral	Bullish	Bullish	Bearish	+4.7%	-8.8%	-11.0%	931.78
Spain	77%	Bullish	Neutral	Bullish	Bullish	-6.7%	-15.1%	-16.8%	778.28
Sweden	72%	Bearish	Bullish	Bullish	Bullish	+10.2%	+5.4%	+16.4%	1,213.66
Switzerland	67%	Neutral	Bullish	Neutral	Bullish	+1.9%	+0.2%	+7.3%	10,190.37
Un. Kingdom	83%	Bullish	Bullish	Bullish	Bullish	-2.6%	-13.6%	-12.0%	6,484.30
USA	84%	Bearish	Bullish	Bullish	Bullish	+7.5%	+1.5%	+11.2%	3,193.93
Argentina	87%	Neutral	Bullish	Bullish	Bullish	+16.2%	+7.4%	-6.8%	45,128.75
Brazil	71%	Bullish	Neutral	Bullish	Bullish	-10.0%	-29.0%	-24.4%	94,637.10
Czech Rep.	76%	Neutral	Neutral	Bullish	Bullish	-5.1%	-1.3%	-12.5%	957.55
Chile	71%	Bullish	Bearish	Bullish	Bullish	+3.0%	-13.0%	-27.6%	20,217.56
China	74%	Neutral	Bullish	Bullish	Bullish	-5.5%	-0.0%	+1.1%	2,930.80
Greece	75%	Bullish	Bearish	Bullish	Bullish	-0.2%	-20.1%	-16.6%	683.46
Egypt	61%	Bullish	Bearish	Bullish	Bullish	-17.1%	-22.5%	-20.5%	10,621.14
Hong Kong	66%	Bullish	Neutral	Bullish	Bullish	-5.0%	-5.6%	-7.1%	24,770.41
Hungary	78%	Bullish	Neutral	Bullish	Bullish	-10.1%	-15.5%	-14.4%	37,985.66
India	70%	Bearish	Neutral	Bullish	Bullish	-10.6%	-20.0%	-20.5%	34,287.24
Indonesia	66%	Bullish	Bearish	Bullish	Bullish	-7.9%	-19.5%	-18.5%	4,947.78
Israel	67%	Bearish	Neutral	Bullish	Bullish	-4.1%	-11.6%	+1.7%	1,412.25
Korea	79%	Bullish	Bullish	Bullish	Bullish	+5.8%	+3.4%	+3.5%	2,181.87
Malaysia	87%	Bullish	Bullish	Bullish	Bullish	+3.3%	-3.4%	-8.3%	1,556.33
Mexico	81%	Bullish	Bearish	Bullish	Bullish	-12.3%	-16.9%	-18.2%	38,948.08
Philippines	89%	Bullish	Neutral	Bullish	Bullish	-3.1%	-15.5%	-15.6%	6,465.13
Poland	68%	Bearish	Bullish	Bullish	Bullish	+1.2%	-9.5%	-16.3%	51,494.63
Portugal	90%	Bullish	Bullish	Bullish	Bullish	+0.1%	+0.9%	+2.5%	3,267.10
Russia	75%	Bullish	Neutral	Bullish	Neutral	+2.0%	-17.7%	-8.6%	1,285.78
Singapore	69%	Bullish	Neutral	Bullish	Bullish	-8.1%	-15.9%	-15.1%	2,751.50
Sth Africa	79%	Bullish	Bullish	Bullish	Bullish	-2.3%	-14.1%	-16.4%	54,722.38
Taiwan	76%	Bullish	Bullish	Bullish	Neutral	+2.2%	+1.4%	+16.6%	11,479.40
Thailand	77%	Bullish	Neutral	Bullish	Bullish	+4.9%	-11.2%	-13.8%	1,435.70
Turkey	71%	Bearish	Bullish	Bullish	Bullish	-9.7%	-13.8%	+1.0%	110,021.80
Venezuela	79%	Bullish	Bullish	Bearish	Bullish	+218.3%	+385.1%	+2080.9%	344,397.60

**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

The United States and many other world stockmarkets have bounced back towards pre-Covid-19 all time highs. We believe that is driven by a liquidity bubble as every country in the world prints money and distributes it to fight the economic impact of Covid-19. The reality is that unemployment is up while incomes and production are down. While economies are opening up, most businesses will operate at far below full capacity. That will impact revenues and have a much greater impact on profits (i.e. many will probably be unprofitable). We are therefore selling several positions in our portfolio to build up a cash reserve.

The economic impact of Covid-19 will last many more months, probably into early 2021. Even the more optimistic recovery to normal is not wonderful. The global economy was already slowing *before* the pandemic.

Some things will change permanently. "Just in time" supply chains are vulnerable to disruption. After this pandemic, many companies will want to create new supply chains closer to home. Manufacturing costs may be slightly higher, but the security of production will increase, making economies more resilient.

One example is that 90% of US pharmaceuticals are manufactured in India. With less global trade (and some countries not sharing medical supplies during the pandemic) many may wish to produce internally.

So globally there will be a lot of investment in building *duplicate* supply chains or *duplicate* production facilities within country or regional borders. That is additional capital investment for no overall increase in global production or profits. Investment theory tells us this will equal a lower return on capital. Ultimately this means a lower return to shareholders (i.e. companies will raise additional equity, diluting earnings per share, or lower dividends/share repurchases to finance this investment - but with no increase in profits), so share prices should be lower reflecting this negative outlook.

The US/China trade war is accelerating and likely to lead to two major trading groups in the world with more limited trade between those groups. This situation will be similar to the Soviet Union (and its allies) and the West during the Cold War. The world will muddle through as usual as this is not the end of the world, but this situation does not justify near all-time high stock prices!

## *Fund Recommendations:*

*REDEEM Janus Henderson Asia Pacific Capital*

*REDEEM Stewart Ivory Indian Sub-Continent*

*REDEEM Invesco Perpetual Japan Smaller Companies*

*REDEEM Baring Korea Trust*

We recommend redeeming investments in these four OEICs to reduce our global equity exposure and especially our exposure to Asia which is dependent upon global trade.

We reduced our equity exposure to China in August 2018 - not owing to the *Trade War* but owing to (1) weaker economic performance, (2) a deteriorating banking sector (3) declining population (i.e. which will ultimately limit economic growth) and (4) lack of shareholder rights. We believed Chinese equities were no longer attractive for long term investment.

With the *Trade War* now likely to accelerate towards the creation of two major but largely separate economic trading blocks, owning Chinese equities becomes even less attractive.

**Janus Henderson Asia Pacific Capital** currently has 38.4% of its portfolio in Chinese equities. It has another 9.1% of the portfolio in Hong Kong, which *could* suffer from the removal of Hong Kong's special trading status with the West. Close to 80% of Hong Kong's stockmarket is also dominated by mainland

Chinese companies. So this is another trust where it probably makes sound long term strategic sense to realise our investment and redeem these units.

India, Japan and Korea will be hit by the current economic slowdown *and* by de-globalisation (i.e. a reduction in global trade as more production moves back to Western consumer countries), so we recommend selling these funds - almost at pre-Covid-19 prices.

With India and Japan we are choosing to redeem our OEICs rather than listed investment trusts which currently trade at discounts to net assets. OEICs are also becoming harder to trade. NZ investors can only trade OEICs through a few brokers, like **Charles Stanley** - who stopped accepting new non-UK clients *many* years ago.

The listed investment trusts, by comparison, can be purchased through most local brokers and very cheaply through brokers like **Interactive Brokers** (who will open a new account for anyone, based anywhere in the world)

# Recommended International Investment Funds

## Funds News

**Aberforth Smaller Companies Trust plc** has refinanced a £130 million Revolving Credit Facility from its bank until 15 June 2023 at an interest rate 0.8% over LIBOR. The trust also has a £20 million new overdraft facility with its custodian for short term working capital requirements.

**India Capital Growth Fund** has announced several proposals, seeking to “improve performance” and avoid a winding up vote. All subject to shareholder approval at an EGM on 12 June.

Firstly, the investment team managing the fund will be increased from 4 to 7 to “address the issue of poor recent performance”.

Secondly, the company plans a redemption facility on 31 December 2021 and every two years thereafter. Under this proposal investors will be able to request all or part of their investment be redeemed in cash at a discount of 6% to net assets. This should help to avoid the recent situation where the shares traded at a large

discount to net asset value.

Thirdly, the Investment Manager's fee will be changed from 1.25% of total assets to the lower of 1.25% of total assets or 1.25% of market capitalisation. That would result in a slightly lower fee payable when the shares traded at a discount to net assets.

If shareholders accept these proposals, which is likely, then the trust avoids a winding up vote where shareholders would vote to either continue as at present or have the company liquidated.

## Share Repurchases

**Aberdeen Standard Asia Focus** made nine share re-purchases on-market over the last four weeks, acquiring a total of 87,000 shares and returning £772,357 to investors.

**Fidelity Japan Values** bought back 314,977 shares on-market for £499,167 in 12 transactions.

**Herald Investment Trust** made one on-market purchase of 20,000 shares for £273,200.

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>United States</b>									
HOLD	iShares S&P500 Utilities	IUSU	13/08/18	422.3p	819.4		518.13p	1008.6	+23
<b>United Kingdom</b>									
HOLD	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-4%	990.0p	1927.2	+85
<b>Gold Mining</b>									
BUY	VanEck V. Gold Miners	GDGB	14/01/19	1731.0p	3253.8		2627.0p	5113.9	+57
BUY	VanEck V. Junior Gold Miners	GJGB	14/01/19	2011.0p	3780.1		2855.0p	5557.7	+47
<b>Asian Regional</b>									
HOLD	Aberdeen Std Asia Focus	AAS	09/09/03	89.2p	247.8	-14%	936.0p	1822.1	+635
REDEEM	Janus Hend Asia Pac Capital	*	08/08/00	342.2p	1122.6		1153.0p	2244.5	+100
HOLD	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-16%	800.0p	1557.3	+371
<b>India</b>									
HOLD	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-21%	52.5p	102.2	-26
REDEEM	Stewart Investors Indian Sub-Cont	*	13/12/10	209.2p	442.0		425.74p	828.8	+87
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	31.2p	88.1	-3%	184.0p	358.2	+307
HOLD	Fidelity Japan Trust plc	FJV	10/01/06	126.0p	322.7	-9%	173.0p	336.8	+4
REDEEM	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		126.26p	245.8	+35
<b>Korea</b>									
REDEEM	Baring Korea Trust	*	12/04/94	81.1p	209.4		320.2p	623.3	+198
<b>International</b>									
HOLD	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-14%	1508.0p	2935.6	+258
HOLD	iShares Oil & Gas Exp & Prod	SPOG	08/04/19	1287.0p	2491.8		880.75p	1714.5	-31

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +143.4%. This is equal to an average annual rate of +11.2%, 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 51 closed out) is +12.3%.

## Other Shares

“Clean” unit prices are: Janus Henderson Asia Pacific Capital 1305 pence, Stewart Investors Indian Sub-Continent 218.26 pence, Invesco Perpetual Japanese Smaller Companies 394 pence and Baring Korea 320.2 pence.

# *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	Bangladesh	
Aberdeen Std Asian	£381	13	31.9	3.2	9.9		8.9	7.3	4.1	8.5	12.8	6.6	2.0	13.1	Indo 7.3		
Baring Korea	£66	Nil	53.1	1.0					99.0								
India Capital Growth	£109	Nil	44.4	4.9										95.1			
Stewart Indian Sub-Cont	£285	Nil	49.2	10.6										85.2	Bangladesh 1.4%		
Janus Hend Asian Pac Cap	£184	Nil	51.3	3.1	9.1			16.5	11.1	1.6	2.2	2.3	38.4	12.9			
Scottish Oriental Sm Coys	£270	Nil	32.6	7.8	8.3		0.5	3.3		1.4		13.6	6.9	35.8	Indo 15.2		
				Cash	USA	UK	Europe	Japan	Canada	Aust	Russia	China	Sth Afr	Sweden	Peru		
Aberforth Small Cos Trust	£890	2	28.4				100.0										
Baillie Gifford Shin Nippon	£520	12	27.0	6.2				93.8									
Fidelity Japan Trust plc	£220	24	49.4					100.0									
Herald Investment Trust	£1053	Nil	18.5	12.8	24.0	48.9	6.1	8.2									
iShares Oil & Gas Exp	£52	Nil	61.8	0.6	54.7	0.8		2.7	13.6	10.0	9.0	6.3		1.4			
iShares S&P500 Utilities	£36	Nil	61.9		100.0												
iShares US Property Yield	£722	Nil	36.9		100.0												
Invesco Perp Japan Small	£51	Nil	39.1	4.2				95.8									
VanEck Gold Miners	£894	Nil	62.7		18.7				51.7	13.8	0.5	2.1	7.5		1.5		
VanEck Junior Gold Miners	£132	Nil	49.5		4.4				43.0	23.7		1.4	12.6		2.9		

## *World Stockmarket Valuations*

Country	Dividend Yield	Price/Earn. Ratio	Country	Dividend Yield	Price/Earn. Ratio
Australia	4.1	17.7	Chile	4.0	14.5
Austria	0.8	9.8	China	2.0	14.4
Belgium	1.9	15.1	Greece	3.5	10.1
Canada	3.2	18.9	Egypt	3.2	8.1
Denmark	1.6	24.0	Hong Kong	3.0	11.6
Finland	2.1	19.3	Hungary	1.7	11.4
France	1.6	17.2	India	1.4	20.0
Germany	1.7	18.7	Indonesia	3.8	13.3
Ireland	1.3	21.6	Israel	1.5	17.9
Italy	3.0	13.4	Korea	2.3	16.4
Japan	2.4	16.0	Malaysia	3.3	18.5
Netherlands	1.8	19.7	Mexico	3.7	18.4
New Zealand	2.7	21.8	Philippines	2.1	12.8
Norway	3.5	21.4	Poland	1.2	12.7
Spain	4.4	10.5	Portugal	4.7	18.7
Sweden	0.7	16.6	Russia	6.4	6.6
Switzerland	2.8	19.5	Singapore	4.2	12.5
Un. Kingdom	3.9	13.0	Sth Africa	3.1	15.8
USA	1.8	24.4	Taiwan	3.9	17.4
Argentina	1.8	9.4	Thailand	3.5	20.3
Brazil	3.3	16.3	Turkey	1.4	8.5
Czech Rep.	3.6	9.3			

**United States Dividend Yield**



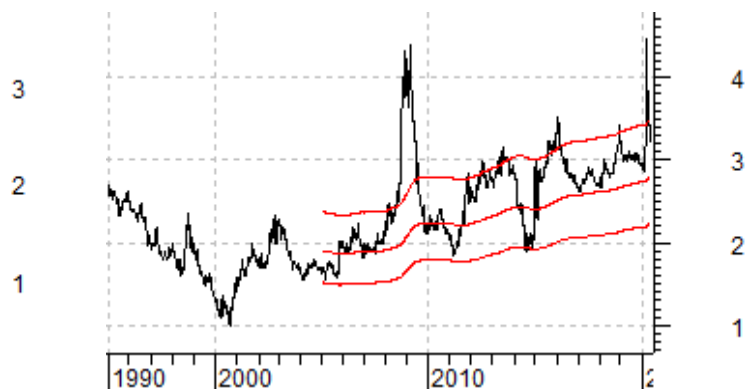
**United Kingdom Dividend Yield**



**Japan Dividend Yield**



**Canada Dividend Yield**



**France Dividend Yield**



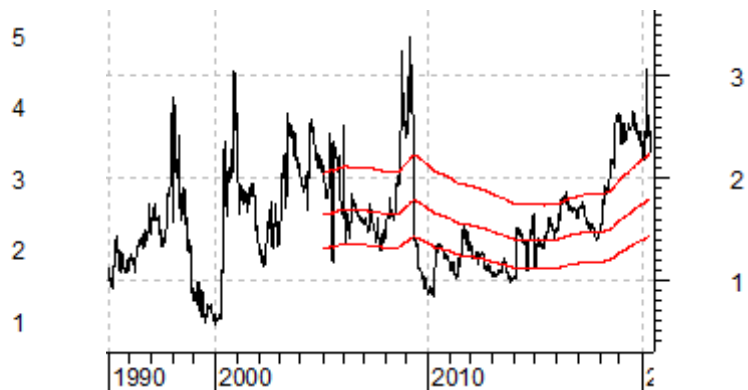
**China Dividend Yield**



**Switzerland Dividend Yields**



**South Korea Dividend Yield**



# World Stockmarket Capitalisations

World stockmarket capitalisations fell US\$10,456 billion (or 11.5%) to US\$80,322 billion at the end of April.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States .....	32,261	40.16	Bangladesh .....	65	0.08
China .....	8,411	10.47	Portugal .....	61	0.08
Japan .....	5,352	6.66	Morocco .....	47	0.06
Hong Kong .....	4,518	5.62	Kazakhstan .....	39	0.05
India .....	3,177	3.96	Greece .....	37	0.05
Saudi Arabia .....	2,131	2.65	Egypt .....	36	0.04
Canada .....	1,949	2.43	Nigeria .....	35	0.04
United Kingdom .....	1,946	2.42	Argentina .....	33	0.04
France .....	1,873	2.33	Luxembourg .....	30	0.04
Germany .....	1,726	2.15	Bahrain .....	22	0.03
Switzerland .....	1,662	2.07	Hungary .....	21	0.03
Nordic Exchanges <sup>1</sup> .....	1,398	1.74	Jordan .....	21	0.03
South Korea .....	1,272	1.58	Romania .....	20	0.02
Taiwan .....	1,229	1.53	Romania .....	20	0.02
Australia .....	1,144	1.42	Czech Republic .....	20	0.02
Iran .....	924	1.15	Kenya .....	20	0.02
Netherlands .....	875	1.09	Croatia .....	19	0.02
South Africa .....	728	0.91	Panama .....	16	0.02
Russia .....	680	0.85	Oman .....	15	0.02
Brazil .....	621	0.77	Bulgaria .....	15	0.02
Spain .....	583	0.73	Sri Lanka .....	15	0.02
Singapore .....	569	0.71	Jamaica .....	14	0.02
Italy .....	568	0.71	Tunisia .....	7	0.01
Belgium .....	489	0.61	Slovenia .....	7	0.01
Thailand .....	436	0.54	Lebanon .....	7	0.01
Indonesia .....	367	0.46	Mauritius .....	6	0.01
Malaysia .....	330	0.41	Malta .....	4	0.00
Norway .....	306	0.38	Cyprus .....	4	0.00
Mexico .....	281	0.35	Rwanda .....	4	0.00
UAE .....	217	0.27	Botswana .....	3	0.00
Israel .....	207	0.26	Ukraine .....	3	0.00
Philippines .....	206	0.26	Bardados .....	3	0.00
Qatar .....	156	0.19	Namibia .....	2	0.00
Turkey .....	154	0.19	Costa Rica .....	2	0.00
Chile .....	154	0.19	Seychelles .....	1	0.00
Vietnam .....	123	0.15	Bermuda .....	0	0.00
Poland .....	112	0.14	Palestine .....	0	0.00
Austria .....	94	0.12			
Kuwait .....	92	0.11	TOTAL .....	\$80,322	100.00%
New Zealand .....	88	0.11			
Peru .....	83	0.10			
Colombia .....	81	0.10			
Ireland .....	75	0.09			

Note 1. Mainly Denmark, Sweden and Finland.

## Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday July 13, 2020.

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

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