

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	45%	Neutral	Bullish	Bearish	Neutral	+6.5%	+1.2%	+4.9%	3,115.10
Austria	33%	Bullish	Bearish	Bearish	Bearish	-12.5%	-17.1%	-15.9%	1,064.03
Belgium	34%	Neutral	Bearish	Bearish	Neutral	-15.1%	-7.3%	-26.6%	2,924.13
Canada	44%	Bearish	Bullish	Bearish	Neutral	+28.6%	+39.8%	+43.7%	9,209.20
Denmark	55%	Bearish	Bullish	Bearish	Bullish	+6.7%	+14.7%	+11.3%	802.57
Finland	52%	Bearish	Bullish	Bearish	Bullish	+62.6%	+103.4%	+139.1%	16,083.30
France	44%	Bearish	Bullish	Bearish	Bearish	+18.3%	+33.0%	+33.5%	3,993.43
Germany	53%	Bearish	Bullish	Bearish	Bullish	+24.0%	+35.9%	+27.9%	7,444.61
Ireland	46%	Neutral	Bearish	Neutral	Neutral	+0.8%	-5.4%	-17.6%	4,929.30
Italy	51%	Bearish	Bullish	Neutral	Neutral	+22.8%	+24.2%	+14.4%	30,301.00
Japan	56%	Bearish	Bullish	Bullish	Neutral	+6.5%	+24.0%	+50.1%	19,763.13
Netherlands	48%	Bearish	Bullish	Neutral	Neutral	+8.0%	+12.2%	+11.0%	920.60
New Zealand	51%	Neutral	Bullish	Neutral	Bearish	+4.2%	+4.5%	+8.2%	2,477.20
Norway	54%	Bearish	Bullish	Neutral	Neutral	+9.2%	+9.1%	+17.5%	696.44
Spain	42%	Bearish	Bullish	Bearish	Bearish	+7.4%	+14.9%	+3.7%	1,034.38
Sweden	47%	Bearish	Bullish	Neutral	Bearish	+35.0%	+54.4%	+61.5%	6,083.50
Switzerland	27%	Bearish	Bearish	Bearish	Neutral	-7.7%	-2.9%	-12.9%	7,148.70
Un. Kingdom	26%	Bearish	Bearish	Bearish	Bearish	-4.5%	-0.1%	+2.9%	6,185.00
USA	40%	Bearish	Bullish	Neutral	Bearish	+4.0%	+9.5%	+14.9%	1,424.37
Argentina	63%	Bullish	Bullish	Bullish	Neutral	+1.1%	+10.6%	+26.5%	20,888.88
Brazil	64%	Neutral	Bullish	Neutral	Bullish	+53.8%	+86.7%	+120.4%	17,932.47
Czech Rep.	73%	Bullish	Bullish	Bullish	Bullish	+15.5%	+3.4%	+35.3%	1,820.00
Chile	59%	Neutral	Bullish	Neutral	Neutral	+27.2%	+17.6%	+48.6%	5,586.74
China	62%	Bearish	Bullish	Neutral	Bullish	+13.9%	+3.0%	+89.0%	751.73
Greece	52%	Bearish	Bullish	Neutral	Neutral	-11.0%	+8.6%	+37.3%	5,379.08
Hong Kong	54%	Bearish	Bullish	Neutral	Neutral	+17.2%	+21.0%	+73.0%	15,968.12
Hungary	48%	Bearish	Bullish	Neutral	Bearish	+23.9%	+22.1%	+25.2%	9,609.95
India	60%	Bearish	Bullish	Bullish	Bullish	+15.0%	+15.7%	+60.8%	5,313.59
Indonesia	53%	Bearish	Bullish	Bullish	Neutral	-7.3%	-2.7%	+81.5%	635.00
Israel	76%	Bullish	Bullish	Bullish	Bullish	+25.7%	+25.8%	+77.3%	456.27
Korea	36%	Bearish	Bullish	Neutral	Bearish	+9.3%	+7.8%	+78.7%	950.22
Malaysia	49%	Bearish	Bullish	Bullish	Bearish	+32.8%	+36.2%	+71.4%	957.66
Mexico	65%	Bearish	Bullish	Bullish	Bearish	+22.7%	+44.5%	+91.9%	7,236.54
Philippines	33%	Bearish	Bearish	Neutral	Neutral	-1.8%	-16.5%	-3.9%	2,008.86
Poland	36%	Bearish	Bullish	Bearish	Bearish	+50.0%	+19.0%	+32.0%	21,224.60
Portugal	58%	Neutral	Bullish	Neutral	Bearish	+22.3%	+27.1%	+3.2%	2,996.17
Russia	49%	Bearish	Bullish	Bullish	Bearish	+77.2%	+70.0%	+265.1%	1,776.12
Singapore	52%	Bearish	Bullish	Bullish	Neutral	+5.6%	+7.5%	+65.5%	2,258.91
Sth Africa	53%	Bearish	Bullish	Neutral	Neutral	+17.4%	+20.0%	+41.9%	8,691.56
Taiwan	53%	Bearish	Bullish	Neutral	Neutral	+35.7%	+50.5%	+89.8%	9,856.39
Thailand	41%	Bearish	Bullish	Neutral	Bearish	+15.3%	+8.0%	+36.3%	470.34
Turkey	76%	Bearish	Bullish	Bullish	Bullish	+107.3%	+131.6%	+264.3%	16,871.00
Venezuela	62%	Bullish	Bearish	Bullish	Neutral	-10.5%	+8.5%	+14.9%	5,401.52

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.

Stockmarket Outlook

Our *World Stockmarket Forecast* has turned Bearish (unfavourable) for the **United Kingdom** stockmarket, with the model now forecasting only a 26% chance that the UK stockmarket will rise over the next year.

We have long been cautious about high valuations in the larger world stockmarkets. The 1997 Asian economic situation offered us one of those very rare situations where stockmarkets first lose nearly all of their value, then recover strongly and then continue to perform well over the longer term with the impact of massive economic and political change. Over the last couple of years our portfolio has therefore been *under-weighted* in the major stockmarkets and mostly invested in Asia.

With the current deterioration in our Forecast, however, we plan to further reduce our holdings in the major stockmarkets by selling some of our investments in the UK stockmarket.

Technology Boom Favours Asian Economies

We believe that *Technology*, or more precisely *Information Technology* will be an important growth area in the global economy over the next few years. Unfortunately, most Technology funds are heavily invested in Internet stocks - a sector which we do not believe will yield high investment returns owing to (1) 90-95% of these start-up businesses not succeeding over the long term and (2) the extremely high valuations currently placed on internet stocks.

Twenty five years ago the computer industry was where the internet industry is today. Investors paid high prices for computer companies. Most failed and the rest suffered from rapidly dropping sales prices. However, we expect that the computer manufacturing industry may now become a profitable business. Computer equipment is now so cheap that low labour cost countries like China are starting to introduce computers into business. The internet is also creating strong demand, both from consumers wanting to gain access to the internet and from corporates wanting to become involved.

This situation should be favourable for computer manufacturers, computer retailers and companies providing internet services (e.g. consultancy, web design - but look for realistic valuations before buying!). This situation will be particularly attractive for Asia - which is the largest manufacturing region for computers and other Information Technology equipment! Information Technology-related trade accounts for 30% of Asian trade - although this figure is inflated by trade between factories in different countries within the region. Nevertheless, Asia's regional trade surplus in Information Technology products is US\$70 billion, or over 3% of the region's Gross Domestic Product.

Taiwan is the leading Asian country in Information Technology manufacturing, with advantages in low cost design, advanced design and production management. 40% (by value) of the companies listed on the Taiwanese stockmarket are involved in this industry.

Unfortunately, the only UK based Taiwan investment fund, listed investment trust **Taiwan Investment Trust plc**, was liquidated last year as the

shares traded at a significant discount to net asset value. There are three US listed country funds, **Taiwan Equity Fund**, **Taiwan Fund** and **ROC Taiwan Fund** (which trade at discounts of 5%, 7% and 11%, respectively). Of these Taiwan Equity Fund has the best performance and is the more attractive for investment. Among our recommended funds, **Fidelity Asian Values** has 19.8% of its portfolio in Taiwan, **Schroder Asia Pacific** has 13.4%, **Gartmore Pacific** 12.5%, **HSBC Asian** 12.1% and **Govett Greater China** has 7.0% in Taiwan (but also a high 20.0% in Korea and 15.0% in China).

Korea is successful in microchip production. These manufacturing facilities were initially financed by its conglomerates using low cost debt, and built just in time for the 1996-97 over-supply of chips which sent prices plunging (and which caused many of Korea's economic problems at that time). Booming demand has now made those facilities very profitable!

China has expanded rapidly in the manufacture of telecommunications equipment (to meet domestic demand) and computer manufacturing is now starting to grow (again, to meet local demand). China's Information Technology exports are growing strongly and now account for over 10% of all Chinese exports.



Recommended International Investment Funds

With the deteriorating outlook for the major stockmarkets (but improving outlook for Asian economic growth) we are realising our UK investments and building up a small cash reserve (which we shall hold on deposit, earning interest). We recommend selling listed **Jupiter International Green plc** and unit trust **Hill Samuel Smaller Companies**. These sales should build a cash reserve equal to about 10-15% of our international portfolio. See Page 4-5 for full details.

At this stage we shall hold our shares in **I & S UK Smaller Companies Investment Trust plc**. The *smaller* companies sector has been very strong, this listed trust has been a top performer *and* the shares still trade at a large discount to net assets. All of which justifies holding on for another month and reviewing the situation at that time.

Martin Currie Pacific Warrants

In November we reported that **Martin Currie Pacific** had re-purchased 848,186 warrants (at 17 pence). During January the fund has re-purchased another

1,126,500 warrants (at 43 pence), which reduces the number of outstanding warrants to 5,425,652.

Sell one-third of your Martin Currie Pacific warrants at 48-50 pence. That is the recommendation we published last month. Martin Currie Pacific warrants closed at 50½ pence last Friday (up from 47½ pence), so as this newsletter goes to press we still hold all of our warrants, but will place a sell order at a limit of 50 pence on Monday following last month's advice.

If the warrant price rises further to around 70 pence over the next month we recommended selling another one-third of the Martin Currie Pacific warrants. Otherwise we shall review the situation in the March newsletter. We intend to sell off all of these warrants over the next few months - ahead of the June 2000 exercise date.

The total sale of these warrants should realise 5-15% of international portfolios - building total cash reserves to 20-30% - although we shall probably re-invest 5-7½% in another Asian trust or 2½-4% in another Asian warrant.

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	
Europe								
HOLD	TR European Growth Trust plc	TRG	11/02/97	157.5p	374.7	-3%	385.0p	1244.1 +232
Asia								
BUY	AIB Govett Greater China Fund	*	13/08/96	212.9p	480.4		242.93-259.81p	812.3 +69
BUY	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		41.0p	132.5 +167
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		237.51-254.02p	794.2 +654
BUY	HSBC Asian Fund	*	10/11/98	34.4p	106.3		63.70-67.98p	212.8 +100
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		239.00-255.10p	798.4 +66
Hold/Sell ¹	Martin Currie Pacific WARRANTS	MCPW	10/02/98	21.0p	59.3		50.25p	162.4 +174
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		33.0p	106.6 +41
Japan								
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-13%	244.75p	790.9 +80
BUY	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-6%	216.3p	698.8 +146
Korea								
BUY	Baring Korea Trust	*	12/04/94	81.1p	209.4		85.87-92.41p	288.1 +38
Thailand								
BUY	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		70.91-77.09p	239.1 +53
International								
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		74.63-78.96p	248.2 +114
SELL ²	Jupiter International Green IT plc	JUP	08/10/96	36.0p	80.7	-26%	47.0p	151.9 +88
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		41.5p	134.1 +12
United Kingdom								
SELL	Hill Samuel UK Smaller Coys	*	13/04/93	56.2p	159.1		(Bid) 187.56p	606.1 +281
HOLD	I & S UK Smaller Coys IT plc	ISU	11/02/97	160.0p	380.6	-22%	258.5p	835.4 +119

* United Kingdom based Unit Trust

Note 1. Sell only one-third of Martin Currie Pacific warrants.

Note 2. The total return (i.e. including dividends) from Jupiter International Green is around +130%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Fidelity Asian Values** shares at 103¾ pence (-10%, i.e. 10% *below* net asset value), **Martin Currie Pacific** shares at 183¾ pence (-12%), **Schroder Asia Pacific** shares at 92½ pence (-14%), **Templeton Emerging Markets** shares at 142½ pence (-18%), **Baillie Gifford Shin Nippon** warrants at 99¼ pence, **Invesco Japan Discovery** warrants trade at 154¾ pence, **I & S UK Smaller Companies** warrants at 174½ pence and **TR European Growth** warrants at 219½ pence.

Fund Recommendations:

Sell Hill Samuel Smaller Companies

Sell Jupiter International Green plc

We recommend selling two funds - **Hill Samuel UK Smaller Companies** (a UK unit trust) and **Jupiter International Green plc** (a high yielding, split capital listed investment trust) - owing to the deteriorating outlook for the United Kingdom and other major stockmarkets. These sales should realise about 10-15% of our international portfolio in cash, which we shall hold earning interest.

Hill Samuel UK Smaller Companies (which recently changed its name from Hill Samuel UK Emerging Companies) has been a long term investment that we initially recommended for purchase almost seven years ago! This has been an excellent investment, appreciating strongly during the first five years to June 1998 when this investment showed a +229% gain (in NZ dollar terms). The portfolio suffered badly in the stockmarket correction of that year, losing over one-third of its value by October 1998. Over the last sixteen months this unit trust has again yielded strong gains - almost doubling in value as an upturn in the UK economy helped boost the value of smaller UK company shares.

Overall our investment in this unit trust has increased +281% in value (in NZ dollar terms) - a compound rate of gain in excess of 21% per annum! Exchange rate movements over the last seven years have accounted for about 1% per annum to this return in NZ dollar terms.

Jupiter International Green plc is a highly leveraged trust funded by ordinary shares (which we own) and Zero Dividend Preference shares. The ordinary shares receive all of the income (so this investment has produced a very high income yield) and any capital that is left over after repaying the Zero Dividend Preference shares in March 2001. We are realising this investment now as (1) it has not been performing as well as it should over the last two years (although this has still been a

very successful investment) and (2) with an uncertain stockmarket outlook we are less confident about holding such a highly leveraged trust.

Most of Jupiter International's portfolio is invested in the United Kingdom (76%), the United States (14%) and Europe (13%) where we are concerned about high stockmarket valuations, rising interest rates and rising economic growth (which can draw money out of financial assets to fund real investment).

This listed trust lost significant value during the correction in mid-1998, when the ordinary share price fell almost 40% and the net asset value declined by 60%. Such a large decline is, of course, to be expected from such a highly leveraged trust, but Jupiter International Green has *under-performed during the 1999 recovery*. While other *smaller* company trusts have recovered strongly since October 1998, this fund suffered a further mini-correction from January to March 1999 and has again under-performed slightly over the last several months.

With a less favourable outlook for the UK and US stockmarkets we believe that a highly leveraged trust is no longer a suitable investment and therefore recommend selling shares in Jupiter International Green.

Since investing in this company less than 3½ years ago we have collected a total of 12.2 pence in cash dividends (plus Tax Credits). In Sterling terms this has repaid 34% of our initial investment, while in NZ dollar terms these dividends have repaid about 42% of the initial cost.

Over the last 3½ years the 35% appreciation of Sterling against the NZ dollar has provided about half of our 88% capital gain (in NZ dollar terms) from holding these shares. That capital gain is a compound return of over 20% per year, in addition to the (uncompounded) return of about 12% per year from Jupiter International's high dividend distributions.

Sell Split Capital Shares and Warrants

We plan to sell our informally recommended Split Capital Shares and Warrants. We certainly don't mind holding a small percentage of our portfolio in these more risky, volatile securities when conditions are favourable, but the deterioration of our UK stockmarket Forecast suggests that a more defensive strategy should now be adopted.

We therefore plan to realise all of these current investments, which have yielded mixed results. **Gartmore Scotland** is down 12.3% at 25½ pence (all returns measured in Pounds Sterling), **Schroder Split Capital** up 3.0% at 52 pence, **Finsbury Income &**

Growth is up 27.2% at 36¼ pence, **Guinness Flight Extra Income** warrants are down 25.6% at 30½ pence, while we have one big winner in **Gartmore Fledgling Index** warrants which are up 269.6% at 85 pence!

Previously liquidated informally recommended split capital shares and warrants were **Fleming Income & Growth** (realising an average return in a series of sales of about +370%), **Framlington Dual** (similarly sold in stages averaging a +260% gain), **Murray Split Capital** (+197%), **Exmoor Dual** (+90% - in just three months!) and **City of Oxford** warrants (which expired worthless).

Listed Investment Trust

Warrant Analysis

Owing to the unfavourable outlook for the UK stockmarket we are selling two informally recommended warrants: **Guinness Flight Extra Income** warrants at a loss and **Gartmore Fledgling Index** warrants will realise a substantial profit!

Using warrants to increase *leverage* is only attractive when the stockmarket outlook is positive and the underlying share price is expected to rise strongly. Therefore we are happy to continue to hold the formally recommend Asian warrants (**Fidelity Asian** and **Schroder Asia Pacific**) and an Emerging Stockmarket warrant (**Templeton Emerging**). These are long dated warrants (with 4½-6½ years until their final exercise/expiry date) so will take us *through* any short term market volatility and maximise our *long term* investments in these stockmarkets. The Warrant Leverage on these warrants is also quite low at 1.6-1.9

times, so these are not risky, speculative warrants.

We are, of course, in the process of taking profits and liquidating our holding in **Martin Currie Pacific** warrants ahead of their June exercise date. Despite some volatility along the way - the warrant price dropped to around 5-6 pence at one stage - this investment is going exactly to plan at the very stage (i.e. just ahead of the exercise date) at which we need to cash in the warrants and realise our profit or loss!

If we decide to buy a *third* Asian warrant then we would probably choose **Fleming Asia**. These warrants currently trade at a 35% discount to their Black-Scholes valuation, have a low Break-Even Rate of 5% per annum and five years until final exercise or expiry. Fleming Asia also rated *extremely* well in last month's *Investment Fund Survey*.

Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Warrant Return (%p.a.) from Break-Share Price appreciation of:	5%pa	10%pa	20%pa	Even Rate
<u>INTERNATIONAL</u>													
F & C Special Utilities S	139.0p	100.0p	7-11	59.00p	80.08p	-26	0.234	1.6	+7.5	+16.3	+30.6	+2%	
Henderson Technology	397.5p	100.0p	5-7	294.50p	327.22p	-10	0.363	1.2	+6.7	+12.8	+24.5	-0%	
Herald Investment Trust	576.5p	100.0p	3-2	478.00p	493.90p	-3	0.331	1.2	+5.9	+11.8	+23.3	+0%	
Inv Trt of Inv Trts	132.3p	150.0p	3-10	59.50p	24.34p	+144	0.173	4.0	-38.1	-9.5	+19.0	+13%	
Oryx International	140.0p	100.0p	4-10	46.50p	66.88p	-30	0.202	2.0	+11.1	+22.1	+40.2	+1%	
Pantheon International	410.0p	250.0p	1-8	175.50p	184.03p	-5	0.182	2.2	+6.4	+17.8	+39.5	+2%	
<u>EMERGING STOCKMARKETS</u>													
Abtrust Emerging Econ.	72.8p	100.0p	7-11	21.75p	33.61p	-35	0.388	1.7	-13.3	+12.4	+33.0	+7%	
Dresdner RCM Emerg Mkts	105.5p	100.0p	4-5	34.50p	40.94p	-16	0.320	2.1	-2.5	+13.7	+36.4	+6%	
F & C Emerging Markets	74.0p	102.0p	3-1	9.50p	20.37p	-53	0.470	2.3	-100.0	-100.0	+41.7	+14%	
Murray Emerg. Economies	62.5p	100.0p	4-0	9.00p	16.65p	-46	0.439	2.2	-100.0	-100.0	+34.7	+15%	
Schroder Emer Countries	87.5p	100.0p	6-7	23.25p	42.82p	-46	0.422	1.6	-1.8	+16.6	+37.7	+5%	
Tea Plantations	50.5p	100.0p	1-11	8.00p	1.03p	+675	0.297	7.1	-100.0	-100.0	-100.0	+49%	
Templeton Emerging Mkts	140.3p	133.0p	4-7	41.00p	59.18p	-31	0.363	1.9	+0.7	+17.0	+39.8	+5%	
<u>LATIN AMERICA</u>													
Aberdeen Latin American	67.3p	100.0p	9-8	22.00p	43.09p	-49	0.547	1.3	-10.2	+12.5	+30.7	+6%	
Edinburgh Inca	26.3p	50.0p	9-0	6.25p	16.19p	-61	0.604	1.3	-100.0	+7.4	+33.7	+9%	
Morgan G Latin America	79.5p	100.0p	10-4	25.00p	49.24p	-49	0.449	1.4	+2.3	+15.7	+31.5	+4%	
Scudder Latin America	91.3p	100.0p	4-6	24.00p	42.39p	-43	0.510	1.7	-11.8	+12.1	+39.5	+7%	
Templeton Latin Amer.	91.5p	100.0p	0-3	4.25p	5.78p	-26	0.468	8.0	-100.0	-100.0	-100.0	+69%	
<u>UNITED STATES</u>													
F & C US Smaller Coys	191.0p	100.0p	2-9	94.00p	106.39p	-12	0.202	1.8	+8.8	+18.0	+35.2	+1%	
US Smaller Companies	258.0p	100.0p	2-7	152.50p	172.51p	-12	0.263	1.5	+9.5	+17.2	+32.1	-1%	
<u>UNITED KINGDOM</u>													
Aberforth Smaller Coys	256.5p	100.0p	3-1	157.50p	173.49p	-9	0.213	1.5	+7.7	+15.3	+29.6	+0%	
Britannia Smaller Coys	203.5p	100.0p	0-2	105.00p	104.50p	+0	0.311	1.9	+0.9	+10.5	+30.6	+5%	
British Assets Trust	132.0p	101.0p	1-7	47.75p	40.63p	+18	0.170	3.2	-8.3	+6.2	+33.2	+8%	
Broadgate	167.0p	100.0p	3-3	119.00p	85.07p	+40	0.190	1.9	-6.5	+2.2	+17.7	+9%	
Dartmoor	149.5p	118.0p	2-5	41.50p	48.28p	-14	0.158	3.0	+8.2	+24.3	+52.1	+3%	
Eaglet Investment Trust	329.0p	100.0p	2-8	229.50p	243.86p	-6	0.245	1.3	+7.0	+13.8	+27.1	+0%	
Edinburgh Smaller Coys	209.5p	100.0p	8-7	131.50p	151.39p	-13	0.254	1.4	+6.1	+13.0	+25.1	+1%	
F & C Income Growth	113.0p	100.0p	3-5	33.50p	34.41p	-3	0.182	3.0	-0.0	+16.5	+41.9	+5%	
Fidelity Special Values	177.0p	100.0p	3-11	86.00p	98.53p	-13	0.211	1.8	+7.5	+16.6	+32.8	+1%	

Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Share Price 5%pa	Warrant Return (%p.a.) from Break-Even	Return (%p.a.) from Break-Even	Rate
Gartmore Fledgling Indx	178.8p	100.0p	1-10	85.50p	89.45p	-4	0.239	2.0	+6.2	+16.4	+35.7	+2%
Gartmore Irish Smaller Group Trust	179.8p	100.0p	1-5	82.75p	88.04p	-6	0.238	2.0	+8.3	+18.9	+39.6	+1%
Hill Samuel UK Emerging I & S ISIS	49.3p	55.5p	6-2	23.00p	13.04p	+76	0.141	3.2	-11.2	+6.1	+26.1	+8%
I & S UK Smaller Coys	169.5p	100.0p	2-1	76.00p	82.78p	-8	0.299	2.0	+7.1	+17.7	+37.6	+2%
Investors Capital	204.5p	107.5p	0-8	97.00p	204.49p	-53	9.999	1.0	+10.6	+21.4	+43.5	+0%
Legal & Gen'l Recovery	259.0p	93.0p	0-5	174.50p	168.31p	+4	0.241	1.5	-4.3	+2.8	+17.2	+8%
Montanaro UK Small Coys	182.0p	137.0p	1-7	65.50p	59.87p	+9	0.244	2.9	-5.8	+8.6	+35.5	+7%
Perpetual Income & Gth	156.0p	100.0p	4-8	79.50p	80.80p	-2	0.164	1.9	+4.1	+13.5	+29.5	+3%
Prolific Income plc	171.0p	100.0p	5-5	59.50p	99.91p	-40	0.220	1.7	+14.3	+23.5	+39.4	-1%
Schroder Income & Grwth	100.5p	100.0p	6-6	22.50p	40.83p	-45	0.244	2.1	+8.4	+23.1	+42.9	+3%
Schroder UK Growth	120.0p	100.0p	3-9	28.50p	43.38p	-34	0.208	2.5	+12.3	+27.8	+52.2	+2%
Shires Smaller Companies	124.8p	100.0p	3-10	29.50p	46.39p	-36	0.159	2.6	+15.0	+29.6	+53.1	+1%
Taverners Trust	145.5p	100.0p	2-6	47.50p	60.44p	-21	0.213	2.3	+12.9	+26.0	+49.4	+1%
Fleming Inc & Gth - Cap	166.0p	100.0p	0-4	67.50p	67.99p	-1	0.190	2.4	+5.5	+18.1	+45.0	+3%
Guinness Flight Extra	87.5p	100.0p	10-6	37.50p	41.94p	-11	0.233	1.8	+2.0	+13.2	+27.8	+4%
Jupiter Extra Income	322.0p	300.0p	0-2	80.50p	33.97p	+137	0.305	8.9	-88.6	-84.8	-74.6	+56%
	137.3p	100.0p	2-4	30.50p	51.21p	-40	0.193	2.6	+27.5	+44.0	+73.3	-2%
	141.0p	100.0p	0-7	41.00p	44.95p	-9	0.161	3.2	+24.8	+43.9	+84.2	-2%

EUROPEAN

Fidelity Euro Values	455.5p	100.0p	1-2	349.00p	362.29p	-4	0.275	1.3	+8.1	+14.6	+27.5	-1%
Gartmore European	486.0p	220.0p	3-11	265.50p	313.11p	-15	0.245	1.5	+8.7	+16.7	+31.4	-0%
Gartmore Irish Small	178.8p	100.0p	1-5	82.75p	87.05p	-5	0.238	2.0	+7.4	+18.0	+38.6	+2%
Mercury Euro Priv.	192.8p	100.0p	4-5	96.25p	116.44p	-17	0.207	1.6	+8.7	+17.1	+32.3	+0%
TR European	376.3p	166.0p	3-8	208.00p	243.88p	-15	0.259	1.5	+8.9	+16.8	+31.5	-0%
First Russian Front. I	542.5p	US\$10.00	1-4	76.00p	159.69p	-52	0.708	2.2	-100.0	-100.0	-13.3	+22%
First Russian Front. II	542.5p	US\$13.20	1-4	66.00p	112.74p	-41	0.708	2.5	-100.0	-100.0	-100.0	+46%
SR Pan-European	127.5p	39.0p	1-3	89.50p	91.33p	-2	0.343	1.4	+6.2	+13.3	+27.4	+1%

FAR EASTERN / PACIFIC

Aberdeen New Dawn "A"	189.8p	95.9p	0-5	138.00p	96.26p	+43	0.348	2.0	-56.3	-52.1	-43.4	+65%
Aberdeen New Dawn "B"	189.8p	135.0p	0-5	98.50p	58.87p	+67	0.348	3.1	-71.2	-66.5	-56.3	+65%
Aberdeen New Dawn "C"	189.8p	270.0p	0-5	3.25p	1.62p	+101	0.348	15.4	-100.0	-100.0	-100.0	+140%
Abtrust Asian Smaller	99.3p	100.0p	10-9	46.25p	61.24p	-24	0.359	1.4	+3.6	+13.3	+27.0	+4%
Edinburgh Dragon Trust	89.5p	60.0p	4-11	43.50p	49.45p	-12	0.345	1.7	+4.4	+14.0	+30.2	+3%
Edinburgh New Tiger	16.5p	50.0p	9-1	5.25p	3.02p	+74	0.298	2.5	-100.0	-100.0	+23.8	+14%
Fidelity Asian Values	103.3p	100.0p	6-6	40.50p	57.79p	-30	0.460	1.5	+0.5	+13.4	+31.3	+5%
Fleming Asia	108.3p	100.0p	5-0	35.75p	55.16p	-35	0.460	1.6	+1.3	+15.8	+36.5	+5%
Invesco Asia	77.5p	100.0p	4-5	15.25p	25.56p	-40	0.400	2.1	-100.0	+3.9	+42.7	+9%
Martin Currie Pacific	181.0p	130.0p	0-4	47.50p	53.82p	-12	0.305	3.3	+46.7	+71.4	+126.1	-6%
Pacific Assets	84.8p	130.0p	2-3	6.75p	13.54p	-50	0.439	3.0	-100.0	-100.0	-100.0	+24%
Pacific Horizons	48.0p	56.0p	2-4	7.50p	13.07p	-43	0.465	2.4	-100.0	-24.0	+43.6	+13%
Schroder Asia Pacific	92.0p	100.0p	5-11	33.00p	45.00p	-27	0.440	1.6	-6.1	+11.2	+32.0	+6%
Scottish Oriental Sm Co	75.3p	100.0p	6-11	32.00p	34.34p	-7	0.418	1.7	-22.6	+5.2	+26.8	+8%
Hambros Smaller Asian	46.0p	US\$ 1.00	1-10	6.75p	10.34p	-35	0.555	2.5	-100.0	-100.0	-58.3	+25%

HONG KONG / CHINA REGION

Fleming Chinese	69.5p	100.0p	4-0	26.00p	21.37p	+22	0.450	2.1	-100.0	-49.0	+14.1	+16%
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JAPAN

B Gifford Shin Nippon	244.5p	200.0p	5-2	99.25p	125.27p	-21	0.385	1.7	+2.8	+14.5	+32.6	+4%
Fidelity Japan Values	133.3p	100.0p	4-2	57.25p	67.53p	-15	0.399	1.7	+2.4	+13.8	+32.5	+4%
Gartmore Select Japan	82.5p	100.0p	3-3	25.75p	22.73p	+13	0.389	2.4	-100.0	-20.0	+22.1	+14%
Invesco Japan	214.0p	100.0p	4-8	155.00p	147.87p	+5	0.469	1.4	+1.8	+9.2	+22.6	+4%
Invesco Tokyo	65.5p	55.0p	4-4	25.75p	29.04p	-11	0.339	1.9	+0.2	+13.2	+33.3	+5%
Martin Currie Japan	137.5p	100.0p	2-7	50.00p	57.32p	-13	0.323	2.2	+4.5	+17.5	+40.4	+3%
Perpetual Japan	64.5p	100.0p	0-9	5.50p	1.46p	+278	0.380	8.4	-100.0	-100.0	-100.0	+93%
Schroder Japan Growth	98.5p	100.0p	4-9	31.00p	37.04p	-16	0.320	2.1	-5.1	+12.8	+36.1	+6%

INDIA

Fleming Indian	94.8p	100.0p	4-0	38.75p	31.64p	+22	0.335	2.3	-20.9	-0.0	+25.6	+10%
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SOUTH AFRICA

Old Mutual South Africa	107.5p	100.0p	1-10	29.50p	30.95p	-5	0.396	2.6	-24.6	-2.8	+33.6	+11%
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Country Review: United Kingdom

Our Forecast for the UK stockmarket has declined to a Bearish (unfavourable) 26%. Our model is therefore indicating that the stockmarket is vulnerable to decline over the next year.

Stockmarket Review

Fluctuations in the United Kingdom stockmarket have closely mirrored the United States market over recent years. While the trend has been upwards, the market suffered *corrections* in July-September 1998, in July-October 1999 and since the start of this year . . .



While it is always *possible* that the stockmarket will, once again, resume its upward trend, UK stock prices are becoming more and more expensive. Stockmarket appreciation has out-paced corporate profit growth, driving Price/Earnings ratios to very high levels . . .

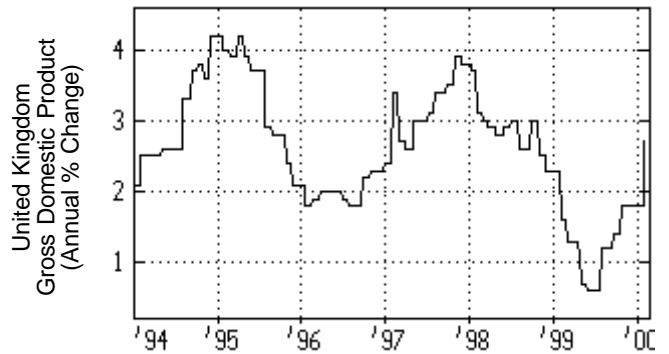


. . . and Dividend Yields to historical lows . . .

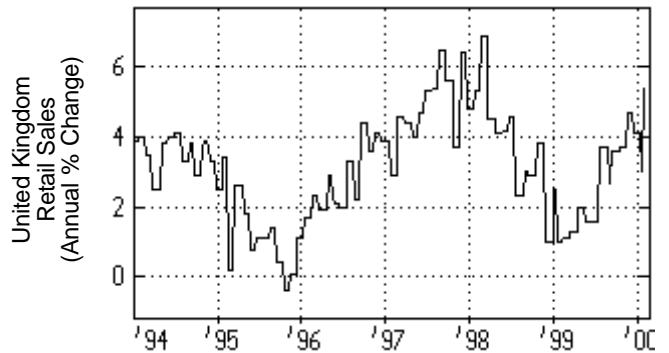


Economic indicators have deteriorated recently. The Gross Domestic Product statistics (for the fourth quarter of 1999) were released last week and show that

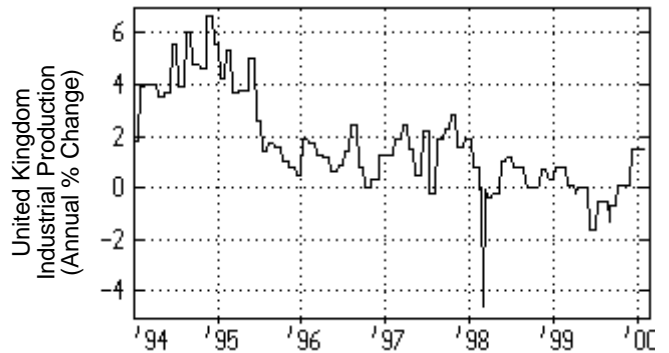
the economy has *already* recovered strongly over the last 12 months . . .



. . . and Retail Sales have jumped sharply . . .



. . . although Industrial Production growth has been slower . . .



The Unemployment rate has dropped significantly over the last six years which is putting growing pressure on wage inflation . . .



(Continued on Page 8)

Country Review: United Kingdom

(Continued from Page 7)

Inflation is still relatively low, but over the last three months the Inflation rate has started to accelerate sharply . . .



In response to inflation, short term interest rates have been raised and are widely expected to reach 6½-7% by the end of this year and to peak around 7-7½% in mid-2001. . .



A long downtrend in long term Interest rates from 1994 until the start of 1999 probably helped to drive the Bull Market in share prices over that period. However, long term interest rates have also started to rise . . .



. . . while Money Supply growth has also slowed rapidly over the last year . . .



Summary and Recommendation

Unfavourable Monetary conditions are the most Bearish feature with interest rates widely expected to rise in response to rising US interest rates and accelerating domestic inflation. Smaller UK shares have profited strongly from the early stage of the upturn in economic activity over the last year. Economic growth is expected to remain strong - which is actually *unfavourable* for share prices by increasing the demand for finance in the real economy which pushes up interest rates and draws money out of the stockmarket.

UK share prices are also already trading at very high valuations. Strong profit growth is therefore needed *simply to justify current share prices*.

A more likely situation is that rising interest rates will tend to slow economic growth and also put pressure on corporate profitability (through higher interest costs). Tight monetary conditions (i.e. slow money supply growth and rising interest rates) increase the risk that the stockmarket will decline in value. Current high valuations (i.e. high P/E, low Yields) offer the stockmarket little support.

Therefore the UK stockmarket is now unattractive for investment. We recommend selling funds that invest in UK equities and will avoid UK shares until the stockmarket situation improves.

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The next issue of "International Investor" will be posted in four weeks time on Tuesday March 7, 2000 and on our internet sites on Wednesday March 8.