

# 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	57%	Bearish	Bearish	Bullish	Neutral	-14.8%	-8.8%	-16.6%	3,175.50
Austria	65%	Neutral	Bullish	Neutral	Neutral	+3.0%	+5.6%	+0.3%	1,181.83
Belgium	45%	Neutral	Bearish	Neutral	Neutral	-10.6%	-3.3%	-5.8%	2,855.14
Canada	32%	Neutral	Bearish	Neutral	Neutral	-17.7%	-31.5%	-26.4%	7,474.75
Denmark	35%	Bearish	Bearish	Neutral	Bullish	-14.5%	-16.1%	-7.8%	844.20
Finland	32%	Bearish	Bearish	Neutral	Neutral	-40.2%	-33.1%	-54.3%	8,159.89
France	38%	Neutral	Bearish	Neutral	Neutral	-15.1%	-14.1%	-22.1%	3,291.92
Germany	32%	Bearish	Bearish	Neutral	Neutral	-15.7%	-12.9%	-28.3%	5,698.88
Ireland	52%	Neutral	Neutral	Bullish	Bearish	-8.0%	-0.4%	-5.5%	5,495.97
Italy	36%	Bullish	Bearish	Neutral	Bearish	-12.7%	-8.9%	-17.2%	27,508.00
Japan	32%	Bearish	Bearish	Bullish	Bearish	-9.1%	-26.3%	-43.7%	13,383.76
Netherlands	30%	Bearish	Bearish	Neutral	Bearish	-16.7%	-14.5%	-21.6%	785.40
New Zealand	34%	Neutral	Bearish	Bullish	Bearish	-14.5%	-10.6%	-32.1%	1,970.45
Norway	27%	Bearish	Bearish	Bearish	Bullish	-10.3%	-13.1%	-2.0%	732.14
Spain	35%	Bearish	Bearish	Neutral	Neutral	-8.7%	-11.0%	-21.4%	890.80
Sweden	34%	Bearish	Bearish	Bullish	Neutral	-26.7%	-32.3%	-47.5%	3,841.12
Switzerland	35%	Neutral	Bearish	Neutral	Bearish	-17.6%	-8.9%	-9.3%	6,954.90
Un. Kingdom	37%	Bearish	Bearish	Bullish	Bearish	-13.4%	-12.9%	-22.3%	5,601.50
USA	40%	Bearish	Bearish	Bullish	Bullish	-13.1%	-19.9%	-25.6%	1,128.43
Argentina	42%	Bullish	Bearish	Bearish	Bullish	-8.8%	-13.8%	-23.9%	15,922.67
Brazil	40%	Bullish	Bearish	Neutral	Bearish	-20.4%	-22.3%	-33.4%	14,484.51
Czech Rep.	36%	Bearish	Bearish	Bullish	Neutral	-17.5%	-11.2%	-35.5%	1,284.00
Chile	54%	Neutral	Bearish	Bullish	Neutral	-6.0%	-4.7%	-20.0%	4,877.83
China	29%	Bearish	Bearish	Bearish	Bullish	-4.5%	-15.0%	-23.1%	638.87
Greece	55%	Bearish	Bearish	Bullish	Bullish	-10.3%	-22.2%	-42.7%	3,054.64
Hong Kong	38%	Bearish	Bearish	Bullish	Bearish	-19.8%	-23.5%	-27.0%	12,386.61
Hungary	35%	Neutral	Bearish	Neutral	Neutral	-20.0%	-18.5%	-38.2%	6,712.66
India	37%	Bearish	Bearish	Bullish	Neutral	-14.2%	-13.3%	-35.8%	3,576.00
Indonesia	30%	Bearish	Bearish	Neutral	Neutral	-23.5%	-29.5%	-54.7%	364.34
Korea	39%	Neutral	Bearish	Bullish	Neutral	-17.9%	-30.6%	-50.1%	506.22
Malaysia	41%	Bullish	Bearish	Bullish	Bearish	-13.8%	-18.6%	-39.2%	577.44
Mexico	42%	Bearish	Bearish	Bullish	Neutral	-0.1%	-7.0%	-25.2%	5,695.26
Philippines	39%	Bearish	Bearish	Neutral	Neutral	+1.9%	-1.8%	-30.5%	1,471.13
Portugal	41%	Bullish	Bearish	Neutral	Neutral	-11.2%	-10.8%	-26.4%	2,379.61
Russia	46%	Neutral	Neutral	Neutral	Bearish	+15.9%	-9.9%	-17.3%	1,823.23
Singapore	31%	Bullish	Bearish	Neutral	Bearish	-19.4%	-17.9%	-26.5%	1,670.18
Sth Africa	38%	Neutral	Bearish	Neutral	Bearish	-10.6%	-11.9%	-16.0%	8,109.96
Taiwan	44%	Bearish	Bearish	Bullish	Bullish	+3.5%	-17.5%	-48.6%	5,515.13
Thailand	38%	Bearish	Bearish	Bullish	Neutral	-6.9%	-1.4%	-41.9%	282.02
Turkey	34%	Bearish	Bearish	Bullish	Bearish	-54.9%	-63.4%	-76.1%	8,237.00
Venezuela	54%	Bullish	Neutral	Bullish	Bearish	+5.3%	+5.5%	+20.0%	7,338.07

**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

Stockmarkets are emotional markets. At every stockmarket trough investors are steeped in pessimism. "Things are bad - and likely to get worse" becomes the common view, so investors sell depressed stocks to avoid further losses. Unfortunately it is very difficult for the individual investor (and virtually impossible for the professional fund manager) to avoid this contagious pessimism. One needs to realise that this is an emotional response to a crisis, not an intellectual analysis of the factual situation.

Most people want to buy when shares are rising and at their highs - driven by the emotion of *greed*. And they want to sell when shares are falling and at their lows - driven by the emotion of *fear*. Clearly these are the wrong times to buy or sell, but investor emotions and sentiment continue to drive stockmarkets to extremes of over-valuation and extremes of under-valuation. To succeed, investors need to act in opposition to the greed that motivates us to buy when prices are high, and the fear that makes us want to sell when prices are low.

When things look good, it always seems that they will get better, but when things are bad it seems that they will get worse. Every sunset is followed by a sunrise. Every economic recession (or depression) by an economic recovery. Every Bear Market decline is followed by a new Bull Market. Of course, that is the way things have always been. Things *maybe* different *this time*: The sun may not rise tomorrow, the world economy may never recover and stock prices may spiral down to nothing . . . but, I don't think so.

Financial markets certainly face some serious problems at the present time: A negative savings rate in the US, the end of the US internet bubble stockmarket, the impact of the *negative wealth effect* on US consumer spending. Across the Pacific Ocean is the other side of this global imbalance: low consumer spending in Japan and South East Asia, and the failure of these economies to restructure and grow.

Serious stuff! But are these current problems more serious than the Oil crisis, hyper-inflation, high unemployment, currency devaluations, third world debt crisis and the US savings and loan crisis of the 1970's and 1980's? Again, I don't think so.

On the environmental front, the threat of global nuclear war, over-population (i.e. "standing room only on the planet by the year 2000") or depleting energy supplies by 2030-2050, have been replaced by the threat of global warming, low birthrates (i.e. less than the replacement rate of 2.1 children per woman) and AIDS. As a species, humans seem to *need* to worry about *something!*

Somehow the world managed to survive all of its problems - and stockmarkets (as measured by the MSCI World Total Return Index, which covers 12 major countries) actually produced some good returns for investors. Up 95.9% (7.0% per annum) in the 1970's and up 515.3% (19.9% p.a.) in the 1980's. The 1990's also had their share of problems, but world stock prices

rose 209.5% (12.0% p.a.). Whatever the world economy and stockmarkets may hold for the current decade, the one place I don't want to invest my money is a riskless bank deposit offering a low 4% p.a. after tax!

The current crisis - like so many before - has a solution (but will, without doubt, be followed by a new series of crises in the future). Faced with an economic recession, Japan and South East Asia may finally restructure. If handled successfully, this offers a new source of economic growth for the world economy over the next few decades. In the short to medium term, the US Federal Reserve will lower interest rates to whatever level is necessary to ensure that US consumer spending does not collapse too far. US consumers, however, have overspent for a decade, resulting in the negative savings rates. Correcting that situation will have a continued negative impact on US economic growth for much of the next decade.

Half a century ago economic and political restructuring was easy. Germany's economy and political systems were very effectively restructured by bombing every major industrial city to the ground. That eliminated a currency that had suffered from hyper-inflation and released *all* labour and capital resources to rebuild a completely modern and efficient economy. The Japanese political system was also quickly restructured, with the aid of two atomic bombs - leading to rapid economic growth and the emergence of the first developed economy in Asia.

Today such restructuring methods are considered unacceptable. Foreign military forces did not consult the local population before dropping bombs on them, but democratically elected governments must answer to their people. Should they introduce some needed economic reform that (ever so temporarily) increases unemployment, then they can expect to be quickly voted out of office in favour of any political party that promises to reverse the reform process.

So the only way to pressure an elected government to initiate restructuring and reform - and the general population to accept it - is through financial markets. More and more often, countries will go to the very brink of a currency collapse or stockmarket crash (which seriously threatens the national economy and living standards) before restructuring or deregulating. Consequently, stockmarket volatility and price fluctuations may be higher than in the past - but this doesn't change the fact that over the medium to long term (e.g. a decade) the stockmarket is the best place in which to invest your money.

## **Summary and Recommendation**

Speculative, bubble stockmarkets can fall as much as 70-80%. The NASDAQ is down 66%, so prices may still fall further in the short term (i.e. 10-40% from *current* levels, but only another 5-15% from its peak). The worst may be over but *fear* will continue to drive prices to their ultimate lows.

Current economic problems are serious - just like all

of the "serious current economic problems" of the past. One way or another, the world economy will muddle through - as always. World stockmarkets will rise to a series of new highs - as always.

The only important thing at present is that Central Banks have indicated their willingness to cut interest rates to whatever level is necessary to keep economic activity from declining too far. This medicine may not

come as *fast* as investors may like, to cure ailing stockmarkets, as economic excesses and imbalances need to be at least partially corrected. But that potent medicine will continue to be drip fed for as long as it is needed.

We remain cautious short term, but an opportunity to re-invest our 35-40% cash reserve lies somewhere in the not too distant future.

## *Recommended International Investment Funds*

We continue to hold 35-40% of our international portfolio in cash. This cash holding becomes more and more valuable as world stockmarkets decline. When stockmarkets finally recover, we shall have significant buying power and be able to buy equities at depressed prices. In fact, as we hold a large cash reserve, the best thing that can happen is that stockmarkets continue to decline further in the short to medium term.

The rest of our portfolio remains invested mainly in Asian equity funds and leveraged Asian warrants. In retrospect, we clearly under-estimated Asia's ability to

resist economic and corporate restructuring following the 1997-98 crisis. An Information Technology export boom allowed restructuring to be deferred - although with the global economy now facing another crisis, restructuring may become the only option. Japan (which has avoided meaningful restructuring for over a decade) is making slight progress. Thailand's new government is aggressively acting on non-performing bank loans, which should force restructuring upon the most highly indebted companies.

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>Asian Regional</b>									
BUY	Fleming Asia WARRANTS	FAIW	07/03/00	43.8p	141.7		16.25p	57.4	-60
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		10.0p	35.3	-29
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		150.59-160.49p	549.1	+421
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		37.0p	130.7	+23
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		168.5p	594.9	+24
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		236.2p	833.9	-26
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		10.5p	37.1	-51
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-19%	136.0p	480.1	+9
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-15%	84.5p	298.3	+5
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		51.58-55.32p	188.7	-10
<b>Thailand</b>									
BUY	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		35.05-37.53p	128.1	-18
<b>International</b>									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		55.17-58.37p	200.4	+73
BUY	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	-14%	142.0p	501.3	-11
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		13.25p	46.8	-61

\* 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 54 pence (-16%, i.e. 16% below net asset value), **Fleming Asian** shares at 76½ pence (-14%), **Schroder Asia Pacific** shares at 62 pence (-17%), **Templeton Emerging Markets** shares at 107½ pence (-14%), **Baillie Gifford Shin Nippon** warrants at 34½ pence and **Invesco Japan Discovery** warrants which trade at 31 pence.

# Investment Fund Survey

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance 36 mth	12 mth	3 mth	Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance 36 mth	12 mth	3 mth
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## INTERNATIONAL

### AUSTRALIAN BASED UNIT TRUSTS

	AMP Multi-Mgr Global	Medium	-6%	0.78	3	-16	-5
Avoid	ANZ International Markets	Medium	-17%	0.66	-26	-18	-6
Avoid	Advance International	Very Low	-8%	0.36	1	5	-2
Avoid	Advance Worldwide Share	Medium	-13%	0.58	-19	-22	-9
Avoid	BT Sel Mkts International	Very High	-7%	0.84	-14	-27	-11
Avoid	Citicorp Inv Port Global	High	-18%	0.40	-40	-33	-13
	Commonwealth Int'l Share	Medium	-3%	0.53	9	-14	-7
	Dresdner Global	Medium	-4%	0.44	8	-19	-8
	Dresdner International	High	+6%	0.59	37	-23	-9
	Fidelity Perp. Int'l	Medium	-1%	0.76	21	-12	-6
Avoid	HSBC Flexi-Trt Int'l Trt	Medium	-12%	0.40	-19	-31	-5
Avoid	Invesco International	High	-14%	0.52	-29	-37	-7
Avoid	JB Were International	Medium	-7%	0.69	0	-18	-4
Avoid	Lowell International	High	-9%	0.50	-11	-31	-14
	MLC Aust - Platinum Gbl	Medium	-4%	0.38	13	-20	-2
Avoid	NAFM Inv Trt - Global	Medium	-10%	0.54	-8	-24	-7
	Perpetual ICSav - Int'l	Medium	-0%	0.76	21	-12	-7
Avoid	Roth FA Int'l Share	Very High	-11%	0.58	-20	-24	-7
	Tyndall Aust Int'l No 1	Medium	-4%	0.78	3	-15	-13
Avoid	WealthLink World Link	Low	-18%	0.20	-37	-29	-9
Avoid	Westpac International	Low	-14%	0.37	-26	-20	-3

### NEW ZEALAND BASED UNIT TRUSTS

	AJ International Share	High	-4%	0.78	12	-21	-10
Avoid	AMP International Share	Low	-7%	0.73	12	-11	-6
	AMP Passive Int'l Share	Medium	+2%	0.64	-15	-4	
	ANZ World Equity Trust	Low	-5%	0.76	20	-9	-3
	ASB World Shares	Medium	-4%	0.65	11	-24	-10
	BNZ International Equity	Low	-3%	0.67	26	9	0
	BT Life Int'l Share	Medium	-3%	0.86	-14	-7	
Avoid	BTIS International Share	Medium	-7%	0.81	8	-14	-7
Avoid	Col FS Global Property	Very Low	-15%	0.32	13	4	
Avoid	NZ Guardian Global	Low	-7%	0.57	12	-9	-5
	NZFM Global Equity Gth	Medium	-5%	0.77	16	-6	-3
	NZFM Global Small Coys	Medium	+1%	0.62	26	-23	-6
Avoid	NZFM Global Blue Chip	Very Low	-7%	0.34	22	15	-1
	NZFM Global Prop & Infra	High	-5%	0.49	15	-17	-2
Avoid	Nat Bank Int'l Equity	Very Low	-10%	0.50	-3	-21	-18
	Royal & Sun Int'l S/Mkt	Low	-4%	0.67	15	-14	-6
	Tower Global Equity	Medium	-4%	0.75	18	-15	-8
	Tower Tortis Intern'l	Medium	-0%	0.73	42	-9	-3
	Westpac International	Low	-5%	0.83	17	-9	-8

### NEW ZEALAND BASED INSURANCE BONDS

	Royal Sun All Global Fd	Medium	-4%	0.75	19	-10	-2
Avoid	Sov. Super Int'l Equity	Medium	-12%	0.55	-9	-4	-4

### UNITED KINGDOM BASED UNIT TRUSTS

	ABN AMRO Global Growth	Very High	+4%	0.75		-25	-14
Avoid	Abbey Global Growth	Very Low	-7%	0.05	22	13	4
	Abbey Global Opportunities	Medium	-5%	0.88		-11	-10
	Abbey International	Medium	-2%	0.88	20	-11	-10
	Abbey Nat'l International	Medium	-3%	0.84		-10	-6
	Aberdeen World	Medium	-4%	0.93	11	-12	-9
	BG International	Low	+5%	0.32	36	15	-7
	Barclays Worldwide	Medium	-1%	0.94	26	-5	-6
	Baring Global Growth	Very High	+3%	0.91	21	-23	-14
	Canada Life International Gth	High	+4%	0.85	38	-11	-6
	Clerical Medical UK & Overseas	High	-2%	0.88	18	-17	-8
	Dresdner Global Equity	High	-2%	0.86	10	-16	-11
	Equitable International	High	+1%	0.84	34	-12	-5
	Fidelity International	Medium	+1%	0.88		-12	-8
Buy	Fidelity Managed Int'l	Very High	+10%	0.68	62	-18	-8
	Fleming Private International	Medium	+0%	0.92		-6	-5
	Fleming Private Global Opport.	Medium	+3%	0.71	33	-12	-14
	Fleming Private W'wide Capital	Medium	+5%	0.83	42	-13	-7
	Framlington International	Very High	+5%	0.84	28	-26	-14
	Friends Prov. International	High	+2%	0.93	23	-18	-11
	GA International Growth	Medium	+1%	0.96		-12	-7
Buy	GAM International Growth	Very Low	-3%	0.39		23	7
	Gartmore Global Utilities	Medium	+9%	0.67	58	-20	-5
	Guardian International	Medium	-1%	0.92	20	-13	-8
	HSBC Tulip	High	+1%	0.81		-9	-8
	Henderson Independent Port.	Medium	+1%	0.94	23	-12	-6
	Henderson International	Medium	+2%	0.90	26	-17	-9
	Hill Samuel Int'l	Medium	-0%	0.83	22	-11	-7
	Invesco GT International	Very High	+1%	0.84		-21	-9
	Investec GF Global Privat'n	Medium	+5%	0.75	41	3	-6
	Lazard International Equity	Low	-2%	0.82		-5	-4
Buy	Lazard Worldwide Portfolio	High	+7%	0.80		-13	-3
	Legal & General Global Gth	High	+2%	0.94	34	-8	-6
	Legal & General Worldwide	Medium	-2%	0.95	20	-7	-6
	Lincoln Global	Medium	-1%	0.81	24	-13	-7
	M & G International Gth	Medium	+2%	0.89	32	-6	-5
	MGM International Equity	Medium	+6%	0.86	52	-6	-7
	Marlborough International	Medium	-1%	0.54	16	-16	-5
	Martin Currie International	High	+2%	0.91	27	-18	-6
	Merrill Lynch International	High	+2%	0.87	21	-17	-8

## Investment Fund 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](http://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 Financial Times internet site ([www.ft.com](http://www.ft.com)) or from "International Investor". Prices can also be found at the TrustNet web site ([www.trustnet.co.uk](http://www.trustnet.co.uk)).



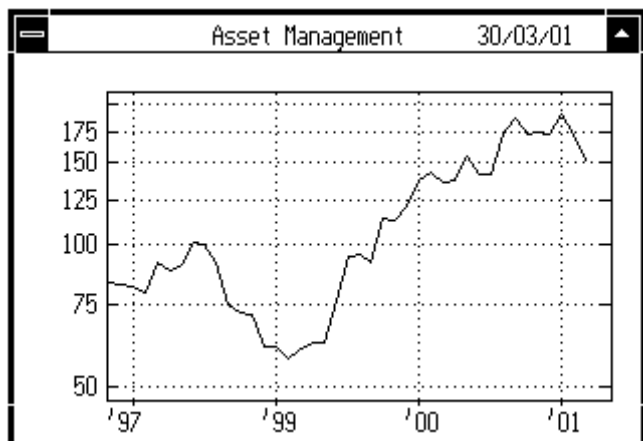




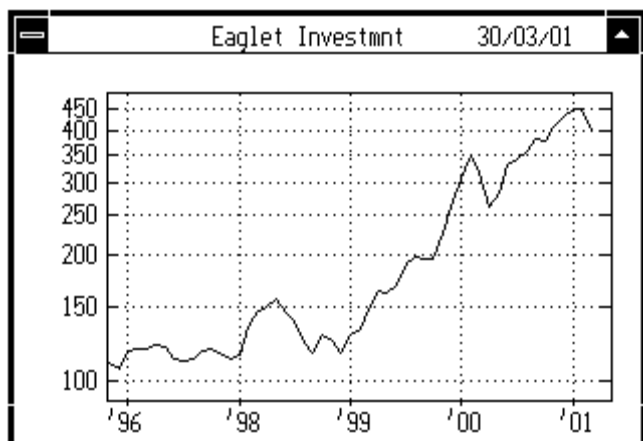
**Best Managed Funds** (Continued from Page 7)

So this fund potentially offers (1) above average long term growth and (2) large cyclical gains (owing to its high volatility) if we can time our purchase correctly. It is quite likely that Investment Management company shares will continue to decline for 2-6 months after the general stockmarket has reached bottom.

An upturn in world stockmarkets may still be several months away - but come it eventually must - and that will be the time to look very closely at making an investment in Asset Management Company shares.



**Eaglet Investment Trust plc** continues to interest us owing to its ability to identify excellent growth stocks. The fund has held up very well, despite significant weakness in the UK smaller company sector in which it invests. An outstanding long term performance has been punctuated by sharp declines in late 1998 and early 1999 - so we remain cautious owing to the uncertain short term outlook for the UK stockmarket and especially smaller company shares. When the outlook for the UK stockmarket improves we would seriously consider a formal "Buy" recommendation for this fund.



**Jupiter European Special Situations Fund** is a relatively new UK unit trust, but one that has already produced an excellent track record. Formed in February

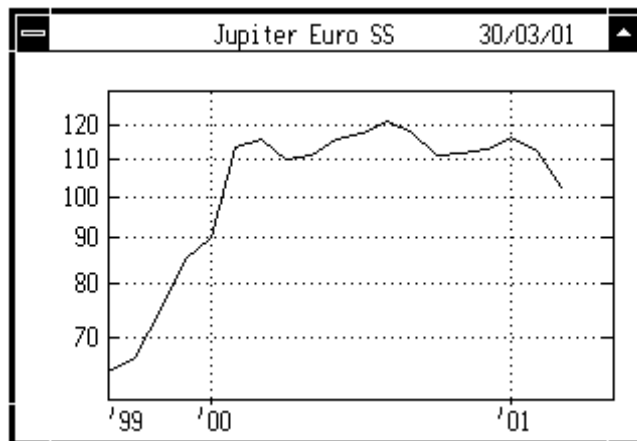
1999, this fund has already grown to £146 million by "exploiting special situations" in European equities "considered to be undervalued".

The fund is well diversified, with just 27.8% of the portfolio in the ten largest investments. Geographically, most of the investments are in Ireland (18.6% of the portfolio), the Netherlands (16.2%), France (13.3%), Germany (11.1%), Italy (9.2%), Sweden (6.1%), Switzerland (4.8%), Finland (4.5%), the UK (4.2%), Norway (1.9%), Spain (1.3%), Belgium (1.1%), Denmark (0.9%), the US (0.5%) and Canada (0.1%), plus 6.3% in Cash.

The fund performed well during most of 1999, spectacularly well in late 1999 and early 2000, and managed to maintain most of its value during the remainder of 2000 and the difficult months of 2001. This suggests the Manager was able to profit significantly from the technology boom - almost doubling the value of the portfolio in a few short months - but was then able to exit that sector and hold on to most of those gains.

The Manager is also optimistic about the current market situation "The current market turbulence . . . should suit the stock picking style of the Jupiter European Special Situations Fund. Valuation anomalies tend to emerge in such markets meaning that it becomes easier to find value in a number of quality growth stocks".

Jupiter European Special Situations Fund has a minimum initial investment of only £500. The bid/offer spread (i.e. initial sales charge) is 6.6% and the annual management fee 1.5%. The fund seeks capital appreciation, so income yield is nil.



## Next Issue

The next issue of "International Investor" will be posted in five weeks time on Tuesday May 15, 2001.

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.