

# International Investor

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## Inside International Investor

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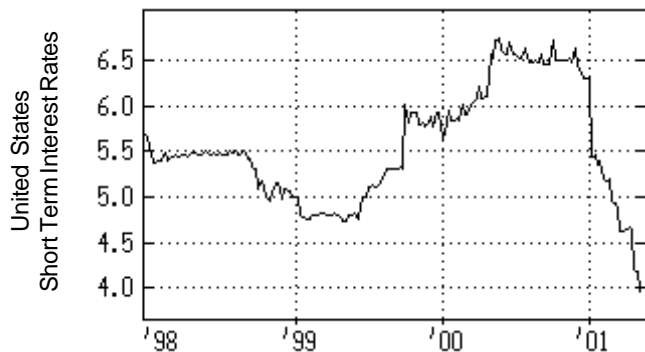
## World Stockmarket Forecasts

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	70%	Bearish	Bullish	Bullish	Neutral	-0.9%	+2.7%	-0.7%	3,326.30
Austria	61%	Neutral	Bullish	Neutral	Bearish	-0.5%	+10.7%	+0.9%	1,213.02
Belgium	40%	Neutral	Bearish	Neutral	Bearish	-10.8%	-8.6%	-5.3%	2,825.21
Canada	39%	Bearish	Bearish	Bullish	Neutral	-12.7%	-13.2%	-16.5%	8,023.67
Denmark	35%	Bearish	Bearish	Bearish	Bullish	-13.8%	-6.9%	-1.3%	890.98
Finland	43%	Neutral	Bearish	Neutral	Neutral	+5.9%	-15.3%	-42.1%	10,453.54
France	45%	Bearish	Bearish	Neutral	Neutral	-7.8%	-6.8%	-16.8%	3,570.12
Germany	37%	Bearish	Bearish	Neutral	Neutral	-10.5%	-8.7%	-19.6%	6,141.02
Ireland	64%	Neutral	Bullish	Neutral	Bearish	-2.2%	+4.8%	+8.8%	6,071.61
Italy	39%	Bullish	Bearish	Neutral	Bearish	-10.8%	-12.9%	-16.2%	28,008.00
Japan	46%	Bearish	Bearish	Bullish	Bearish	+0.3%	-17.5%	-28.3%	14,043.92
Netherlands	39%	Bearish	Bearish	Neutral	Neutral	-10.2%	-10.4%	-15.5%	841.70
New Zealand	50%	Bearish	Bearish	Bullish	Bearish	-6.8%	+1.0%	-16.4%	2,053.31
Norway	42%	Bearish	Neutral	Bearish	Bullish	-6.0%	-7.5%	+3.8%	779.02
Spain	47%	Bearish	Neutral	Neutral	Neutral	-6.9%	+0.5%	-12.9%	929.79
Sweden	26%	Bearish	Bearish	Bearish	Neutral	-12.6%	-18.1%	-39.0%	4,282.30
Switzerland	43%	Neutral	Neutral	Bearish	Bearish	-10.0%	-5.4%	-6.1%	7,518.80
Un. Kingdom	42%	Bearish	Bearish	Bullish	Bearish	-6.0%	-8.3%	-12.2%	5,896.80
USA	54%	Bearish	Bearish	Bullish	Bullish	-5.3%	-8.8%	-12.3%	1,245.67
Argentina	40%	Bullish	Bearish	Bearish	Bullish	-9.2%	-5.9%	-15.5%	15,788.39
Brazil	31%	Bullish	Bearish	Bearish	Neutral	-27.0%	-15.7%	-19.8%	14,493.20
Czech Rep.	53%	Bullish	Bearish	Bullish	Neutral	-16.7%	-9.8%	-28.1%	1,291.00
Chile	66%	Bearish	Bullish	Bullish	Neutral	-3.1%	+2.1%	-10.2%	5,213.49
China	50%	Bearish	Bullish	Neutral	Neutral	+5.1%	+4.5%	+4.6%	751.24
Greece	49%	Bearish	Bearish	Bullish	Bullish	-6.9%	-12.2%	-35.4%	3,120.39
Hong Kong	46%	Bearish	Bearish	Bullish	Bearish	-14.1%	-11.4%	-9.9%	13,636.61
Hungary	38%	Neutral	Bearish	Neutral	Neutral	-11.0%	-5.8%	-24.4%	6,949.20
India	44%	Bearish	Bearish	Bullish	Bullish	-19.8%	-9.9%	-18.8%	3,559.77
Indonesia	28%	Bearish	Bearish	Bearish	Neutral	-27.7%	-29.0%	-46.5%	370.36
Korea	48%	Neutral	Bearish	Bullish	Neutral	-4.6%	-9.7%	-32.3%	583.06
Malaysia	43%	Bullish	Bearish	Bullish	Bearish	-21.2%	-24.1%	-37.4%	571.02
Mexico	62%	Neutral	Bullish	Bullish	Neutral	+1.7%	+4.0%	+1.6%	6,110.36
Philippines	47%	Bearish	Bearish	Bullish	Neutral	-16.7%	-1.1%	-21.0%	1,484.83
Portugal	37%	Bullish	Bearish	Bearish	Neutral	-13.4%	-7.0%	-20.7%	2,352.96
Russia	57%	Neutral	Bullish	Neutral	Bearish	+14.9%	+11.1%	-5.2%	2,100.14
Singapore	41%	Bullish	Bearish	Neutral	Neutral	-16.9%	-17.5%	-19.8%	1,703.35
Sth Africa	60%	Bullish	Bullish	Neutral	Bearish	-2.9%	+3.8%	+6.3%	8,974.49
Taiwan	47%	Bearish	Bearish	Bullish	Bullish	-11.7%	-16.3%	-42.8%	5,232.72
Thailand	53%	Bearish	Bullish	Bullish	Neutral	-10.4%	+1.8%	-22.9%	310.93
Turkey	40%	Bearish	Neutral	Neutral	Neutral	-27.6%	-49.7%	-64.4%	11,779.00
Venezuela	61%	Neutral	Bullish	Bullish	Bearish	-4.5%	+11.4%	+12.6%	7,446.10

**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

On January 3rd the US Federal Reserve cut its Discount Rate by  $\frac{1}{2}\%$  - starting the current period of monetary easing. In January we discussed the "Two Tumbles and a Jump" rule which states that two successive interest rate cuts will lead to a jump in stock prices. We also noted that this rule had "a near perfect forecasting record and resulted in an average gain of 30% over the following year". We didn't have to wait long for that second interest rate cut - it was made on January 31.



Falling interest rates have improved our Monetary indicators and increased our Forecasts for most stockmarkets over the next year. Share prices have now started to respond to these improved Monetary conditions - with most market recording gains over the last month.



It is quite likely that share prices have now passed their lows in the current cycle . . . but the potential for a rapid recovery is not good. For much of the last 10-20 years the US economy has grown at a rate in excess of its long term potential - boosted by the *wealth effect* of a booming stockmarket, a *technology boom* in that sector of the economy and a negative savings rate (i.e. an excess consumption boom).

Since the start of this year the Federal Reserve has cut interest rates four times. This is in response to a weakening economy. As we have said in recent months, The Federal Reserve has indicated that it will cut interest rates to *whatever* level is necessary to maintain consumer spending and prevent a major recession. Consumer spending, however, will not go back to levels of the recent past. The US economy will experience a 2-3 year period of low growth, not a strong economic recovery.



Weak economic growth results in slow growth for goods and services - including Information Technology, where rapid growth led to the Technology stockmarket boom as investors built high growth potential into share values. Revenue and profit growth will be lower. In fact, many Technology companies have expanded production capacity and overheads in anticipation of rapid growth and will now struggle to remain profitable in a low growth environment. At the very best, investors growth expectations will be lower than in the past, so Technology shares will be valued at P/E ratios of 20-35, not 50-150.

On the positive side, *strong* economic growth can draw money out of financial markets and into the real economy (i.e. to build factories, to buy production equipment). Slow economic growth can lead to a liquidity bubble that lowers interest rates and inflates share prices.

## Summary and Recommendation

The outlook for world stockmarkets has improved considerably over recent months. We believe share prices have now passed their lows in this cycle. Depressed economic activity over the next 2-3 years, however, will likely lead to only slow growth in share values.

Investments such as our recently recommended **Legg Mason International Utilities** should perform well in this period of low growth and low interest rates.

# Recommended International Investment Funds

A year ago we had built up a cash reserve owing to the unfavourable outlook for world stockmarkets. That proved to be a well timed and prudent investment. On the other hand, we were reluctant to touch our long term Asian warrants. Being volatile securities, these have suffered badly over the last year.

Despite this weakness we remained reluctant to sacrifice a long term strategy for a short term tactical move to reduce our risk exposure. Firstly, the bid/offer spread on the warrants can range from 3-15% - and probably at its widest when the market is pessimistic and depressed. Attempting to sell and buy back later would have incurred high trading costs. Most investors (including institutions) underperform the market owing to trading costs eroding their returns. Secondly, these securities were under-valued. The trusts traded at a discount to net asset values and the warrants traded at very large discounts to their fair value. We weren't keen to sell "short" our warrants when they were so under-valued. That would really be betting against the odds!

The improvement in stockmarkets over the last month has removed some of the pressure from our warrant holdings. Fleming Asian warrants rose only 6% over the last month (and are the most attractive for new purchases), while Fidelity Asian warrants jumped 42%, Schroder Asia Pacific warrants gained 38% and Templeton Emerging Markets warrants climbed 36%.

Current values are still down substantially on a year ago, but every 10% rise in the market lifts the warrant values 15-20% . . .

## Fund News

**Baillie Gifford Shin Nippon plc** has received shareholder approval to buy back up to 14.99% of its capital. In the previous year, under a similar authority, the company re-purchased 555,000 shares or just 1.74% of its capital (which increased net asset value 0.4%).

Given that the shares traded at around a 20% discount to net asset value, the trust has missed the opportunity to improve its net asset value through buying back shares. For example, buying back the full 14.99% of its capital at a 20% discount to net asset value would have raised the net asset value of the remaining shares by 3.5%. More aggressive share re-purchases would also *raise the share price closer to the net asset value*.

Baillie Gifford shares continue to trade at a 17% discount - so there are still significant opportunities to increase shareholder value (i.e. *raise net asset value and the share price*) through a share buy-back.

**Invesco Japan Discovery Trust plc** is considering a currency hedge owing to the potential for the Japanese Yen to weaken against other currencies. The company has also decided to limit its gearing. In future the trust will range between holding up to 10% of its portfolio in cash or borrowing up to 20% of its portfolio.

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		17.25p	57.7	-59
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		14.25p	47.7	-4
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		168.11-179.03p	581.0	+451
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		41.0p	137.1	+29
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		197.7p	661.8	+37
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		261.4p	875.0	-22
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		14.5p	48.5	-36
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-17%	155.25p	519.7	+18
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-7%	99.0p	331.4	+17
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		63.64-68.06p	220.4	+5
<b>Thailand</b>									
BUY	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		37.46-40.30p	130.1	-17
<b>International</b>									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		60.55-64.07p	208.6	+80
BUY	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	-11%	169.5p	567.4	+0
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		18.0p	60.3	-50

\* 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 65½ pence (-10%, i.e. 10% below net asset value), **Fleming Asian** shares at 85¼ pence (-11%), **Schroder Asia Pacific** shares at 70¼ pence (-11%), **Templeton Emerging Markets** shares at 114 pence (-16%), **Baillie Gifford Shin Nippon** warrants at 54¾ pence and **Invesco Japan Discovery** warrants which trade at 45 pence.

# Investment Fund Survey

Our *Investment Fund Survey* evaluates 1200 funds by comparing each fund's performance over the last 36 months against the share index in the country in which it invests its portfolio. This allows us to analyse a fund based upon its performance and measure (1) its risk exposure and (2) its *risk-adjusted* performance (which we call its *Superiority Rating*).

To find a suitable fund for investment, first decide where you want to invest (e.g. Latin America, Japanese Smaller Companies) and then refer to that section. Secondly, the main selection criteria for finding a fund should be its *Superiority Rating*. The high *positive* rating shows the fund has performed well (adjusted for its degree of risk exposure) while a *negative* rating shows it has been poorly managed. A fund's actual performance (shown in NZ dollar terms) over the 36, 12 and 3 months can also be used to help choose funds. Generally the funds with the highest returns *within*

*each sector* should be favoured. A strong performance over the last three months may also indicate the fund is correctly invested for current market conditions.

Investors should also generally favour UK based funds rather than NZ and Australian based funds. Investments in UK based funds are not subject to any form of capital gains taxes and annual operating expenses are lower.

The *Market Correlation* shows how closely a fund follows the stockmarket. Usually a high value (i.e. 0.85 to 1.00) should be preferred.

Finally, investors should take note of the *Risk Rating* of a fund and ensure it is compatible with their own risk tolerances. Note, however, that *Risk Ratings* are calculated relative to their sector - so a *Medium* risk Emerging Markets fund is probably more risky than a *High* risk International fund.

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
<b>NEW ZEALAND</b>							
<b>NEW ZEALAND BASED UNIT TRUSTS</b>							
	A Jones NZ Share	Very Low	-0%	0.51	5	2	-0
	AMP NZ Share	Very Low	+2%	0.55	19	5	4
	AMP Passive NZ Share	Very Low	-3%	0.20		1	5
	ANZ Tranz Equity	Very Low	-2%	0.70	4	4	1
	ASB NZ Shares	Medium	-1%	0.64	-6	1	12
	AXA NM NZ Leaders	Low	+0%	0.69	1	2	3
	BNZ Active Growth	Very Low	+1%	0.12	15	5	0
	BNZ Equities Discovery	Very Low	+5%	0.25		6	1
	BNZ NZ Blue Chip	Very Low	+0%	0.84	7	5	2
	BNZ NZ Equity Index	Medium	-1%	0.85	-8	0	1
	BT LP New Zealand Share	Very Low	+6%	0.63	29	11	2
	BTIS NZ Share	Very Low	+3%	0.63	23	11	2
	Coronet Equity Trust	Very Low	-2%	0.28	-5	-0	-7
	NZ Guardian NZ Equity	Medium	+2%	0.66	4	2	3
	NZ Guardian NZGT 30	Medium	-3%	0.74	-10	2	4
Buy	NZ Guardian Small Coys	Very Low	+15%	0.17	57	1	-7
	NZ Share Index Top 40	Medium	-3%	0.82	-7	5	4
	NZFM NZ Equity	Very Low	+3%	0.31	17	0	-0
Buy	NZFM Prop & Infrastruct.	Very Low	-0%	0.11	12	-4	-0
	Nat Bank NZ Equity Gth	Very Low	+8%	0.53	45	10	1
	Royal & Sun NZ Exp Asia	Very Low	-1%	0.08	-1	4	-4
	Royal & Sun NZ Sharemkt	Very Low	-0%	0.42	5	0	-0
	Tower New Zealand Equity	Very Low	+0%	0.69	9	6	2
	Tower Tortis New Zealand	Very Low	-5%	0.37	-9	2	4
Avoid	Westpac NZ Share Index	Very Low	-7%	0.53	-16	-2	3
	Westpac Sel. NZ Shares	Very Low	-2%	0.53	-2	1	0
<b>NEW ZEALAND BASED INSURANCE BONDS</b>							
	Sov. Super New Zealand	Very Low	+5%	0.23	33	10	4
<b>NEW ZEALAND LISTED INVESTMENT TRUSTS</b>							
	Mid-Cap Index	Very Low	+2%	0.50	14	13	-1
	TeNZ	Very High	-1%	0.91	-18	-2	7
<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>							
	NZ Investment Trust	Low	+2%	0.38	12	19	3



Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
<b>AUSTRALIA</b>							
<b>AUSTRALIAN BASED UNIT TRUSTS</b>							
Avoid	AMP Active Quant Share	Very Low	-7%	0.00	-5	-0	-0
	AMP Blue Chip Trust	Medium	+1%	0.63	24	15	-1
	AMP Equity Trust	Medium	+5%	0.66	39	15	-1
	AMP Multi-Mgr Aust Share	Low	-1%	0.48	16	5	1
	AMP Small Companies Trust	Low	+5%	0.27	36	2	-8
	ANZ Aust Sharemarket Trt	Low	-5%	0.59	4	5	-3
Avoid	ANZ Australian Leaders	Very Low	-9%	0.12	-8	-9	-1
	ANZ Div Imputation Trust	Low	+0%	0.45	19	14	-2
Avoid	ANZ Equity Trust No 1	Low	-10%	0.52	-12	-3	-5
Avoid	ANZ Equity Trust No 2	Very Low	-9%	0.18	-8	-5	-1
	ANZ Equity Imputation Trt	Low	-4%	0.45	-0	9	-5
	AXA NM Australian Leaders	High	+3%	0.77	32	7	1
	AXA NM Industrial Fund	Medium	-3%	0.55	5	10	-1
	Advance Imputation Fund	Very Low	+1%	0.54	26	21	3
	Aust Ethical Equities	Very Low	+4%	0.10	36	3	-5
Avoid	BT Split Trust Growth	Medium	-11%	0.36	-20	-16	-8
	Citicorp Inv Port Aust	Very Low	-4%	0.30	2	5	-1
	Col First State Imput'n	Medium	+2%	0.71	29	9	-1
	Col First State Aust Sh.	Medium	-6%	0.74	5	2	-3
Buy	Col First State Dev. Coys	High	+16%	0.28	118	8	-4
Buy	Col First State Future Id	Medium	+17%	0.43	110	22	-5
	Commonwealth Share Income	Very Low	-6%	0.34	1	4	-1
	Commonwealth Aust Share	Very Low	-2%	0.39	19	7	-0
Avoid	Dresdner Australian Gth	Medium	-8%	0.18	-2	6	4
	HSBC Flexi-Trust Imp Gth	Low	-0%	0.62	18	6	-2
	Hunter Hall Value Growth	Very Low	+0%	0.01	20	-1	1
Avoid	Invesco Australia	Medium	-8%	0.72	-0	-3	-2
Avoid	Invesco Australian Small	Medium	-14%	0.24	-23	-39	-22
	Invesco Imputation	Very Low	-6%	0.35	3	14	0
Buy	JB Were Emerging Leaders	Low	+14%	0.32	88	32	1
	JB Were Investment	Low	-0%	0.44	6	6	-3
	JB Were Leaders Trust	Medium	+2%	0.73	25	7	-1
Avoid	Lowell Aust Growth	Very Low	-16%	0.13	-28	-11	-1
	MLC Aust Tr - Aust Share	Low	-4%	0.45	10	6	-1
	MLC Aust Trust - Index	Low	-1%	0.52	13	4	-3
Avoid	Macquarie S/M Aust Share	Very Low	-8%	0.38	-3	2	-2
	ING Australia Share	Low	-0%	0.61	15	9	-2
	ING Blue Chip	Very Low	+2%	0.48	25	13	-2
	ING Emerging Companies	Very Low	+2%	0.16	36	-2	-3
	NAFM In Trt - Equities	Medium	-2%	0.61	11	2	-1
	NAFM Inv Trust - Div Imp	Low	-2%	0.51	15	1	-0
	Parker Enhanced Leaders	Very Low	+0%	0.56	18	10	-1
	Perpetual ICSav - Aust	Very Low	+1%	0.52	25	11	2
	Perpetual ICSav - Sm Coys	Very Low	-1%	0.25	25	9	0
	Perpetual ICSav - Indust.	Very Low	+1%	0.53	23	10	-1
	Perpetual Industrial	Very Low	-2%	0.56	2	10	-1
	Roth FA Australian Share	Very Low	-5%	0.29	4	-3	-1
Avoid	Roth FA Smaller Companies	Low	-8%	0.36	2	-11	-5
Buy	Tyndall Aust Spec Sits	High	+13%	0.18	61	3	-7
	WealthLink Growth Link	Very Low	+1%	0.32	25	9	-4
	Westpac Aust Tax Effect.	Low	+0%	0.66	26	12	0
	Westpac Aust Gth Share	Low	+1%	0.63	23	10	-1
<b>NEW ZEALAND BASED UNIT TRUSTS</b>							
	A Jones Australian Share	Very Low	+1%	0.22	29	10	-3
	AMP Australian Shares	Very Low	-0%	0.18	21	7	-2
	BTIS Australian Share	Very Low	-6%	0.25	7	-1	-5
	Col FS Australian Shares	Very Low	-2%	0.56		7	-1

Current Advice	Investment Fund	Risk Rating	Sper- oity Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
	Col FS Tasman Share Trt	Very Low	-5%	0.08	10	10	-1
	Nat Bank Trans Tasman	Very Low	+2%	0.21	37	9	-0
	Nat Bank Aust Equity Gth	Very Low	+0%	0.35	32	8	0
	Westpac Australasian	Very Low	-6%	0.20	3	3	-2

**NEW ZEALAND BASED INSURANCE BONDS**

	Royal Sun All Trans-Tas	Very Low	-3%	0.36	14	6	-1
	Sov. Super Australia	Very Low	-1%	0.27	22	12	-1

**UNITED KINGDOM BASED UNIT TRUSTS**

	Friends Prov. Australian	Low	+3%	0.67	29	12	-4
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**AUSTRALIAN LISTED INVESTMENT TRUSTS**

	Argo Investments	Very Low	-5%	0.12	7	8	1
	Australian Foundation	Very Low	-6%	0.12	5	9	2
Avoid	BT Australian Equity	Very Low	-7%	0.01	-3	-5	-9
	Bounty Investments	Very Low	-4%	0.02	8	14	-1
	Cambooya	Very Low	-0%	0.21	26	23	0
	Choiseul Plantation	Very Low	+1%	0.04	28	11	3
	Diversified United Inv.	Very Low	+3%	0.01	38	17	0
	Huntley Investment Coy	Very Low	-1%	0.05	8	16	1
	MaxiLink - Capital	Very Low	-2%	0.19	8	0	-6
	Wakefield Investments	Very Low	-4%	0.05	6	10	-1

**NEW ZEALAND LISTED INVESTMENT TRUSTS**

	Ozzy Tortis	Very High	+5%	0.68	39	9	-2
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**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Avoid	Australian Opportunity	Medium	-18%	0.14	-19	4	-3
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**GOLD & MINING**

**AUSTRALIAN BASED UNIT TRUSTS**

	BT Global Energy & Res.	Low	-5%	0.68	16	28	11
	Col First State Gib Res.	Medium	+4%	0.87	45	36	13
	JB Were Resources	High	-1%	0.92	28	31	12
Avoid	Lowell Aust Resources	Medium	-7%	0.68	-3	15	6
	ING Resources	High	-4%	0.92	15	31	10
	Roth FA Natural Resources	Medium	-0%	0.92	27	32	8

**UNITED KINGDOM BASED UNIT TRUSTS**

	Merrill Lynch Gold & General	Very High	+3%	0.56	18	34	17
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**AUSTRALIAN LISTED INVESTMENT TRUSTS**

	BT Resources	Low	-0%	0.62	45	46	9
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**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Merrill World Mining	Very High	+9%	0.82	61	51	15
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**EMERGING MARKETS**

**AUSTRALIAN BASED UNIT TRUSTS**

Avoid	Macquarie S/M Emerging	Medium	-10%	0.73	-26	-32	-15
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**NEW ZEALAND BASED UNIT TRUSTS**

Avoid	ASB Emerging Markets	Very Low	-7%	0.76	2	-8	0
	NZFM Global Emerging Mkt	Medium	-4%	0.85	-3	-16	-9
	Nat Bank Emerging Mkts	Low	-5%	0.87	-6	-14	-9

**NEW ZEALAND BASED INSURANCE BONDS**

Avoid	Royal Sun All E/Markets	Low	-9%	0.87	-11	-11	-7
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**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Aberdeen Emerging Markets	Medium	+4%	0.95	6	-9	-9
	Aberdeen Frontier Markets	Medium	+8%	0.73	12	-14	-12
Buy	Framlington Emerging Markets	High	-2%	0.89	-16	-24	-11
	Gartmore Emerging Markets	High	+7%	0.91	14	-14	-9
	Hill Samuel Global Emerg. Mkts	Medium	-3%	0.93	-11	-17	-8
	Invesco GT Emerging Countries	High	-2%	0.95	-19	-16	-10
	Lazard Emerging Markets	Medium	-2%	0.92	-12	-10	
	Martin Currie Emerging Mkts	Medium	-0%	0.90	-3	-19	-7
	Merrill Lynch Emerging Markets	Medium	-1%	0.92	-10	-18	-10
	Rothschild Emerging Markets	High	+2%	0.95	-14	-9	
	Royal & Sun All. Emerging Mkts	Medium	-2%	0.96	-11	-20	-8
	Schroder Gbl Emerging Mkts	Medium	-1%	0.93	-7	-18	-9

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Aberdeen Emerging Econ.	Very High	+14%	0.91	15	9	-12
	Advance Developing Mkts	Medium	+5%	0.80	3	-3	
	Dresdner RCM Emerg Mkts	High	+0%	0.83	-10	-16	-10
Buy	F & C Emerging Markets	Very High	+3%	0.87	-32	-3	-13
	Fleming Emerging Mkts	Very High	+14%	0.86	5	-11	-10
	Schroder Emer Countries	High	+3%	0.87	-6	-19	-15
Avoid	Tea Plantations	Very Low	-32%	0.05	-52	-0	4
	Templeton Emerging Mkts	Very High	+6%	0.86	5	4	-5

**LATIN AMERICA**

**NEW ZEALAND BASED UNIT TRUSTS**

Avoid	Tower Spot. Latin Amer.	Low	-8%	0.86	-4	4	-9
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**UNITED KINGDOM BASED UNIT TRUSTS**

	Abbey Latin America	Medium	+0%	0.96	3	5	-7
	Aberdeen Latin America	Medium	-3%	0.98	-11	-7	-16
	BG Latin American	Medium	+2%	0.96	12	3	-8
	Edinburgh Latin American	High	-4%	0.96	-20	-3	-11
	Fleming Select Latin America	Medium	+1%	0.98	4	4	-10
	NPI Latin American	Medium	-3%	0.92	-10	4	-8
	Old Mutual Fund Latin American	Medium	+1%	0.96	6	0	-9
	Perpetual Latin America	Medium	-4%	0.94	-20	-1	-15
	Scot Widows Latin America	Medium	+2%	0.97	7	-8	

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	Aberdeen Latin American	Very High	+1%	0.94	-13	4	-18
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Current Advice	Investment Fund	Risk Rating	Sper- oity Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
Buy	Edinburgh Inca	Very High	+7%	0.84	11	15	-6
	Templeton Latin Amer.	High	+0%	0.83	-1	13	-5

**FAR EASTERN / PACIFIC (EXCL JAPAN)**

**AUSTRALIAN BASED UNIT TRUSTS**

	Dresdner Taipan Trust	High	+5%	0.79	47	-16	-6
	Dresdner Tiger Opport.	Medium	-2%	0.77	18	-20	-8
	Fidelity Perp. S.E. Asia	Medium	-3%	0.88	25	-19	-5
	HSBC Flexi-Trt Dragon Trt	Medium	-3%	0.78	23	-18	-9
	Norwich Asia	Medium	+2%	0.78	30	-14	-8

**NEW ZEALAND BASED UNIT TRUSTS**

Avoid	AJ Asia Pacific Share	Low	-5%	0.79	17	-9	-5
	AMP Asian Shares	Low	-9%	0.66	13	-10	-6
	BT LP Pacific Basin	Low	-5%	0.83	26	-7	-5
	Royal & Sun Asian S/Mkt	Very Low	-5%	0.66	39	-4	-0
	Tower Spotlight Asia	Medium	-3%	0.77	34	-2	-5

**NEW ZEALAND BASED INSURANCE BONDS**

Avoid	Royal Sun All Far East	Low	-7%	0.75	22	-8	-3
Avoid	Sovereign Far East	Very Low	-8%	0.27	9	-14	-2

**UNITED KINGDOM BASED UNIT TRUSTS**

	Abbey Asian Pacific	Medium	-1%	0.94	24	-17	-7
	Aberdeen Far East Emerging	Low	+2%	0.84	53	2	-3
	BG Pacific	High	+5%	0.89	51	-3	-2
	Baring East	Medium	-1%	0.92	37	-10	-7
Buy	Britannia Pacific Growth	Medium	+7%	0.89	74	-0	-2
	CGU PPT Oriental Growth	Medium	-1%	0.96		-5	-5
	Canada Life Far East	High	-2%	0.89	26	-6	-2
	Cazenove Pacific Portfolio	Medium	-3%	0.92	29	-1	-2
	Credit Suisse Orient	Medium	-2%	0.90	21	-17	-8
	Deutsche Asian Trader	Medium	+1%	0.93	44	-7	-7
	Dresdner Tiger	Medium	-3%	0.89	25	-19	-9
	Edinburgh Pacific	Medium	-2%	0.87	19	-10	-6
Buy	Exeter Pacific Growth	High	+11%	0.91	81	8	-3
	Fidelity South East Asian	Low	+4%	0.78	54	8	-2
	Fleming Select Pacific	Low	+0%	0.91	41	4	-5
	Friends Prov. Asian Growth	Medium	-6%	0.90	18	-18	-9
	Gartmore Pacific	Medium	-1%	0.85	27	-14	-8
	Govett Asia Pacific	Low	-1%	0.92	43	5	-3
Avoid	Govett Greater China Fund	Medium	-8%	0.80	13	-2	2
	Govett Pacific	Medium	-1%	0.94		-10	-6
	Guardian Pacific	Medium	-4%	0.94	26	-8	-5
	HSBC Pacific Index	Medium	-5%	0.60	3	3	-4
Buy	Henderson Pacific Capital	Medium	+10%	0.89	81	-15	-7
	Hill Samuel Far East	Medium	-3%	0.93	27	-17	-7
Avoid	Invesco GT Orient	High	-7%	0.87		-20	-8
	Legal & General Pacific Index	Medium	-2%	0.89	28	1	-4
	Legal & General Pacific Gth	Medium	-0%	0.96	32	-8	-6
	M & G South East Asian	Medium	+1%	0.94	35	-10	-9
	Martin Currie Asian Pacific	Medium	+1%	0.88	31	-2	-7
	Merrill Lynch Pacific	Medium	-4%	0.92	20	-19	-8
Buy	Newton Oriental	Medium	+8%	0.87	62	-1	-1
	Perpetual Asian Small Mkts	Medium	+4%	0.96	55	-2	-3
	Portfolio Asia	Medium	+3%	0.93	43	-3	-4
Avoid	Prudential Pacific Markets	Medium	-1%	0.88	35	-5	-9
	Rothschild Asia Pacific	High	-7%	0.89		-21	-5
	Royal London Far East Gth	High	+5%	0.85	46	-10	-6
	Schroder Pacific Growth	High	+5%	0.92	49	-12	-7
	Scottish Amicable Asia Pacific	Medium	-1%	0.91	40	-5	-9
	Scottish Mutual Far Eastern	Medium	-1%	0.93	33	-4	-5
	Scottish Widows' Sth East Asia	Medium	-4%	0.90	20	-17	-7

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Aberdeen New Dawn	High	+10%	0.75	71	18	-3
Buy	Aberdeen Asian Small Co	Medium	+15%	0.60	90	3	-1
Buy	Edinburgh Dragon Trust	Very High	+9%	0.91	49	-9	-9
Avoid	Edinburgh Java	High	-17%	0.50	-29	-26	-28
	Fidelity Asian Values	Very High	-3%	0.73	10	-29	-14
Buy	Fleming Asia	Very High	+15%	0.89	70	-20	-13
	Govett Asian Smaller	Very High	-1%	0.66	10	-17	-7
Buy	Henderson TR Pacific	Very High	+8%	0.83	48	-24	-10
	Invesco Asia	Very High	-1%	0.80	14	-17	-9
	Pacific Assets	Very High	+3%	0.81	36	-21	-11
Buy	Pacific Horizons	Very High	+14%	0.77	68	-2	-4
Buy	Schroder Asia Pacific	Very High	+8%	0.81	47	-17	-11
Buy	Scottish Oriental Sm Co	Medium	+8%	0.62	74	19	13

**FAR EASTERN / PACIFIC (INCL JAPAN)**

**AUSTRALIAN BASED UNIT TRUSTS**

	BT Pacific Basin	Very High	+4%	0.81	45	-5	-5
	Dresdner Pacific Growth	Medium	-6%	0.58	27	-21	-3
	Invesco Asian Growth	High	-6%	0.77	26	-32	

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Lincoln Far East	Low	-6%	0.65	30	5	-2
	Martin Currie Far East	Medium	+1%	0.93	48	-12	-2
	Royal & Sun All. Far East	Medium	+1%	0.89	56	-14	-1
	Schroder Far Eastern	Medium	+1%	0.92	44	-15	5
	Scottish Life Pacific	Medium	-0%	0.91	54	-14	-0
	St. James's Place Far East	Medium	+1%	0.91	62	-7	3
	Un Friendly Far Eastern	Medium	+4%	0.88	61	-14	-1

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	F & C Pacific	Medium	-5%	0.68	30	-22	6
	Govett Asian Recovery	Very High	-1%	0.69		-15	-1
Avoid	Henderson Far East Inc.	Low	-8%	0.43	21	21	7
	Martin Currie Pacific	Very High	+2%	0.84	32	-12	-0

**HONG KONG / CHINA REGION****UNITED KINGDOM BASED UNIT TRUSTS**

	Gartmore Hong Kong and China	Low	-5%	0.83	59	2	-1
Avoid	Invesco HK and China	Medium	-8%	0.80	32	-2	-6
	Investec GF HK & China	Medium	+2%	0.85	77	18	-6
	Old Mutual Fund Hong Kong	Medium	+0%	0.83	77	18	-1

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	Fleming Chinese	Very High	-4%	0.75	35	-5	-7
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**KOREA****UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Baring Korean	Low	+10%	0.86	128	-0	-1
	Schroder Seoul	Medium	+1%	0.82	88	-18	-3



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

**THAILAND****UNITED KINGDOM BASED UNIT TRUSTS**

	Old Mutual Fund Thailand	Medium	+5%	0.79	-12	-32	-15
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**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	Aberdeen New Thai IT	Very Low	-4%	0.35	-11	2	-8
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**INDIA****UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Fleming Indian	High	+19%	0.53	59	-20	-16
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**JAPAN****AUSTRALIAN BASED UNIT TRUSTS**

	Dresdner Japan Growth	Very Low	+2%	0.29	73	-21	5
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**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Abbey Japan Trust	Low	+7%	0.70	77	-15	6
	Aberdeen Japan	Very Low	+2%	0.61	66	-10	7
Buy	BG Japan	Low	+13%	0.53	115	-21	6
	Barclays Japan	Low	+1%	0.69	60	-17	9
Avoid	Baring Japan Growth	Low	-7%	0.64	29	-18	7
Buy	Britannia Japan	Low	+10%	0.70	101	-9	7
Buy	CCS Japan	Low	+15%	0.63	120	-12	6
	CGU PPT Japan Growth	Very Low	-2%	0.52		-21	2
Buy	Canada Life Japanese	Very Low	+8%	0.49	105	-8	9
	Cazenove Japan Portfolio	Low	+4%	0.63	64	-15	9

**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)).

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Clerical Med Japan Growth	Low	+4%	0.60	66	-18	6
	Deutsche Japan Tracker	Very Low	-0%	0.68	52	-13	7
Buy	Deutsche Japan Growth	Low	+13%	0.64	99	-9	7
	Dresdner Japan	Medium	+4%	0.63	65	-21	7
	Edinburgh Tokyo	Medium	+2%	0.59	50	-17	10
Buy	Fidelity Japan	Low	+15%	0.55	113	-11	7
Buy	Fleming Select Japanese	Low	+10%	0.67	97	-15	7
Buy	Framlington Japan & General	Medium	+9%	0.66	84	-26	-3
	Friends Prov. Tokyo	Low	+4%	0.61	66	-30	4
	GA Japan Growth	Low	+3%	0.70	-21	1	
Buy	Gartmore Japan	Medium	+10%	0.69	97	-15	5
	Govett Japan General	Low	-0%	0.64	45	-22	2
	Govett Japan Index Tracker	Low	-1%	0.77	-21	4	
	Guardian Japan	Low	-1%	0.63	43	-17	5
	HSBC Japan Index	Low	+3%	0.70	66	-12	7
	Henderson Japan	Low	+6%	0.45	94	-5	12
	Hill Samuel Japanese	Low	+3%	0.60	64	-18	7
	Invesco GT Japan	Low	-5%	0.45	-31	1	
	Lazard Japanese	Very Low	+5%	0.57	86	-8	9
	Legal & General Japanese	Very Low	+4%	0.54	-12	7	
	Legal & General Japan Index	Low	+3%	0.68	66	-13	7
	Lincoln Japan	Very Low	-3%	0.42	42	-20	6
Buy	M & G Japan & General	Low	+2%	0.70	55	-22	3
	Martin Currie Japan	Low	+7%	0.68	86	-11	8
	Merrill Lynch Japan	Low	+4%	0.66	63	-22	2
	Newton Japan Growth	Low	-2%	0.61	36	-20	5
	Old Mutual Fund Japan	Low	+0%	0.63	46	-15	5
	Perpetual Japan Growth	Very Low	+5%	0.51	103	2	18
	Portfolio Japan	Very Low	-3%	0.41	-22	6	
	Prudential Japanese	Low	+3%	0.74	61	-20	5
	Rothschild Japan	Very Low	-1%	0.51	-18	6	
Buy	Royal London Japan Growth	Very Low	+7%	0.49	91	-21	8
Buy	Schroder Japan Enterprise	Medium	+13%	0.45	93	-23	3
	Schroder Tokyo	Very Low	+4%	0.54	73	-4	9
	Scottish Amicable Japanese	Low	+2%	0.75	57	-19	5
	Scottish Mutual Japanese	Low	+5%	0.69	75	-11	8
Buy	Scottish Widows' Japanese	Very Low	+3%	0.66	66	-16	6
	Sun Life of Canada Japan	Medium	+15%	0.60	112	-15	6

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Fleming Japan	Very High	+19%	0.68	131	-14	15
	GT Japan	High	+5%	0.70	48	-32	1
Buy	Gartmore Select Japan	Medium	+11%	0.53	86	-9	5
Buy	Invesco Tokyo	Very High	+8%	0.66	56	-25	5
Buy	Martin Currie Japan	Medium	+8%	0.55	67	-9	9
Buy	Perpetual Japan	Very High	+18%	0.51	140	15	32
Buy	Schroder Japan Growth	Medium	+10%	0.56	95	1	16



Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
	Dresdner Japan Spec Sits	Low	+7%	0.77	186	-29	5
Avoid	F & C Japanese Smaller Coys	Low	-10%	0.82	70	-44	1
	Fidelity Japan Sp Sits	Low	-0%	0.78	128	-39	5
	Friends Prov. Japan Small Coys	Very Low	-4%	0.78	96	-21	4
Avoid	Henderson Japan Capital Gth	Very Low	-10%	0.69	85	-20	16
Buy	Hill Samuel Japan Small Cos	Low	+13%	0.69	-15	17	
Buy	Invesco Japanese Small Coys	Medium	+11%	0.79	236	-37	5
	M & G Jap Small Cos	Very Low	+2%	0.61	121	3	7
Avoid	Schroder Japan Small Coys	Very Low	-7%	0.30	77	-1	15

**JAPAN SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Dresdner Japan Spec Sits	Low	+7%	0.77	186	-29	5
Avoid	F & C Japanese Smaller Coys	Low	-10%	0.82	70	-44	1
	Fidelity Japan Sp Sits	Low	-0%	0.78	128	-39	5
	Friends Prov. Japan Small Coys	Very Low	-4%	0.78	96	-21	4
Avoid	Henderson Japan Capital Gth	Very Low	-10%	0.69	85	-20	16
Buy	Hill Samuel Japan Small Cos	Low	+13%	0.69	-15	17	
Buy	Invesco Japanese Small Coys	Medium	+11%	0.79	236	-37	5
	M & G Jap Small Cos	Very Low	+2%	0.61	121	3	7
Avoid	Schroder Japan Small Coys	Very Low	-7%	0.30	77	-1	15

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	B Gifford Shin Nippon	Medium	+7%	0.63	201	-10	20
	Baillie Gifford Japan	Very Low	+3%	0.59	137	-24	6
	Fidelity Japan Values	Medium	+6%	0.65	168	-37	14
Avoid	Henderson Japan Small	Very Low	-16%	0.51	41	-21	15
Buy	Invesco Japan	Very High	+15%	0.67	256	-37	11

**TECHNOLOGY**

**UNITED KINGDOM BASED UNIT TRUSTS**

Avoid	Aberdeen Euro Tech	Low	-12%	0.80	-57	-30	
	Aberdeen Technology	Medium	+0%	0.89	108	-43	-25
	CCS Global Technology	Medium	-1%	0.92	-33	-20	
Buy	CF Bio-Tech	Medium	+38%	0.59	22	-9	
	CF Technology	Medium	-3%	0.90	-32	-24	
Buy	Framlington Health	Low	+19%	0.68	24	-14	
Avoid	Framlington Netnet	High	-42%	0.93	-57	-30	
	Gartmore UK Techtornado	High	-0%	0.85	-37	-31	
	Henderson Global Technology	High	+6%	0.90	115	-43	-30
	Investec GF Wired Index	Very Low	+1%	0.74	-16	-12	
	Jupiter Global Technology	Medium	-3%	0.95	-37	-24	
	M & G Global Technology	Low	-6%	0.78	-31	-22	
	Portfolio Technology	Medium	-1%	0.89	-29	-22	
Avoid	Premier Technology	High	-24%	0.88	-46	-28	
Avoid	Rathbone Technology	High	-21%	0.94	-48	-30	
Avoid	S & W Global Technology	High	-15%	0.84	-56	-36	
	Societe Generale Technology	Medium	-4%	0.89	-39	-25	

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	3i Bioscience	High	+14%	0.73	21	-23	
	3i Euro Technology	Very High	+1%	0.93	-46	-34	
	Amerindo Internet Fund	Very High	-2%	0.85	-57	-41	
Buy	Finsbury Life Sciences	Low	+16%	0.55	8	-21	
Buy	Finsbury Technology	Very High	+21%	0.78	295	-10	-16
Buy	Finsbury W/wide Pharm.	Very Low	+30%	0.45	249	75	2
Buy	Herald Investment Trust	Medium	+8%	0.85	139	-19	-18
Buy	International Biotech	Very High	+35%	0.57	271	23	-17

**UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL**

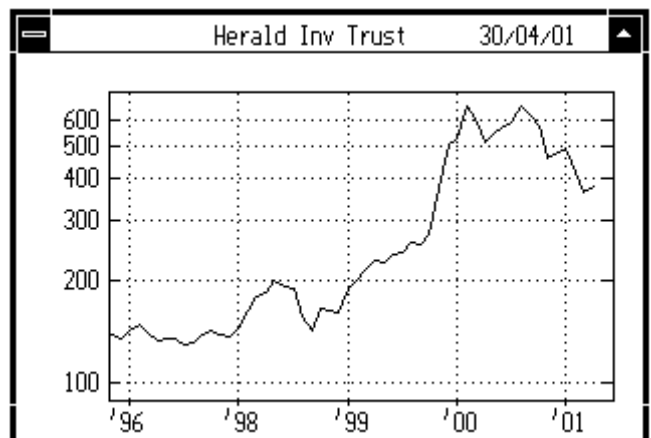
Avoid	Euro Tech & Inc (Cap)	Very High	-13%	0.39	-90	-60	
Avoid	Framlington Netnet -Cap	Very High	-20%	0.78	-95	-86	
Avoid	Framlington Netnet Ord	Very High	-11%	0.53	-87	-83	

*Best Managed Funds*

**Technology**

While the worst of the Technology decline may be over, we remain cautious about this sector. Much of the over-valuation has gone and rapidly falling interest rates have encouraged bargain hunting investors back into Technology shares.

It should now be clear to most investors that former expectations of 50-100% revenue and profit growth from Technology companies were unrealistic. In fact, with a slowdown in demand growth, many Technology companies are now reporting significant losses. Our expectation is that the Technology sector will remain volatile but yield only moderate returns over the next couple of years.

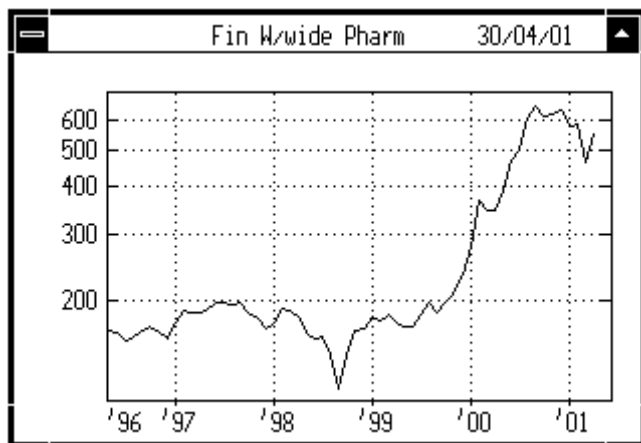


(Continued on Page 8)

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

We therefore remain cautious but for investors who want to buy into this sector, however, we would recommend a general Technology fund like UK listed **Herald Investment Trust** or UK unlisted trusts **Henderson Global Technology** or **Aberdeen Technology**.

The Biotechnology sector remains buoyant, and the most attractive fund would be UK listed **Finsbury Worldwide Pharmaceutical** - a *low risk* fund with 80% of its portfolio in large drug companies and 20% in smaller biotech companies. See *International Investor* Issue 59, November 2000, for a review of this trust.

**Japanese**

**Perpetual Japanese Investment Trust plc** is a small UK based listed trust investing in Japanese shares that has performed exceptionally well lately.

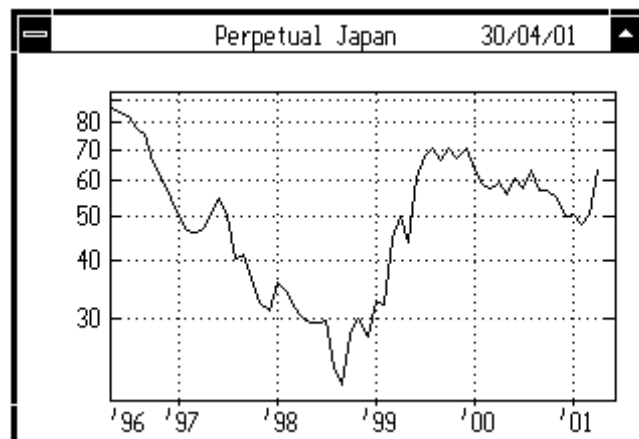
The Fund Manager took a "very defensive strategy" during the 2000 year - holding low risk Utilities and cash, and reducing its exposure to Electronics companies. When the Japanese stockmarket fell in December the Fund Manager saw "very attractive valuations" and "a very good buying opportunity". That buying has taken the fund from a small cash holding to being slightly leveraged, with borrowings now equal to about 8% of assets. The trust has focused upon *old*

International Investor *economy* companies, "finding the most attractive combination of profit growth and valuation among the more traditional businesses in Japan". These business include several Steel companies ("at decade lows" despite a two year upturn in this industry) and "domestic demand related companies".

This investment strategy has proved very successful over the last few months - with the trust's net asset value appreciating very rapidly since the Japanese market came off its lows in mid-March 2001. Investor returns have also been boosted by a narrowing of the discount to net assets (i.e. in March the share traded at around a 15% discount to net assets but that has narrowed to around 8% as the share price has been re-rated upwards).

This trust was formed in June 1993 but is relatively small with a portfolio of £26.7 million. This is very well diversified among 93 Japanese companies, with the ten largest holdings accounting for only 27.1% of the portfolio.

The trust seeks capital appreciation, so does not generate enough income to pay dividends. The annual management fee is 0.8% of assets, plus a performance incentive fee equal to 5% of returns in excess of the FT Japan Index (up to a maximum incentive fee of 1% per year).



## Internet Account Records and Newsletter Access

All subscribers have been issued with an Individual *User Name* and *Password* to access our newsletters online and to give you access to your account details via the internet (i.e. you can change your postal address, e-mail address or password as often as you wish).

If you have added an e-mail address to your online account then we shall automatically e-mail you the electronic version of "International Investor" on Tuesday morning in addition to mailing a printed copy.

If you have put your e-mail address online but forgotten your password, logon with just your User Name and select

"E-mail my Account Password to me" to have it sent automatically to the e-mail address on your account.

If you haven't put your e-mail address online and have forgotten your User Name and/or Password, contact us and we can mail it to your postal address.

## Next Issue

The next issue of "International Investor" will be posted in four weeks time on Tuesday June 12, 2001 (and delivered in most areas on Wednesday 13).

The electronic version will be e-mailed and also available from our website on Tuesday morning.