

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	46%	Neutral	Bullish	Bearish	Bearish	+1.8%	-3.2%	-4.7%	3,261.00
Austria	35%	Bullish	Bearish	Bearish	Bearish	-1.8%	-16.9%	-18.8%	1,103.97
Belgium	36%	Neutral	Neutral	Bearish	Bearish	+3.1%	-12.6%	-11.4%	2,977.72
Canada	45%	Bearish	Bullish	Neutral	Bearish	+8.0%	+21.1%	+43.4%	10,380.28
Denmark	43%	Bearish	Bullish	Bearish	Neutral	+2.0%	+6.5%	+23.0%	890.97
Finland	48%	Bearish	Bullish	Bearish	Bullish	-7.2%	+7.6%	+81.2%	15,814.50
France	45%	Bearish	Bullish	Bearish	Bearish	+1.1%	+5.0%	+27.2%	4,074.96
Germany	36%	Neutral	Bullish	Bearish	Bearish	-6.9%	-4.2%	+16.3%	7,052.22
Ireland	34%	Bearish	Bearish	Bearish	Neutral	-10.3%	-6.8%	-9.5%	4,974.39
Italy	45%	Neutral	Bullish	Bearish	Bearish	+2.9%	+9.7%	+19.0%	32,561.00
Japan	28%	Bearish	Bearish	Bearish	Neutral	-16.1%	-6.7%	+10.0%	17,398.24
Netherlands	35%	Bearish	Bullish	Bearish	Bearish	-0.5%	-2.1%	+8.7%	949.80
New Zealand	29%	Bullish	Bearish	Bearish	Bearish	-11.4%	-19.4%	-10.3%	2,269.24
Norway	49%	Neutral	Bullish	Bearish	Neutral	+8.3%	+3.0%	+18.9%	774.15
Spain	33%	Bearish	Bearish	Neutral	Bearish	-7.3%	-5.1%	+1.5%	1,001.61
Sweden	42%	Bearish	Bullish	Bearish	Bearish	-6.3%	+8.9%	+50.5%	6,078.00
Switzerland	49%	Neutral	Bullish	Bearish	Bearish	+7.2%	+2.0%	+6.9%	7,903.70
Un. Kingdom	34%	Bearish	Neutral	Bearish	Bearish	-5.2%	-7.8%	-3.2%	6,497.50
USA	44%	Bearish	Bullish	Neutral	Bearish	-2.5%	+2.6%	+5.4%	1,478.90
Argentina	51%	Bearish	Bullish	Neutral	Neutral	-2.7%	-0.2%	+3.1%	20,339.17
Brazil	59%	Neutral	Bullish	Bullish	Bearish	-2.6%	+9.4%	+53.3%	17,598.83
Czech Rep.	43%	Bearish	Bearish	Bullish	Bearish	-17.9%	-4.6%	+0.0%	1,608.00
Chile	42%	Neutral	Bearish	Neutral	Bearish	-10.4%	-8.2%	-5.4%	4,903.45
China	48%	Bearish	Bullish	Neutral	Neutral	+6.3%	+23.1%	+7.0%	870.44
Greece	38%	Bearish	Bearish	Bullish	Bearish	-21.9%	-34.6%	-16.9%	3,914.03
Hong Kong	43%	Bearish	Bullish	Neutral	Bearish	-0.8%	+9.0%	+17.8%	16,829.96
Hungary	32%	Bearish	Bearish	Neutral	Bearish	-18.3%	-14.7%	-2.2%	8,220.89
India	32%	Bearish	Bullish	Bearish	Bearish	-8.3%	-11.8%	+9.0%	4,905.94
Indonesia	32%	Bearish	Bearish	Neutral	Bearish	-26.6%	-43.3%	-44.7%	508.11
Israel	45%	Bearish	Bullish	Neutral	Bearish	+8.9%	+16.1%	+35.2%	503.07
Korea	51%	Neutral	Bullish	Bullish	Bearish	-0.5%	-9.8%	-14.7%	841.74
Malaysia	33%	Bearish	Bearish	Neutral	Bearish	-13.6%	+0.2%	-3.6%	820.47
Mexico	44%	Bearish	Bullish	Neutral	Bearish	-4.4%	+4.2%	+23.2%	7,370.38
Philippines	33%	Neutral	Bearish	Bearish	Neutral	-16.6%	-32.1%	-48.1%	1,550.60
Poland	41%	Bearish	Neutral	Neutral	Neutral	-12.1%	-3.2%	+0.9%	19,474.40
Portugal	40%	Neutral	Neutral	Bearish	Neutral	-8.3%	-1.8%	+17.6%	2,825.21
Russia	35%	Bearish	Bullish	Neutral	Bearish	-13.2%	+3.2%	+34.2%	1,857.18
Singapore	43%	Bearish	Neutral	Bullish	Bearish	-3.9%	-16.8%	-6.2%	2,092.63
Sth Africa	34%	Neutral	Bearish	Bearish	Bearish	-5.7%	-21.2%	-5.0%	7,723.62
Taiwan	33%	Neutral	Bearish	Neutral	Bearish	-18.4%	-7.7%	-0.2%	8,173.08
Thailand	29%	Bearish	Bearish	Neutral	Bearish	-23.5%	-33.0%	-40.7%	322.87
Turkey	53%	Bearish	Bearish	Bullish	Bullish	-24.6%	-26.7%	+89.8%	13,433.00
Venezuela	67%	Bullish	Bullish	Bullish	Bearish	+19.5%	+23.0%	+21.0%	7,047.83

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

Stockmarkets recovered a little over the last month, slightly raising the value of most of our international investments.

The four investment trust warrants in our portfolio continue to trade at 35-45% discounts to their fair value - so these remain attractive securities to Buy and Hold. Even conservative investors can do better buying these under-valued warrants - and put some money in the bank - rather than simply buying an unleveraged investment fund.

We shall continue to focus our portfolio on Asia and Emerging Stockmarkets. Asian economies should continue to perform well as a result of the significant restructuring that followed the 1997-98 crisis. Emerging Stockmarkets should ultimately benefit from a foreign investment out of the United States (i.e. US investors are very under-weighted in international equities) and the impact of the internet (e.g. with its impact of decentralisation and niche market).

Current Advice	Investment Fund	EPIC Code	Initial Recommendation			Prem/ Disc to Net Assets	Recent Price		Gain or Loss %
			--- Date ---	Offer Price Foreign	NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Asia									
HOLD	AIB Govett Greater China Fund	*	13/08/96	212.9p	480.4		223.37-238.36p	739.7	+54
BUY	Fleming Asia WARRANTS	FAIW	07/03/00	43.8p	141.7		30.75p	98.5	-30
BUY	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		29.0p	92.9	+87
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		218.44-233.09p	723.4	+587
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		55.30-58.70p	182.6	+72
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		209.50-223.20p	693.2	+44
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		24.25p	77.7	+2
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-16%	198.0p	634.4	+44
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	+1%	144.5p	463.0	+63
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		81.60-87.69p	271.2	+30
Thailand									
HOLD	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		47.54-51.96p	159.4	+2
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		73.28-77.55p	241.6	+108
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		29.0p	92.9	-22

* United Kingdom based Unit Trust

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Fidelity Asian Values** shares at 99 pence (-9%, i.e. 10% below net asset value), **Fleming Asian** shares at 112¾ pence (-11%), **Schroder Asia Pacific** shares at 94 pence (-13%), **Templeton Emerging Markets** shares at 127¼ pence (-19%), **Baillie Gifford Shin Nippon** warrants at 63 pence, **Invesco Japan Discovery** warrants trade at 74½ pence.

Investment Fund Survey

Our *Investment Fund Survey* is a very important part of *International Investor*. The survey evaluates the risk-adjusted performance of funds by comparing their returns against that of the share index in the country (or countries) where they invest. Information from this survey - together with further analysis - is then used to make the individual selections of funds that we formally recommend for investments.

Our fund database, however, has become so large that the quarterly *Investment Fund Survey* has become very large and time consuming - leaving little space or time to provide other features in the newsletters. Therefore we are splitting the *Investment Fund Survey* into two parts: International, United States, United Kingdom, European and Germany funds will be covered in the first newsletter of every quarter (i.e. January, April, July and October) while New Zealand, Australia,

Gold & Mining, Emerging Markets, Latin America, Far Eastern, Hong Kong, Korea, Thailand, India and Japan funds - plus a new *Technology* funds section - will be covered in the second newsletter (i.e. February, May, August and November).

Our *Listed Investment Trust Warrant Analysis* will be moved to the final issue of each quarter (i.e. March, June, September and December).

From this month we have also split out *smaller companies* funds from the United States, United Kingdom, Europe and Japan sections - with the performance of these smaller company funds compared against a more appropriate smaller company share index.

Why Invest Internationally Through Investment Funds

There are many reason for investing internationally

through investment fund rather than through direct investment in foreign equities.

One of the main reasons is diversification. As investors we would need to buy shares in around 10 shares in each country to achieve a reasonable level of diversification. That requires a lot of research into individual companies in all of the stockmarkets in which we wanted to invest. That would also require a larger initial investment - and higher transaction costs - than investing via a unit trust (where the minimum investment usually NZ\$1500-3000) or a listed trust (where there is no minimum, but where an economic minimum may be NZ\$2000-3000).

Investing through managed funds also simplifies the management of foreign investments. You don't need to worry about foreign exchange, dealing with different brokers in different countries, language problems - or what to do with small foreign currency dividends!

UK based managed funds are also the most *tax efficient* way for the NZ resident to invest internationally. Most NZ based funds either pay 33% realised capital gains taxes or 33% *unrealised* capital gains taxes (under the Foreign Investment Fund rules). Australia *listed* funds pay Australian capital gains taxes (currently at 17%), while Australian units trusts distribute their realised capital gains as *Income* - on which a NZ

resident will pay income tax at up to 39%. UK unit trusts *and* UK listed trusts are exempt from UK capital gains taxes, and a NZ resident invest will pay no capital gains tax on *investments* in these UK securities.

United Kingdom Stockbroker

As UK based funds offer significant tax advantages and lower operating costs than NZ and Australian funds it makes sense to invest mainly through UK based funds.

While NZ investors can buy UK *listed* investment trusts through most NZ brokers the cost of usually fairly high - from brokerage rates of about 1-2% and minimum charges of £50-100. There can also be delays selling - with signed transfers often *mailed* to the UK *before* a sell transaction is placed in the market! It therefore quicker, easier and cheaper to deal direct with a UK based broker.

Some UK stockbrokers will also assist with the purchase and sale of unit trust investments - with a few rebating some of the initial 2-3% commission they receive from the fund management company.

We have that the **FasTrade** (www.fastrade.co.uk) discount internet stockbroking service is excellent. Brokerage rates are 0.5%, with a minimum of £15 and a maximum of £30. The company also rebates charges that same brokerage on unlisted units trusts, but rebates the full 3% sales commission.

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth

INTERNATIONAL

AUSTRALIAN BASED UNIT TRUSTS

Avoid	AMP Multi-Mgr Global	Medium	-8%	0.63	56	21	0
Avoid	ANZ International Markets	Medium	-20%	0.63	2	4	-2
Avoid	AXA NM World Growth	Medium	-9%	0.38	60	8	1
Avoid	Advance International	Very Low	-12%	0.44	45	4	8
Avoid	Advance Worldwide Share	Low	-12%	0.58	39	1	1
Avoid	Aust Unity Int'l Share	Medium	-17%	0.54	4	0	0
Avoid	BT Sel Mkts International	Very High	-9%	0.87	40	28	-4
Avoid	Challenger World Link	Medium	-16%	0.31	-1	-1	-17
Avoid	Citicorp Inv Port Global	Medium	-17%	0.41	6	2	-2
	Col First State Intern'l	Medium	-1%	0.84	31	2	0
Avoid	Commonwealth Int'l Share	Medium	-7%	0.49	17	0	0
	Dresdner Global	Medium	-6%	0.57	56	15	-5
Buy	Dresdner International	High	+11%	0.64	60	-3	
	Fidelity Perp. Int'l	Medium	-1%	0.71	82	26	-1
	HSBC Flexi-Trt Int'l Trt	Medium	-5%	0.56	61	24	-1
Avoid	Invesco International	High	-11%	0.62	37	22	-6
	JB Were International	Medium	-6%	0.68	22	0	0
	MLC Aust - Platinum Gbl	Medium	-1%	0.38	50	18	-19
Avoid	MLMAM International Gth	Medium	-8%	0.56	22	-3	
Avoid	Macquarie S/M Int'l Share	Medium	-20%	0.42	-6	2	
	NAFM Inv Trt - Global	Low	-6%	0.61	49	18	-1
	Perpetual ICSav - Int'l	Medium	-2%	0.73	28	0	0
	Roth FA Global Small Coy	High	-4%	0.38	19	10	-25
Avoid	Roth FA Int'l Share	Very High	-16%	0.59	24	12	-12
Avoid	Tower International Gth	Medium	-13%	0.28	7	4	
	Tyndall Aust Int'l No 1	Low	-5%	0.73	75	12	3
Avoid	Westpac International	Medium	-17%	0.38	17	0	1

NEW ZEALAND BASED UNIT TRUSTS

Avoid	AJ International Share	Medium	-4%	0.67	62	18	-6
Avoid	AMP International Share	Low	-7%	0.62	51	12	-2
	AMP Passive Int'l Share	Medium	+5%	0.60	24	-1	
Avoid	ANZ World Equity Trust	Low	-7%	0.72	48	15	0
	ASB World Shares	Medium	-3%	0.64	18	-4	
Avoid	BNZ International Equity	Medium	-10%	0.66	38	15	4
	BT Life Int'l Share	Medium	-3%	0.86	28	1	
Avoid	BTIS International Share	Low	-7%	0.80	22	1	
Avoid	Col FS Global Property	Very Low	-24%	0.38	-1	4	
Avoid	NZ Guardian Global	Very Low	-10%	0.56	33	14	1
Avoid	NZFM Global Equity Gth	Medium	-7%	0.64	52	14	1
	NZFM Global Small Coys	Medium	+1%	0.56	86	42	-7
Avoid	NZFM Global Prop & Infra	Medium	-8%	0.43	47	5	-8
Avoid	NZFM Global Blue Chip	Very Low	-13%	0.34	23	2	5
Avoid	Nat Bank Int'l Equity	Very Low	-8%	0.76	49	17	3
	Royal & Sun Int'l S/Mkt	Low	-3%	0.65	22	-3	
	Tower Global Equity	Low	-4%	0.60	62	18	-4
	Tower Tortis Intern'l	Medium	-6%	0.66	94	23	1
Avoid	Westpac Emerging Opps.	Very High	-8%	0.67	23	31	-10
	Westpac International	Low	-6%	0.75	48	16	2

NEW ZEALAND BASED INSURANCE BONDS

Avoid	Royal Sun All Global Fd	Medium	-7%	0.75	49	20	-1
Avoid	Sov. Super Int'l Equity	Medium	-18%	0.53	6	14	-0

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth

UNITED KINGDOM BASED UNIT TRUSTS

	ABN AMRO Global Growth	Very High	+1%	0.80	44	-3	
	Abbey Global Growth	Very Low	-5%	0.10	50	10	3
	Abbey International	Low	-2%	0.79	77	19	4
	Abbey Nat'l International	Medium	-4%	0.74	78	27	2
	Aberdeen World	Medium	-4%	0.90	78	20	0
	BG International	Very Low	-2%	0.17	109	36	33
	Barclays Worldwide	Medium	-3%	0.89	81	23	3
	Baring Global Growth	Very High	+6%	0.92	150	30	-1
	Britannia Intern'l Spec Sits	High	+3%	0.71	106	30	-5
	Canada Life International Gth	Medium	-2%	0.78	94	34	2
	Clerical Medical UK & Overseas	High	-2%	0.87	81	18	-6
	Dresdner Global Equity	Medium	-4%	0.81	84	16	1
	Equitable International	Medium	+0%	0.84	85	36	2
Buy	Exeter Warrant	Very High	+16%	0.89	219	68	4
Buy	Fidelity Managed Int'l	Very High	+9%	0.66	169	30	-5
	Fleming Private Global Opport.	Medium	+3%	0.80	112	29	-2
	Fleming Private W'wide Capital	Medium	+5%	0.81	124	35	-2
Buy	Framlington International	High	+7%	0.87	136	46	-4
	Friends Prov. International	High	+1%	0.91	109	29	-2
	GA International Growth	Medium	-1%	0.94	29	0	
	GRE International	Medium	-3%	0.91	83	22	-2
Buy	Gartmore Global Utilities	Medium	+15%	0.69	193	41	-6
	Henderson Independent Port.	Medium	+1%	0.93	94	24	-2
	Henderson International	Medium	+2%	0.92	103	37	1
	Hill Samuel Int'l	Medium	-2%	0.81	102	22	4
	Investec GF Global Privat'n	High	+0%	0.79	97	40	5
	Legal & General Global Gth	Medium	-2%	0.92	91	29	2
	Legal & General Worldwide	Medium	-2%	0.93	88	19	1
	Lincoln Global	Medium	-3%	0.90	86	32	4
	M & G International Gth	Medium	-4%	0.85	79	28	1
	MGM International Equity	Medium	+6%	0.84	126	38	2
	Marlborough International	Medium	-0%	0.52	60	39	-7
	Martin Currie International	High	+0%	0.93	88	42	-0
	Mercury International	High	+3%	0.85	101	30	-2
	Murray Worldwide Equity	Very High	-1%	0.93	95	33	-2
	NPI Global Care	Medium	+2%	0.69	103	29	-4
	Newton International	Very High	+4%	0.86	113	44	-5
	Old Mutual Fund Worldwide	Medium	-0%	0.84	111	20	-0
	Pearl International	Medium	-1%	0.89	90	24	-1
	Perpetual Int'l Emerging Coys	High	+5%	0.84	119	38	-1
	Perpetual Int'l Growth	High	-1%	0.87	94	25	1
	Perpetual Worldwide Recovery	High	+1%	0.87	104	26	1
	Premier Global 100	Medium	+2%	0.72	119	32	-0
	Prudential Global Growth	Medium	-6%	0.75	71	10	2
Avoid	Prudential Int'l Growth	Low	-8%	0.70	61	10	4
	Royal & Sun All. Intern'l Gth	Medium	-2%	0.87	86	20	0
	Royal London International	High	+0%	0.89	91	26	-7
	Scottish Life Worldwide	High	-1%	0.78	80	36	-2
	Scottish Mutual Worldwide Vent	Low	-2%	0.75	78	21	1
	Scottish Mutual International	Medium	+1%	0.67	100	35	3
Buy	Scottish Widows' Global	High	+7%	0.90	128	42	1
	Singer & Freidlander Global	Medium	+3%	0.93	121	29	-0
	Sovereign Int'l Growth	High	+2%	0.93	117	38	1

(Continued on Page 4)

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
	St. James's Place Int'l	High	+5%	0.67	126	42	-2
	Sun Life of Canada W/Wide Gth	Medium	+1%	0.87	102	26	-1
AUSTRALIAN LISTED INVESTMENT TRUSTS							
	BT Global	High	-1%	0.42	111	43	17
	Platinum Capital	Very Low	+2%	0.12	74	47	14
Avoid	Templeton Global	Very Low	-14%	0.01	16	-12	17
NEW ZEALAND LISTED INVESTMENT TRUSTS							
	World Index Fund	Medium	+4%	0.76		30	0
UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
	Alliance Trust	Low	-6%	0.45	76	8	3
	Anglo & Overseas Trust	High	+5%	0.65	139	32	4
	Bankers Investment	Medium	-5%	0.62	74	22	8
Buy	Brunner Invest. Trust	Very High	+7%	0.78	122	59	-2
	Capital Gearing Trust	Very Low	-0%	0.13	72	6	-2
	Edinburgh Investment	High	-4%	0.78	82	15	-2
	Edinburgh Worldwide	Very High	-2%	0.76		26	-5
	English & Scottish	Very High	-6%	0.66	71	26	2
Buy	F & C Smaller Companies	Medium	+7%	0.54	106	42	-8
	Fleming Overseas	Medium	+3%	0.81	119	39	7
Buy	Fleming Mercantile	Very High	+8%	0.69	127	59	-3
	Foreign & Colonial	Medium	+1%	0.70	109	31	6
Avoid	Govett High Income IT	Very Low	-11%	0.27	50	3	1
Buy	Henderson Strata Inv	Very High	+20%	0.53	178	105	-14
Buy	Henderson Smaller Coy	Very High	+13%	0.65		56	-26
Buy	Jupiter Primadona	Very High	+13%	0.48	155	17	-23
Avoid	Law Debenture Corp.	Low	-13%	0.42	48	3	14
	Majedie Investment	Very Low	-4%	0.37	73	6	3
	Martin Currie Portfolio	Low	-3%	0.69		21	4
	Mid Wynd Invest Trust	Medium	+6%	0.54	95	50	-3
	Monks Investment	Medium	+2%	0.82	104	33	0
Avoid	Murray International	Medium	-9%	0.65	61	27	8
	Orxy International	Very Low	-0%	0.07	74	36	13
	Personal Assets Trust	Very Low	-2%	0.27	86	8	7
	Ptarmigan International	Medium	+2%	0.44	93	43	7
	RIT Capital Partners	Low	+5%	0.50	124	30	1
	Scottish Invest. Trust	Medium	-2%	0.76	93	24	1
	Scottish Mortgage & Trt	Very High	-1%	0.80	96	28	-5
Buy	Scottish Value	Very High	+15%	0.55	137	70	-14
	Scottish American Inv.	Medium	-1%	0.78	90	18	-2
	Second Alliance	Medium	-6%	0.66	75	9	-1
Avoid	Secs Trust of Scotland	Medium	-10%	0.61	48	11	1
Buy	Tribune Trust Managed	Very Low	+9%	0.31		22	-4

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
	Warrants & Value	Medium	+6%	0.53	133	45	4
	Witan Investment Coy	High	+0%	0.88	113	29	0
UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL							
Buy	Asset Management	Very Low	+28%	0.01		102	5
	British Assets Trust	Medium	-6%	0.46	78	15	10
Avoid	Fleming W/wide Income	Very High	-14%	0.31	55	9	11
	Jupiter Int'l Green IT	Very High	+4%	0.40	78	47	-17
	Murray Global Return	Very High	-3%	0.29		22	-1

UNITED STATES

AUSTRALIAN BASED UNIT TRUSTS

Avoid	BT Sel Mkts American Gth	Medium	-12%	0.43	56	32	-3
	Fidelity Perp. America	Medium	-6%	0.74	81	13	-0

NEW ZEALAND BASED INSURANCE BONDS

Avoid	Royal Sun All Nth Amer	Very Low	-8%	0.35	56	16	-1
Avoid	Sov. Super Nth America	Very Low	-17%	0.24	18	19	0

UNITED KINGDOM BASED UNIT TRUSTS

	Abbey American Growth	Very Low	+5%	0.42	145	36	-2
Buy	Abbey US Emerging Companies	Low	+32%	0.12	443	118	7
	Aberdeen American Opport.	Low	-2%	0.38	114	41	-0
Avoid	Aberdeen North American	Low	-11%	0.62	76	11	1
	Barclays America	Low	+0%	0.61	143	23	2
	Baring American Gth	Medium	+4%	0.54	183	35	3
Buy	Britannia American	Very Low	+9%	0.32	200	36	-1
	CCS North American	Very Low	+2%	0.49	165	31	4
	Canada Life North American	Medium	-4%	0.58	125	19	2
	Cavenove North American	Low	-3%	0.73	100	8	2
	Clerical Medical American	Very Low	+1%	0.44	140	24	-0
Buy	Credit Suisse Transatlantic	Low	+8%	0.53	198	38	4
Buy	Deutsche American Growth	Medium	+9%	0.55	204	51	-1
	Deutsche US Index	Low	-2%	0.58	130	23	2
Buy	Dresdner North American	Low	+7%	0.48	202	40	1
	Equitable North American	Low	-5%	0.71	101	13	4
Buy	Fidelity American	Low	+14%	0.23	286	19	-11
Buy	Fidelity American Spec Sits	Low	+23%	0.14	330	86	-7
Buy	Fleming Select America	Low	-0%	0.57	140	29	4
Buy	Framlington American Gth	Very Low	+21%	0.34	330	64	-2
	Friends Prov. American	Medium	+1%	0.70	145	28	1
	GA Nth American Growth	Low	-0%	0.52		29	2
	GRE North American	Medium	-0%	0.66	139	32	1

Investment Trust Survey Information.

Fund Listings. Unit trusts are listed under the country where they invest, and then sub-divided according to the country where the Fund Manager is based. For example, "Australian Funds" hold principally Australian shares and other Australian investments although these unit trusts may be based in either the UK, NZ or Australia.

Risk Ratings. Most equity unit trusts follow general stockmarket trends but some are far more volatile than others. The "Risk Rating" measures just how volatile a trust is relative to the stockmarket in the country where it invests. "Very High" and "High" risk funds will usually rise very fast during a Bull Market (i.e. during a rising stockmarket trend) but will also fall fastest in value when the stockmarket dips. "Low" and "Very Low" risk funds will experience smaller price fluctuations.

Superiority Ratings. The "Superiority Rating" is the most important statistic for selecting the best managed funds to buy and the worst managed funds to avoid. The "Superiority Rating" shows whether a fund's actual return was above or below its expected return based upon its volatility. For example, if the stockmarket rises 10% then a fund with a volatility of 1.5 would be expected to rise 15% (i.e. 10% x 1.5). If the fund rose 20% it would have a "Superiority Rating" of +5%. On the other hand, if the fund rose only 10% it would be given a "superiority rating" of -5%. (Actually, the "Superiority Ratings" are calculated from a statistical analysis of each fund's monthly performance over the last three years, with extra importance given to its performance over the latest twelve month period.)

Many unit trusts that beat the stockmarket by a substantial margin during the Bull Market years of 1986-87 simply invested in very risky, volatile shares and were not really managed in a superior way. Only funds that perform better than can be expected from their volatility (or risk exposure) can be said to be benefiting from genuinely superior management.

Current Advice. The "Superiority Rating" measures the annual amount by which a fund's performance is above or below its expected return based upon its level of risk exposure. As a high "Superiority Rating" indicates excellent management of the fund's investment portfolio these trusts are automatically given "Buy" recommendations.

A negative "Superiority Rating" shows poor investment results and the unit trusts with the worst management record have been given an "Avoid" recommendation.

Market Correlation. The "Market Correlation" measures how closely a fund's price follows general stockmarket movements (in the country where it invests). Correlations, which statisticians call R^2 ("R-squared"), vary from 0 (no correlation) to 1 (100% correlation). Most equity unit trusts have "Market Correlations" between 0.60 and 0.95.

Investors who buy and sell unit trusts on the basis of "market timing" should choose funds with high market correlations. The performance of these funds will closely reflect general stockmarket movements. Other investors may wish to minimise the impact of general stockmarket fluctuations and buy trusts with lower market correlations.

How to Maximise Profits from this Unit Trust Survey.

First decide whether you want to invest in a unit trust that holds New Zealand, Australian, International, United Kingdom, European, Japanese or Gold & Mining shares, then turn to the appropriate section.

If you expect the stockmarket to rise strongly (in the country where the fund invests) the "High" and "Very High" risk funds with high superiority ratings and high market correlations will be your choice.

If uncertain about the general stockmarket trend then "Medium", "Low", or even "Very Low", risk unit trusts with the highest superiority ratings will be the best investments.

Most NZ based and Australian based unit trusts are sold through sharebrokers and other commission sales organisations. UK based trusts are not sold through NZ agents but may be bought and sold (by telephone or by post) directly from the management organisations, through Chelsea Financial Services who rebate 2% of the initial sales charge or through UK internet broker FasTrade (www.fastrade.co.uk) who rebate 3%. Addresses and telephone numbers may be found in the unit trust section of leading UK newspapers (available at major public libraries), on the at Financial Times internet site (www.ft.com) or from "International Investor". Prices can also be found at the TrustNet web site (www.trustnet.co.uk).

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
Buy	Sanwa European Gth	Medium	+11%	0.25	168	54	3
	Schroder European	Medium	+4%	0.26	141	46	4
	Scottish Amicable European	Very Low	-1%	0.17	99	23	6
	Scottish Life European	Medium	+1%	0.26	120	36	4
	Scottish Mutual European	Medium	+3%	0.24	125	37	4
Buy	Scottish Widows' Europe	High	+8%	0.28	165	46	0
Buy	Singer & Freidlander Cont'l	Medium	+7%	0.23	160	40	2
Buy	Societe Generale European	High	+9%	0.31	62	4	
	Sovereign European Gth	Medium	+5%	0.23	145	47	1
	Stewart Ivory European	Very High	+2%	0.25	133	44	-3
	Sun Life of Canada European	High	-1%	0.29	118	31	1
	Tilney European Growth	Medium	-5%	0.34	33	4	
	Un Friendly European	Medium	-0%	0.20	30	2	
UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
Avoid	Central European Gth	Low	-12%	0.06	18	39	-13
	Charter European Trust	Very High	+6%	0.26	48	11	
	Euroland Plus	Very Low	+1%	0.01	15	1	
	F & C European	Low	+6%	0.12	161	56	5
	Fidelity Euro V.	High	+6%	0.16	159	76	5
Avoid	First Ireland IT	Very Low	-15%	0.02	43	-10	5
	Fleming Cont'l Europe	Medium	+1%	0.18	138	60	9
	Gartmore Irish Small	Low	+2%	0.09	91	37	-11
Buy	Gartmore European	High	+10%	0.19	213	73	4
	Martin Currie European	Very High	+4%	0.24	161	72	5
	Mercury Euro Priv.	Medium	+3%	0.20	129	31	3
Buy	Perpetual European	High	+8%	0.18	67	10	
UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL							
Buy	Henderson Eurotrust	Very High	+17%	0.17	296	88	3
Buy	Jupiter European IT	High	+18%	0.19	251	131	10
Buy	Legg Mason Euro Util.	Very Low	+12%	0.02	264	50	5
Buy	SR Pan-European	Medium	+33%	0.07	250	137	-11

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
EUROPE SMALLER COS							
UNITED KINGDOM BASED UNIT TRUSTS							
Buy	BG Euro Small Coys	Very High	+2%	0.24	128	81	-6
	Deutsche Europa	Very High	+16%	0.19	215	126	-8
Buy	Dresdner European Spec Sits	Very High	+23%	0.15	263	116	-18
	F & C European Smaller Coys	High	+5%	0.20	148	39	-7
Buy	Fleming Select Cont Euro Sm Co	Very High	+18%	0.20	236	111	-14
Buy	Framlington Cont'l Sm Coys	Medium	+17%	0.12	221	124	-3
Buy	Henderson European Small Cos	Very High	+24%	0.15	257	131	-10
Buy	Invesco European Smaller Coys	Very High	+21%	0.17	294	101	-12
Buy	M & G European Smaller Coys	Very High	+27%	0.17	323	141	-4
Buy	S & P Euro Small Coys	Very High	+19%	0.18	238	111	-15
Buy	Schroder Euro Small Coys	Very High	+11%	0.24	173	97	-5
Buy	Stewart Ivory European Small	Medium	+15%	0.14	201	107	2
UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
Buy	Fleming Euro Fledgeling	Very High	+31%	0.19	366	183	-13
Buy	Invesco Continental Sm	Very High	+26%	0.30	157	-9	
Buy	TR European	High	+20%	0.17	253	142	6

GERMANY

UNITED KINGDOM BASED UNIT TRUSTS							
Buy	Baring German Growth	Low	+32%	0.56	293	69	-8
UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
Avoid	East German Inv Trust	Very High	-42%	0.29	-43	-50	-17

Best Managed Investment Funds

Some of the funds that rate well in our *Investment Fund Analysis* include unit trusts **Exeter Warrant & Global Opportunities**, **Gartmore Global Utilities** and **Invesco GT European Growth** plus listed investment trusts **AIM Trust**, **Asset Management Investment Company** and **Scottish Value Trust**.

Exeter Warrant & Global Opportunities is a "fund offunds". This UK unit trust invests in *listed* investment trust shares and investment trust warrants. Both shares in *split capital* trusts and warrants give this unit trust a leveraged portfolio.

Exeter Warrant is a small fund with assets of just £6.5 million under management. Its biggest investments are in Gartmore Select Japan (6.6% of the portfolio), Enhanced Zero (6.0%), Jupiter European (5.9%), Templeton Emerging Markets (4.8%), Fleming American (4.7%), Law Debenture (4.4%), Mercury European warrants (4.3%) and US Smaller Companies (4.2%).

The largest investments are in funds that invest in the United Kingdom (34.5%), followed by Europe (22.4%), North America (17.2%), Japan (9.2%) and the Far East (8.3%).

There is a 5.5% bid/offer spread (part of which may be rebated if units are purchased through Fastrade or Chelsea), a 1.25% annual management fee and the minimum initial investment is £1000. There has been no net income available for distribution.

The *potential* disadvantage of this fund is the double management fees - once set extracted by the listed trusts and then a second set by the unit trust manager. Nevertheless, this fund has been well managed and earned above average (risk adjusted) returns. Exeter Warrant & Global Opportunities could be considered by investors willing to accept above average risks but wanting a managed, international portfolio.

Gartmore Global Utilities outperformed the market during 1998 and recently has invested heavily in Telecommunications stocks, so continues to rate well in our *Investment Fund Survey*.

At least 50% of the portfolio will be invested in the UK and Europe (currently UK 30.7%, Europe 28.0%), with North America (28.1%) accounting for the majority of other investments. The fund also seeks "a reasonable level of income" although the current yield is only 0.3%.

This fund combines the excitement (and potential?) of Telecommunications/Internet stocks with the relative safety of other Utilities (i.e. Electricity, Gas). Correctly balancing those sectors could be very successful. Incorrectly managed, a low risk Utilities fund could become a high risk Technology fund.

Invesco GT European Growth is rated as one of the best managed European unit trusts in our current *Investment Fund Survey* - and has consistently rated well in the past.

Invesco GT European Growth is a very large fund, with assets of £2,829.8 million. At present that is invested in Germany (32.1% of the portfolio), France (12.1%), Finland (10.8%), Netherlands (9.4%), Switzerland (7.7%), Sweden (6.8%), United Kingdom (3.0%), Spain (2.9%) and Ireland (2.7%), with 7.2% held in cash. The portfolio is weighted towards Information Technology shares (30.8% of the portfolio) but is otherwise well diversified across industrial sectors. The top ten shareholdings make up just 36.6% of the portfolio.

In line with similar UK unit trusts, there is a 6.5% bid/offer spread, a 1.5% annual management fee and a minimum initial investment of £1000. The fund offers "Income" units (i.e. income is distributed in October) and "Accumulation" units (i.e. income is still taxable to the investor, but retained to (Continued on Page 8)

Best Managed Funds (Continued from Page 7)
increase the value of the units).

This is a well diversified European fund that just keeps on performing well - suggesting superior management - and earning the fund a +14% *Superiority Rating*. Investors wanting an exposure to European stockmarkets should seriously consider this UK based unit trust.

The AIM Trust (code ATR) is a £181.3 million listed investment trust that seeks long term capital growth by investing in the *very small* UK companies that are traded on the *Alternative Investment Market*.

The shares in which the trust invests can be very volatile and can also lack liquidity - although very small company shares can make excellent investments. The trust is reasonably well diversified, with the ten largest holdings making up just 42.5% of the portfolio. The strong performance of the fund over the last year has no doubt been helped by the spectacular performance of many small technology shares. Shares in AIM Trust currently trade at a 10% discount to net asset backing.

Asset Management Investment Company (code AMN) is an unusual investment company. The company holds both listed and unlisted shares in companies involved in Investment Management. The company holds a £21.2 million portfolio invested in the fund management companies in the United Kingdom (42% of the portfolio), the United States (31%), Europe (20%) and Pacific (5%). The largest individual investments are in **IFDC** (19.0% of the portfolio), **Ely Fund Managers** (14.4%), **City of London Group** (12.4%), **Marque Millennium** (9.6%), **Thornhill Holdings** (7.2%), **Aberdeen America** (6.4%), **Regent Pacific** (5.1%), **Midhurst Asset Management** (4.9%), **Mayberry Group** (4.2%) and **Clark Capital Management** (3.2%).

Asset Management Investment Company is a "split capital" trust, with its capital consisting of 5,800,000 Zero Dividend Preference shares (which will be repaid at £2.00 out of capital in October 2006) and 11,500,000 ordinary income shares (which receive all of the income and all of the capital remaining after the ZDP shares have been repaid). In addition, there are 1,007,403 warrants to buy the ordinary shares at 99.2 pence in January 2002.

Investment Management can be a volatile business. If the stockmarket were to decline and remain depressed, then the value of the trust's investments would decline substantially. On the other hand, Investment Management has been a business that has grown rapidly over the last two decades (along with the stockmarket boom, privatisation and the growth in retirement savings) and created significant wealth for the owners of the management companies.

Subject to volatility, this fund could be an attractive long term investment - with the January 2002 warrants offering a leveraged entry into the company. The shares recently traded at a 10% discount to net assets.

Scottish Value Trust (code SCV) is a "fund of funds". That is, this listed investment trust owns shares in other listed investment trusts and investment companies.

Scottish Value Trust also considers itself a "catalyst for the release of value for shareholders". That means that the trust will buy into other trusts that *trade at a significant discount to net asset value*, and then pressure management to take steps to increase the share price. Those steps may include (1) a share buy-back, (2) converting to a unit trust or OEIC (i.e. open ended investment company) where units can be redeemed at net asset value, (3) seeking to have the trust taken over (at a value closer to net assets) by another trust or (4) liquidating a trust.

This £97.6 million trust's main investments are: Enterprise Capital Trust (16.1% of assets), Thompson Clive Investments (11.5%), First Hungary Fund (8.9%), Jupiter European (7.0%), JF Japan OTC (6.7%), Mercury European (5.7%), Chaucer Holdings (3.3%), JF Fledgeling (3.1%), Edinburgh New Tiger (2.9%) and SVB Holdings (2.9%). By country it is invested in the United Kingdom (31.1% of assets), Europe (27.6%), North America (14.4%), Far East (12.7%) and Japan (12.6%).

The trust can leverage its portfolio by borrowing up to an extremely high 67% of its portfolio, but currently portfolio leverage is 24%.

Scottish Value Trust's performance has been variable. It under-performed in 1998 but performed very strongly in 1999. Therefore, although it rates well at present it would not be our first choice for investment. The shares are currently trading at about a 15% discount to net assets.

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