

# International Investor

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## Inside International Investor

Terrorist Attacks lead to improved

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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	66%	Neutral	Neutral	Bullish	Bullish	-6.2%	-2.7%	-4.5%	3,159.00
Austria	52%	Bullish	Bearish	Bullish	Neutral	-5.4%	-7.0%	+5.4%	1,084.58
Belgium	66%	Bullish	Neutral	Bullish	Bullish	-2.1%	-3.4%	-4.8%	2,691.28
Canada	52%	Neutral	Bearish	Bullish	Bullish	-11.2%	-10.5%	-34.5%	7,031.03
Denmark	45%	Neutral	Bearish	Neutral	Bullish	-8.1%	-7.1%	-15.9%	265.88
Finland	64%	Bullish	Bearish	Bullish	Bullish	+2.2%	-19.6%	-31.6%	7,005.23
France	46%	Neutral	Bearish	Bullish	Neutral	-8.9%	-17.7%	-23.1%	2,763.82
Germany	52%	Neutral	Bearish	Bullish	Bullish	-16.9%	-21.3%	-26.1%	4,625.13
Ireland	50%	Bearish	Bearish	Bullish	Neutral	-12.9%	-5.8%	-0.7%	5,225.92
Italy	50%	Bullish	Bearish	Bullish	Neutral	-10.6%	-21.5%	-25.1%	21,528.00
Japan	44%	Bearish	Bearish	Bullish	Bullish	-11.3%	-19.0%	-38.2%	10,632.35
Netherlands	61%	Bullish	Bearish	Bullish	Bullish	-8.4%	-15.3%	-22.3%	678.50
New Zealand	50%	Neutral	Bearish	Bullish	Bearish	-7.0%	-0.7%	-4.6%	1,948.67
Norway	42%	Bearish	Bearish	Bullish	Bullish	-16.9%	-22.4%	-26.0%	564.42
Spain	61%	Neutral	Bearish	Bullish	Bullish	-1.2%	-16.9%	-18.0%	751.11
Sweden	42%	Bearish	Bearish	Neutral	Bullish	-7.5%	-13.3%	-35.8%	210.00
Switzerland	52%	Neutral	Bearish	Bullish	Neutral	-5.3%	-12.4%	-13.9%	6,039.40
Un. Kingdom	49%	Neutral	Bearish	Bullish	Neutral	-3.9%	-10.0%	-17.2%	5,145.50
USA	58%	Bearish	Bearish	Bullish	Bullish	-10.2%	-7.8%	-20.6%	1,091.65
Argentina	31%	Bullish	Bearish	Bearish	Bullish	-12.0%	-31.5%	-35.8%	11,087.56
Brazil	27%	Bullish	Bearish	Bearish	Bullish	-28.9%	-44.2%	-52.8%	10,784.72
Czech Rep.	59%	Bullish	Bearish	Bullish	Neutral	-3.7%	-13.7%	-18.4%	354.60
Chile	42%	Bearish	Bearish	Bullish	Neutral	-12.6%	-13.9%	-15.1%	5,040.20
China	35%	Bearish	Bearish	Neutral	Neutral	-20.2%	-12.7%	-11.9%	155.03
Greece	33%	Neutral	Bearish	Neutral	Bearish	-0.9%	-26.7%	-35.3%	2,260.10
Hong Kong	35%	Neutral	Bearish	Neutral	Bearish	-18.5%	-20.9%	-30.0%	10,274.13
Hungary	64%	Neutral	Neutral	Bullish	Bullish	+7.0%	+1.4%	-7.6%	6,574.38
India	38%	Neutral	Bearish	Bearish	Bullish	-15.9%	-9.4%	-23.6%	2,959.39
Indonesia	30%	Neutral	Bearish	Bearish	Bearish	-3.3%	+10.1%	-17.1%	378.60
Korea	48%	Bearish	Bearish	Bullish	Neutral	-5.6%	+1.6%	-14.2%	516.40
Malaysia	42%	Bearish	Bearish	Neutral	Bullish	-1.5%	+5.2%	-18.5%	611.32
Mexico	52%	Neutral	Bearish	Neutral	Bullish	-12.1%	-5.9%	-0.8%	5,671.10
Philippines	25%	Neutral	Bearish	Bearish	Neutral	-25.0%	-31.8%	-27.5%	1,017.87
Poland	53%	Bearish	Bearish	Bullish	Bullish	-1.4%	-17.1%	-2.5%	12,824.51
Portugal	60%	Bullish	Bearish	Bullish	Bullish	+1.6%	-19.8%	-23.9%	1,897.72
Russia	65%	Bullish	Bullish	Bullish	Neutral	-9.4%	+11.7%	+14.1%	2,208.74
Singapore	55%	Neutral	Bearish	Bullish	Bullish	-13.6%	-11.8%	-26.6%	1,416.24
Sth Africa	55%	Bullish	Bearish	Bullish	Neutral	-13.7%	-12.2%	-12.1%	8,557.47
Taiwan	52%	Bullish	Bearish	Neutral	Bullish	-13.9%	-33.8%	-41.5%	3,801.50
Thailand	49%	Bearish	Bearish	Bullish	Neutral	-7.4%	-0.8%	+8.9%	284.97
Turkey	56%	Bearish	Bearish	Bullish	Bullish	-25.0%	-93.0%	-74.4%	7,920.29
Venezuela	12%	Neutral	Bearish	Bearish	Bearish	-12.5%	-15.0%	-4.7%	6,748.99

**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

The main reason why shares are the best long term investment is that companies can adapt to *whatever situation* develops and - after a period of adjustment - continue to earn profits and generate wealth for investors. Despite terrorist attacks, wars, banking crises, currency devaluations, natural disasters and political, social or technological change, the stockmarket remains the best place to maintain and build long term investment wealth.

The terrorist attacks in the US do, however, have a short to medium term impact on world economies and stockmarkets.

## Economic Impact

Even before the attacks, the US and world economies were in recession. The psychological impact of the attacks will further depress already weak consumer confidence and weak consumer spending. The recession will therefore certainly become deeper than previously expected. Previously a moderate economic recovery appeared likely for early 2002. Now that recovery will likely be deferred about six months until late 2002.

What is less certain is whether the attacks will make the recession **longer** or **shorter**? The decline in consumer and business activity would suggest a *longer* recession. Before the attacks we were expecting only a very slow improvement in the economy starting in early 2002. That recovery *may* now be delayed until mid to late 2002 - but is likely to be much stronger! So the *recession* will likely be *longer*, but with a stronger rebound the economy will recover *sooner*.

The medium to longer term impact of the attack will be to depress economic growth rates as extra security makes transport systems slower and more expensive.

*Just in time* stock management and *global outsourcing* have significantly reduced production costs over the last decade - but both are dependent upon quick and cheap international transportation. Now manufacturers face slow deliveries and higher costs owing to extra security measures and increased customs procedures. In future, companies will need to hold higher stock levels and outsource higher value components locally. These changes will tend to favour *clusters* over *globalisation*.

While the terrorist attack probably has little impact on very long term economic growth rates, it is likely that it has finally extinguished all (unrealistic) hopes of the *New Age* of 3-5% economic growth rates in the US. It is likely that this mature economy will experience long term growth rates of around 1-3%. While this isn't a change in actual future growth rates (i.e. 3-5% was never achievable over the longer term) it may represent a change in expectations by the most optimistic *New Age* investors. This change in economic expectations would therefore have an impact on share valuations (e.g. a *growth* stock may be worth a P/E of 20-30, not 40-60).

## Monetary Impact

Prior to the terrorist attacks the US Federal Reserve had indicated that the period of monetary easing had come to an end. In response to the attacks the Federal Reserve has lowered interest rates twice, to 2.5%.

Clearly the correct response to any crisis is for the central bank to increase liquidity. This was especially important with the US stockmarket closed for four days, disrupting banking and financial transactions.

Short to medium term, easier monetary conditions are also necessary to offset the further deterioration in consumer spending and the general economic slump. Extra monetary stimulus over the last month will eventually lead to a stronger rebound in economic activity, probably in mid to late 2002.

Medium to longer term, however, these monetary conditions - together with weak economic growth - usually result in a financial bubble that substantially inflates asset values or share prices. For example, it was the Federal Reserve's easy monetary policy in response to the 1997/98 Asian crisis and ahead of the Y2K (expected) crisis that led to the NASDAQ bubble in technology and internet stocks. A similar financial situation could develop - perhaps in Chinese stocks? - over the next couple of years.

The strong rebound in world stockmarkets over the last two weeks *maybe* a direct result of easier monetary conditions and the rapid expansion in money supply.

## Stockmarket Impact

The *immediate* impact of the terrorist attacks was that world stockmarkets *opened* 10-15% lower and were then volatile for a week or two. Investors cannot benefit from news that is known by everyone, so there is no opportunity to sell out, as stockmarkets act efficiently by immediately reflecting the news in share prices at the opening.

The normal reaction to any crisis is for share prices to immediately fall sharply - and then to recover slightly over the next few days or weeks. This reaction accurately reflects increased uncertainty and the medium to long term impact of the crisis. For example, if the current crisis makes the economic recession deeper and longer than previously expected - and defers the stockmarket recovery by six months - then a 10-15% decline accurately reflects the new situation in current share prices. The recovery can reflect either (1) more rational analysis of the situation or (2) the impact of monetary policy inflating share prices.

High volatility over the first weeks after a crisis is also normal. Different investors will hold a wide range of expectations about the impact of any particular event. Volatility simply reflects investors acting upon those different expectations and making appropriate adjustments to their portfolios.

Most investors need make little change to their portfolios. The short to medium term outlook for shares

may have deteriorated, but that was *immediately* reflected in lower share prices. Furthermore, the medium to longer term recovery potential has probably increased. It is important, however, for investors to review their *Investment Strategy*. There may be some opportunities for *bargain hunting* in situations where prices have fallen sharply. Similarly, it may be necessary to cut losses on some situations where the long term potential has diminished as a result of the changed environment.

Stockmarkets tend to anticipate economic trends by three to six months, so our expectation of an economic recovery in mid to late 2002 would suggest stockmarkets will start to recover from as early as late 2001 or, more probably, in early to mid 2002.

**Summary & Recommendation**

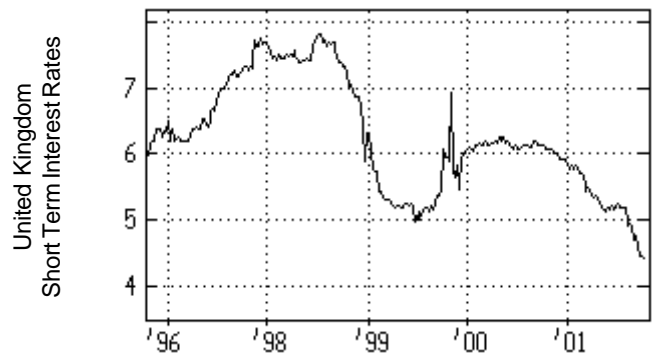
Our strategy throughout 2001 has been to invest some of our substantial cash reserve in existing (depressed) investments while holding some of that cash for new investments as world stockmarkets started to recover ahead of the early 2002 economic recovery. At worst, recent events simply defer this timetable by about six months.

On the other hand, the monetary response to the crisis (i.e. lower interest rates, increased money supply) make a *strong* economic rebound more likely. Monetary conditions also favour a stronger rally in world stockmarkets, although (as is so often the case) the exact timing (i.e. now? early to mid-2002?) is uncertain.

*World Stockmarket Performances Since September's Terrorist Attacks*

Major Stockmarkets			Emerging Stockmarkets		
	Decline 7/9/01 to 21/9/01	Recovery 21/9/01 to 12/10/01		Decline 7/9/01 to 21/9/01	Recovery 21/9/01 to 12/10/01
Australia	-9.8%	+10.2%	Argentina	-11.9%	+6.8%
Austria	-10.7%	+2.3%	Brazil	-15.0%	+3.5%
Belgium	-16.4%	+15.9%	Czech Rep.	-7.1%	+9.0%
Canada	-11.6%	+8.0%	Chile	-7.9%	-2.6%
Denmark	-15.8%	+12.9%	China	-10.2%	+5.9%
Finland	+2.5%	+19.9%	Greece	-20.5%	+7.3%
France	-18.3%	+18.4%	Egypt	-0.7%	-1.7%
Germany	-19.9%	+22.1%	Hong Kong	-10.6%	+10.7%
Ireland	-18.1%	+12.4%	Hungary	-10.8%	+15.9%
Italy	-23.5%	+23.9%	India	-18.7%	+13.8%
Japan	-9.1%	+11.3%	Indonesia	-7.5%	-7.7%
Netherlands	-21.2%	+21.9%	Israel	-13.4%	+8.0%
New Zealand	-10.8%	+4.7%	Malaysia	-13.1%	+1.0%
Norway	-23.8%	+8.2%	Mexico	-12.9%	+11.5%
Spain	-14.2%	+15.8%	Philippines	-11.7%	-11.1%
Sweden	-11.8%	+14.3%	Poland	-10.2%	+9.5%
Switzerland	-18.3%	+18.2%	Portugal	-7.4%	+10.3%
Un. Kingdom	-12.6%	+16.1%	Russia	-10.7%	+1.9%
USA	-11.1%	+13.0%	Singapore	-18.5%	+10.2%
			Sth Africa	-15.6%	+15.9%
			Korea	-13.1%	+7.1%
			Taiwan	-17.9%	+7.6%
			Thailand	-18.4%	+2.0%
			Turkey	-20.9%	+16.9%
			Venezuela	-6.7%	-3.5%

Note: From the lower base, it takes an 11% gain to recover from a 10% loss. Similarly it requires a 25% gain to recover from a 20% decline. All returns in local currencies.



*Recommended International Investment Funds*

Since our September newsletter, **Fleming Asian Investment Trust** shares have fallen 6% to 64¼ pence, but their warrants have soared 55% to 12¾ pence. **Fidelity Asian Values** shares declined 10% to 44¼ pence, but the warrants rose 27% to 10½ pence. Similarly, **Schroder Asia Pacific** shares are down 10% to 47¾ pence, but our investment in the warrants is up 6% to 9 pence.

This improvement in warrant valuations probably signals a subtle change in investor sentiment. At times

of high volatility, warrants can be more attractive than shares, as they (1) offer higher returns if stockmarkets appreciate in value or (2) allow investors to risk less initial capital by purchasing the lower priced warrants (e.g. risking only 8-12 pence in a warrant, rather than 50-70 pence in a share).

Also our warrants have been trading at 25-40% discounts to *fair value*. An improvement in investor sentiment - or a hint stockmarkets may recover - has lifted these warrant prices close to their *fair values*.

*(Continued on Page 4)*

**Recommended Funds** (Continued from Page 3)**Fund News**

**Legg Mason Investors International Utilities Trust plc** ordinary shares paid a dividend of 2.1 pence on September 14 (ex-dividend August 29).

Unfortunately these shares have declined significantly since we first recommended their purchase in February this year. This is partly a result of their very high leverage. At the December 2003 winding up date the trust needs to repay £55.4 million in bank loans, £141.2 million to ZDP shares and £48.6 million to Income shares, or a total of £245.2 million. Its portfolio is currently worth £270.4 million - making this a highly leveraged and volatile investment.

We believe that Utility shares will benefit from low interest rates - which have fallen even lower over the last two weeks - so any improvement in share prices over the next two years will rapidly increase the net asset value of these Ordinary shares (i.e. that receive 50% of the fund's income and all of its capital appreciation).

The trust has also suffered from its £8.0 million investment in **Railtrack plc** which was put into administration (i.e. receivership). The trust has written off this investment that was equal to 2.86% of its portfolio. Owing to the leveraged capital structure, this reduced the Ordinary shares net asset value by 138

pence (13.1%).

The current portfolio is mainly in Electricity companies (50% of the portfolio), Telecommunications (17%), Water companies (15%), Gas companies (10%) and other shares (8%). The main countries are US (49%), UK (35%), Europe (12%) and others (4%).

**Invesco Japan Discovery Trust plc** has moved its investment focus away from "technology, media and telecommunications" companies and now looks for "growth stocks in niche businesses where earnings predictability is clear" and trading "at reasonable valuations". The trust is also seeking shareholder approval to allow it to re-purchase its own shares when they trade at a substantial discount to net asset value.

The sharp decline in the net asset value of **Fidelity Asian Values plc** has in part been due to the use of leverage (i.e. debt in its capital structure), but the company intends to *maintain* this leverage which would multiply returns when stockmarkets rise. Therefore the trust has just re-financed its US\$32 million loan for another five years. This represents about 27% of total assets.

This trust re-purchased 4,056,000 of its own shares (i.e. about 4% of its capital) over the year to July 31, and has since re-purchased a further 1,950,000 shares.

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		12.75p	45.0	-68
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		10.5p	37.1	-25
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		137.34-146.31p	500.4	+375
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		30.7p	108.2	+2
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		149.0p	525.8	+9
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		205.7p	725.8	-35
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		9.0p	31.8	-58
<b>Japan</b>									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-14%	125.5p	442.8	+1
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-17%	77.5p	273.5	-4
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		58.29-62.10p	212.4	+1
<b>Thailand</b>									
BUY	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		33.91-36.14p	123.6	-21
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		48.62-51.44p	176.5	+52
BUY	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	-1%	86.5p	305.2	-46
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		11.0p	38.8	-68

\* 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 44¼ pence (-14%, i.e. 14% below net asset value), **Fleming Asian** shares at 64¼ pence (-17%), **Schroder Asia Pacific** shares at 47¼ pence (-20%), **Templeton Emerging Markets** shares at 96 pence (-19%), **Baillie Gifford Shin Nippon** warrants at 28½ pence and **Invesco Japan Discovery** warrants which trade at 25½ pence.

# Investment Fund Survey

Current Advice	Investment Fund	Risk Rating	Super-odly Rating	Market Correlation	Performance			Current Advice	Investment Fund	Risk Rating	Super-odly Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth
<b>INTERNATIONAL</b>															
<b>AUSTRALIAN BASED UNIT TRUSTS</b>															
Avoid	AMP Multi-Mgr Global	Medium	-5%	0.82	-2	-29	-16	Avoid	Legg Mason Telecoms	Low	-17%	0.25	-17	-14	
Avoid	ANZ International Markets	Medium	-11%	0.69	-19	-32	-15	Avoid	Lincoln Global	Medium	-1%	0.83	15	-34	-16
Avoid	Advance International	Low	-5%	0.47	-11	-18	-24	Avoid	M & G International Gth	Medium	+2%	0.88	26	-25	-12
Avoid	Advance Worldwide Share	Medium	-11%	0.75	-28	-32	-19	Avoid	MGM International Equity	Medium	+6%	0.93	34	-25	-13
Avoid	BT International	High	-5%	0.84	-1	-37	-16	Avoid	Martin Currie International	Medium	+3%	0.89	29	-32	-16
Avoid	Citicorp Inv Port Global	Medium	-17%	0.55	-30	-36	-18	Avoid	NPI Global Care	Medium	-2%	0.75	0	-34	-16
Avoid	Commonwealth Int'l Share	High	-2%	0.67	3	-30	-15	Avoid	Newton International	High	+5%	0.86	23	-32	-17
Avoid	Dresdner Global	Medium	-6%	0.60	-12	-35	-20	Avoid	Old Mutual Worldwide	Medium	+1%	0.90	21	-28	-15
Avoid	Dresdner International	High	+3%	0.77	19	-40	-21	Avoid	Pearl International	Medium	-0%	0.93	9	-32	-15
Avoid	Fidelity Perp. Int'l	Medium	-2%	0.84	3	-36	-23	Avoid	Perpetual Int'l Growth	High	+4%	0.95	24	-28	-19
Avoid	HSBC Flexi-Trt Int'l Trt	Medium	-11%	0.60	-16	-31	-17	Buy	Perpetual Worldwide Recovery	High	+7%	0.91	35	-25	-20
Avoid	Invesco International	High	-16%	0.65	-32	-48	-28	Buy	Premier Global 100	Medium	-2%	0.71	9	-34	-15
Avoid	JB Were International	Medium	-7%	0.77	-11	-32	-19	Buy	Prudential Global Growth	Medium	+0%	0.87	18	-21	-12
Avoid	Lowell International	Low	-17%	0.21	-40	-57	-38	Buy	Prudential Int'l Growth	Low	-0%	0.86	17	-21	-13
Avoid	MLC Aust - Platinum Gbl	Medium	+1%	0.58	18	-20	-13	Buy	Royal & Sun All. Intern'l Gth	Medium	-1%	0.92	8	-32	-16
Avoid	NAFM Inv Trt - Global	Medium	-8%	0.74	-10	-31	-18	Buy	Scot Life Worldwide	High	-5%	0.79	-1	-44	-18
Avoid	Perpetual ICSav - Int'l	Medium	-1%	0.84	3	-36	-23	Buy	Scot Mutual International	Medium	+1%	0.68	21	-32	-16
Avoid	Roth FA Int'l Share	High	-17%	0.33	-43	-52	-16	Buy	Scot Widows Global	Medium	+5%	0.88	35	-30	-16
Avoid	Tyndall Aust Int'l No 1	Very High	-1%	0.84	9	-32	-25	Buy	Singer & Freidlander Global	High	-4%	0.68	-6	-44	-29
Avoid	WealthLink World Link	Medium	-15%	0.39	-26	-28	-16	Buy	Sovereign Int'l Growth	Medium	+4%	0.77	35	-29	-15
Avoid	Westpac International	Low	-12%	0.46	-20	-30	-15	Buy	St James's International	Medium	+6%	0.69	37	-21	-12
<b>NEW ZEALAND BASED UNIT TRUSTS</b>															
Avoid	AJ International Share	High	-7%	0.83	-16	-40	-21	Buy	Sun Life of Canada W/Wide Gth	Medium	+1%	0.90	16	-30	-19
Avoid	AMP International Share	Medium	-5%	0.85	-4	-24	-12	<b>AUSTRALIAN LISTED INVESTMENT TRUSTS</b>							
Avoid	AMP Passive Int'l Share	Medium	-1%	0.74	9	-32	-14	Buy	BT Global	Very High	+5%	0.63	9	-38	-16
Avoid	ANZ World Equity Trust	Medium	-2%	0.84	8	-21	-13	Buy	Platinum Capital	Low	+18%	0.32	76	21	-1
Avoid	ASB World Shares	High	-3%	0.76	-3	-30	-17	Buy	Templeton Global	Medium	-5%	0.29	-15	-12	-21
Buy	BNZ Int'l Equity Index	Very High	+12%	0.51	-21	-14		<b>NEW ZEALAND LISTED INVESTMENT TRUSTS</b>							
Buy	BNZ International Equity	Low	+3%	0.69	29	-10	-8	Buy	(I NZ) World Index Fund	Medium	+0%	0.72	17	-33	-15
Buy	BT Life Int'l Share	Medium	-1%	0.88	10	-24	-11	Buy	Alliance Trust	Low	+2%	0.64	21	-16	-14
Buy	BTIS International Share	Medium	-5%	0.85	6	-24	-11	Buy	Anglo & Overseas Trust	Very High	+10%	0.74	32	-35	-22
Buy	Col FS Global Property	Very Low	-4%	0.40	5	-7		Buy	Bankers Investment	Medium	+7%	0.77	40	-14	-15
Buy	NZ Guardian Global	Medium	-3%	0.75	1	-23	-12	Buy	Brit Empire Securities	Very Low	+15%	0.58	102	-2	-8
Buy	NZFM Global Equity Gth	Medium	-5%	0.82	0	-28	-17	Buy	Brunner Invest. Trust	Very High	+9%	0.81	41	-35	-22
Buy	NZFM Global Blue Chip	Very Low	-1%	0.48	17	-2	-6	Buy	Capital Gearing Trust	Very Low	+3%	0.12	45	18	2
Buy	NZFM Global Small & Infra	Medium	-3%	0.58	-7	-24	-12	Buy	Edinburgh Investment	Medium	-1%	0.77	12	-27	-15
Buy	NZFM Global Prop Coys	Medium	+0%	0.62	16	-33	-16	Buy	Edinburgh Worldwide	Very High	+9%	0.80	17	-38	-26
Avoid	Nat Bank Int'l Equity	Low	-13%	0.58	-16	-38	-14	Buy	English & Scottish	Medium	+6%	0.69	41	-20	-14
Avoid	Royal & Sun Int'l S/Mkt	Medium	-4%	0.85	3	-24	-12	Buy	F & C Smaller Companies	Very High	+7%	0.70	28	-35	-20
Avoid	Tower Global Equity	Medium	-2%	0.83	6	-26	-13	Buy	Fleming Overseas	High	+10%	0.89	48	-27	-19
Avoid	Tower Tortis Intern'l	Medium	+0%	0.79	-29	-15		Buy	Foreign & Colonial	Medium	+6%	0.87	35	-24	-15
Avoid	Westpac International	Medium	-4%	0.89	1	-27	-16	Buy	Henderson Strata Inv	Very High	+8%	0.52	-3	-67	-45
<b>NEW ZEALAND BASED INSURANCE BONDS</b>															
Buy	Royal Sun All Global Fd	High	-2%	0.85	3	-28	-17	Buy	Jupiter Primadona	High	+3%	0.30	1	-56	-42
Buy	Sov. Super Int'l Equity	Medium	-4%	0.77	17	-18	-13	Buy	Jupiter Inv Trt	Medium	+10%	0.21	-9	-11	
<b>UNITED KINGDOM BASED UNIT TRUSTS</b>															
Buy	ABN AMRO Global Growth	High	-4%	0.73	-4	-49	-21	Buy	Law Debenture Corp.	Medium	+4%	0.57	20	-4	-15
Buy	AXA Global - Global Growth	Medium	+1%	0.88	-30	-17		Buy	Majedie Investment	Medium	-4%	0.68	-9	-31	-20
Avoid	Abbey Global Growth	Very Low	-7%	0.01	18	6	5	Buy	Martin Currie Portfolio	Medium	+6%	0.81	-25	-17	
Avoid	Abbey Global Opportunities	Medium	-5%	0.90	-30	-14		Buy	Merrill Asset Alloc'n	Medium	-5%	0.74	-43	-23	
Avoid	Abbey International	Low	-2%	0.88	9	-29	-15	Buy	Mid Wynd Invest Trust	High	+8%	0.68	44	-25	-16
Avoid	Abbey Nat'l International	Medium	-3%	0.84	9	-30	-14	Buy	Monks Investment	Low	+7%	0.79	40	-18	-16
Avoid	Aberdeen World	Medium	-4%	0.95	5	-31	-16	Buy	Murray International	Medium	-2%	0.83	9	-31	-18
Avoid	Allchurches Int'l Growth	Medium	+1%	0.95	-27	-15		Buy	Pantheon International	Very Low	+6%	0.48	-21	-15	
Avoid	BG International	Low	+3%	0.47	30	-28	-16	Buy	Personal Assets Trust	Very Low	-0%	0.45	29	0	-2
Avoid	Bank of Scotland World Gth	Medium	+0%	0.92	-32	-18		Buy	Ptarmigan International	Medium	+6%	0.59	46	-26	-13
Avoid	Barclays Worldwide	Medium	+0%	0.96	23	-23	-13	Buy	RIT Capital Partners	Very Low	+6%	0.49	51	-11	-6
Avoid	Baring Global Growth	High	-0%	0.89	8	-40	-19	Buy	Scottish Invest. Trust	Medium	+3%	0.88	27	-24	-15
Avoid	Britannic Global Growth	Medium	-1%	0.81	-33	-15		Buy	Scottish Mortgage & Trt	Medium	+2%	0.83	23	-30	-16
Avoid	Canada Life International Gth	Medium	+4%	0.84	33	-30	-15	Buy	Scottish Value	Very High	+9%	0.61	33	-43	-26
Avoid	Cavendish Worldwide	Medium	+5%	0.90	-19	-14		Buy	Scottish American Inv.	High	-0%	0.86	7	-33	-18
Avoid	Clerical Medical UK & Overseas	Medium	-1%	0.89	10	-26	-13	Buy	Second Alliance	Low	+2%	0.67	22	-17	-13
Buy	Deutsche World Opps	Very High	+8%	0.71	-27	-14		Buy	Secs Trust of Scotland	Medium	+2%	0.70	22	-16	-11
Buy	Dresdner Global Equity	Medium	-3%	0.88	2	-36	-18	Buy	Special Utilities 'S'	Medium	+9%	0.46	55	-11	-6
Buy	Equitable International	Medium	+3%	0.84	39	-27	-12	Avoid	Tribune Trust Managed	High	+3%	0.72	19	-33	-19
Buy	Exeter Global Opportunities	Very High	+5%	0.93	-33	-24		Buy	Witan Investment Coy	Medium	+4%	0.90	26	-28	-19
Buy	Fidelity International	Medium	+1%	0.93	-29	-17		<b>UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL</b>							
Buy	Fidelity Managed Int'l	High	+10%	0.69	52	-34	-19	Buy	Asset Management	Very High	+25%	0.34	80	-31	-25
Buy	First State Global Growth	Medium	-4%	0.87	-34	-17		Buy	BFS Absolute Ret. - Cap	Very High	+13%	0.76	-88	-85	
Buy	Fleming Private Global Opport.	Medium	+3%	0.80	17	-26	-13	Avoid	Fleming W/wide Income	Medium	+4%	0.53	18	-24	-25
Buy	Fleming Private W/wide Capital	Medium	+3%	0.86	21	-28	-13	Avoid	Govett High Income IT	Very High	-25%	0.53	-73	-75	-61
Buy	Fleming Private International	Low	+2%	0.90	-20	-10		Avoid	Legg Mason Int'l Util.	Very High	+5%	0.51	-19	-42	-35
Buy	Fr Prov International	Medium	+1%	0.90	15	-31	-13	Avoid	Murray Global Return	Very High	+0%	0.35	-51	-40	
Buy	Framlington International	High	+2%	0.81	23	-38	-16	Avoid	Quilter Global Enhanced	Very High	-19%	0.52	-87	-75	
Buy	GAM International Growth	Low	+6%	0.58	-2	-13		<b>UNITED STATES</b>							
Buy	Gartmore Global Utilities	Low	+2%	0.55	27	-30	-9	<b>AUSTRALIAN BASED UNIT TRUSTS</b>							
Buy	Gartmore Global Growth	Low	-2%	0.84	-28	-13		Avoid	BT Sel Mkts American Gth	Medium	-14%	0.58	-8	-42	-16
Buy	Govett Global Opportunitis	Medium	-3%	0.91	-33	-17		Avoid	Fidelity Perp. America	Medium	-8%	0.76	-7	-38	-26
Buy	HSBC Tulip	Medium	+2%	0.89	-28	-14		<b>NEW ZEALAND BASED INSURANCE BONDS</b>							
Buy	Henderson Independent Port.	Medium	+0%	0.94	14	-27	-13	Avoid	Royal Sun All Nth Amer	Medium	-10%	0.54	-8	-33	-18
Buy	Henderson International	High	+1%	0.91	13	-35	-17	Avoid	Sov. Super Nth America	Very Low	-9%	0.49	18	-20	-14
Buy	Hill Samuel Int'l	Low	-1%	0.82	14	-29	-15	<b>UNITED KINGDOM BASED UNIT TRUSTS</b>							
Buy	Invesco Perp International	High	-0%	0.83	-36	-19		Avoid	ACM American Growth	Very High	-7%	0.83	-39	-20	
Buy	Investec GF Global Privat'n	Medium	+6%	0.80	41	-19	-14	Avoid	AXA Global American	High	+0%	0.88	-28	-17	
Buy	Jupiter Ecology	High	+3%	0.62	-36	-21		Buy	Abbey American Growth	Medium	-3%	0.68	16	-34	-16
Buy	Lazard International Equity	Medium	-1%	0.92	-26	-17		Buy	Aberdeen American Opport.	Very Low	+10%	0.36	83	-15	-15
Buy	Lazard Worldwide Portfolio	Medium	+6%	0.84	-29	-16		Avoid	Aberdeen North American	Low	-10%	0.77	-0	-37	-18
Buy	Legal & General Global Gth	Medium	+2%	0.95	23	-30	-16	Avoid	BG American	Medium	+2%	0.88	-22	-15	
Buy	Legal & General Worldwide	Medium	-2%	0.94	16	-25	-12	Buy	Barclays America Growth	Low	-6%	0.50	-26	-16	
Buy	Legg Mason Global Growth	Low	-3%	0.82	-30	-14		Buy	Barclays America	Medium	-0%	0.74	27	-28	-16
								Buy	Baring American Gth	High	-4%	0.73	14	-43	-21

Current Advice	Investment Fund	Risk Rating	Sper- oidy Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
	Britannic American	Medium	+1%	0.63	34	-35	-18
	Canada Life North American	Medium	+2%	0.65	36	-26	-19
	Cazenove North American	Medium	-5%	0.80	3	-28	-17
	Clerical Medical American	Low	+1%	0.66	34	-25	-17
	Credit Suisse Transatlantic	Medium	+5%	0.63	48	-31	-18
	Deutsche American Growth	Medium	+3%	0.72	48	-34	-16
	Deutsche US Index	Medium	-2%	0.77	22	-27	-16
	Dresdner North American	Medium	-1%	0.65	32	-37	-17
	Edinburgh North American	High	+1%	0.66	32	-37	-21
	Equitable North American	Medium	-0%	0.78	28	-20	-15
Buy	Fidelity American	Medium	+22%	0.28	156	-3	-13
	First State American Gth	Medium	-6%	0.82	-37	-22	
	Fleming Select America	Medium	-0%	0.71	27	-26	-15
	Fr Prov American	Medium	-4%	0.80	13	-35	-18
Buy	Framlington American Gth	Medium	+6%	0.57	60	-41	-18
	GAM North America	Low	+14%	0.48	-12	-14	
	Gartmore American	Medium	+3%	0.67	47	-31	-16
	Govett US Blue Chip	Low	-6%	0.28	-28	-17	
	Govett US Index	Medium	-3%	0.86	-31	-16	
	Govett US Opportunities	Low	+1%	0.61	-21	-15	
	Henderson North American	Medium	-5%	0.73	15	-39	-18
	Hill Samuel American	Medium	-2%	0.65	-35	-16	
Avoid	Invesco Perp US Growth	Very High	-15%	0.67	-73	-41	
	Jupiter North America	High	-3%	0.75	-37	-24	
	Lazard Nth American Gth	Low	-6%	0.72	12	-27	-16
	Legal & General Nth American	Medium	+2%	0.76	39	-29	-16
	Legal & General US Index	Medium	-0%	0.76	28	-28	-16
	Lincoln North American	Medium	-4%	0.71	17	-31	-18
	M & G American & General	High	-6%	0.77	4	-41	-22
	MGM North American Growth	Low	-1%	0.59	27	-22	-14
	Martin Currie North American	Medium	+0%	0.70	40	-31	-18
	Merrill Lynch American	Medium	-5%	0.73	14	-39	-18
Avoid	NPI North America	Medium	-7%	0.69	5	-36	-19
	Newton American	Medium	+2%	0.63	37	-28	-21
	Old Mutual North American	Medium	-0%	0.74	31	-30	-18
	Portfolio American	Medium	+0%	0.60	-33	-18	
	Prudential North American	Low	-6%	0.54	6	-16	-15
	Rothschild FA Prt Nth America	Medium	-4%	0.54	-38	-17	
	Royal & Sun All. Nth American	Medium	-4%	0.69	16	-36	-18
	S & W American	Very Low	+5%	0.37	48	-21	-19
Avoid	Scot Amic American	Very Low	-7%	0.47	7	-15	-14
	Scot Life America	Medium	-6%	0.76	7	-36	-18
	Scot Mutual North American	Medium	-1%	0.66	33	-39	-22
	Scot Widows North American	Medium	-3%	0.71	16	-35	-16
	Sun Life of Canada Nth Amer.	Medium	-5%	0.71	12	-35	-22

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	American Opportunity	Very Low	+9%	0.15	122	-8	-8
	Edinburgh US Tracker	Medium	+2%	0.81	44	-23	-16
	Fleming American	Medium	+5%	0.64	49	-28	-20
Avoid	Second London American	Very Low	-16%	0.07	-19	2	-1

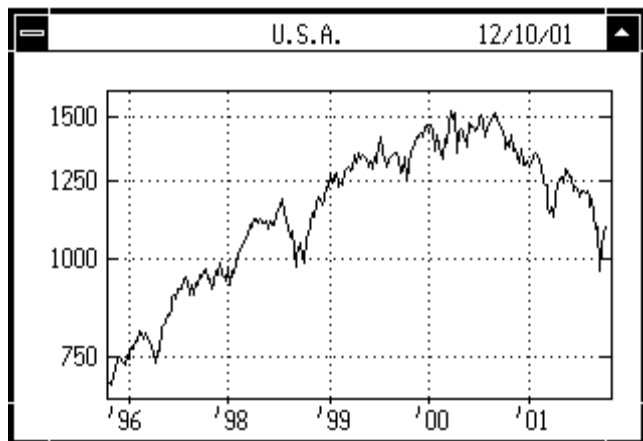
**UNITED STATES SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Abbey US Emerging Companies	Very High	+27%	0.55	181	-38	-15
	Baring American Small Coys	High	+1%	0.43	28	-48	-24
	F & C US Smaller Coys	Medium	+0%	0.57	22	-18	-20
Buy	Fidelity American Spec Sits	Very High	+21%	0.63	103	-48	-28
	Fleming Select American Sm Co	Very High	-2%	0.38	-47	-32	
	Fr Prov American Small Coys	Low	-0%	0.41	33	-23	-20
	Gartmore America Small Coys	Very High	+1%	0.71	-38	-21	
	Henderson Amer Small Coys	High	+5%	0.56	47	-39	-19
Buy	Hill Samuel US Small Coys	Very High	+12%	0.47	81	-38	-15
Buy	Invesco Perp American Smaller	Very High	+15%	0.46	81	-48	-26
	Merrill Lynch Amer Small Coys	Very High	+5%	0.82	-38	-21	
Buy	Merrill Lynch American Opps	Very High	+19%	0.47	117	-39	-21
	Perpetual Amer Small Coys	Very High	+1%	0.71	18	-36	-25
Buy	Schroder US Smaller Coys	Very Low	+13%	0.51	99	-2	-10

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	F & C US Smaller Coys	Low	+5%	0.58	60	-11	-13
Buy	Fleming US Discovery	Low	+12%	0.21	102	-19	-20
Buy	Nth Atlantic Smaller	Very Low	+8%	0.26	66	-8	-12
Buy	Renaissance U.S.	Low	+13%	0.19	109	-27	-6



**UNITED KINGDOM**

**UNITED KINGDOM BASED UNIT TRUSTS**

Current Advice	Investment Fund	Risk Rating	Sper- oidy Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
	A & L Capital Growth	Medium	-2%	0.63	-21	-11	
	A & L UK 100 Index	Medium	-1%	0.78	-21	-10	
	AXA UK - UK Growth	Medium	+0%	0.83	-19	-11	
	AXA UK - UK Tracker	Medium	-1%	0.89	-20	-10	
	Abbey Assets & Earnings	Low	-6%	0.74	-5	-22	-8
	Abbey Dividend & Growth	Low	-5%	0.74	-6	-14	-9
Avoid	Abbey General	Low	-7%	0.69	-22	-8	
	Abbey Nat'l N & P UK Growth	Medium	-1%	0.76	9	-26	-12
	Abbey Nat'l UK Growth	Low	-2%	0.69	5	-25	-10
	Aberdeen UK Blue Chip	Medium	-3%	0.78	-1	-28	-13
	Aberdeen UK Growth	Medium	-1%	0.75	4	-26	-12
	Abey Nat'l Stockmarket 100	Medium	-1%	0.82	-19	-10	
	Artemis UK Growth	High	-1%	0.54	-29	-17	
	BG British 350	Medium	+1%	0.77	15	-17	-10
	BWD Rensburg Equity Growth	Medium	+2%	0.84	19	-20	-12
	BWD Rensburg UK Mid Cap	High	-2%	0.51	-27	-16	
	BWD UK Equity	Medium	+4%	0.75	15	-13	-13
	Bank of Scotland FTSE 100	Medium	-1%	0.84	-20	-10	
	Barclays 500	Medium	-4%	0.69	-25	-13	
	Barclays Capital	Medium	-1%	0.83	11	-21	-10
	Barclays FTSE 100	Medium	-2%	0.85	5	-24	-9
	Barclays Glb Inv UK Growth	Medium	-1%	0.63	-18	-9	
	Baring UK Growth	Medium	+3%	0.67	23	-26	-11
	Britannic UK General	Medium	-3%	0.77	4	-22	-9
	Cazenove UK Equity	Medium	-3%	0.68	1	-31	-11
	Clerical Medical UK Growth	Medium	-4%	0.75	-26	-12	
	Credit Suisse Growth	Medium	+5%	0.56	30	-21	-12
	Deutsche UK Blue Chip	Medium	+2%	0.81	20	-25	-11
	Deutsche UK Equity	Low	+3%	0.69	27	-17	-10
	Deutsche UK Growth	Medium	+5%	0.70	28	-21	-11
	Deutsche UK Index	Medium	-2%	0.81	6	-21	-11
	Direct Line FTSE 100 Tracker	Low	-3%	0.94	-20	-9	
	Dresdner UK Growth	High	+6%	0.58	32	-33	-17
	Dresdner UK Index	Medium	-0%	0.83	12	-22	-11
	Equitable Pelican	Medium	-3%	0.81	-23	-11	
	Equitable Special Situations	Low	+2%	0.57	29	-18	-10
	Equitable UK Index	Very High	-4%	0.51	-34	-52	-43
Buy	Exeter Capital Growth	High	+12%	0.49	54	-29	-23
Buy	Fidelity Special Situations	Very Low	+15%	0.31	83	0	-15
	Fidelity UK Growth	Medium	+3%	0.71	25	-21	-13
	First State UK All Companies	Medium	-4%	0.77	-23	-11	
Avoid	Fleming Select UK Equity	Very Low	-9%	0.32	-9	-18	-8
	Fr Prov Equity	Medium	-2%	0.76	10	-26	-8
	Fr Prov UK Growth	Medium	-5%	0.75	-27	-8	
	Fr Prov UK Index Tracking	Medium	-1%	0.78	-21	-11	
	Framlington UK Growth	Low	+6%	0.61	44	-18	-9
Buy	GAM UK Diversified	Very Low	+21%	0.15	11	-10	
	Gartmore UK Growth	Medium	-1%	0.73	3	-31	-13
	Gartmore UK Index	Medium	-0%	0.81	11	-22	-12
	Govett FTSE 250 Index	Low	+2%	0.48	20	-21	-14
	Govett UK Blue Chip	Medium	-1%	0.76	-23	-11	
	Govett UK Enhanced Opps	Very High	-6%	0.76	-48	-29	
	Gresham UK Growth	Very Low	+1%	0.48	-9	2	
	HSBC FTSE 100 Index	Medium	-2%	0.87	7	-22	-10
	HSBC FTSE 250 Index	Low	+0%	0.41	-24	-15	
	Hargreaves Investment	Low	+2%	0.28	22	-37	-20
	Hargreaves Warrant	High	+6%	0.36	32	-41	-28
	Henderson UK Capital Growth	Medium	-3%	0.72	-23	-12	
	Hill Samuel British	Medium	-2%	0.81	7	-20	-8
	Hill Samuel Capital	Medium	-0%	0.79	13	-23	-10
	Invesco GT UK Blue Chip	Medium	-2%	0.73	-25	-11	
	Investec GF UK Opportunities	Medium	+3%	0.62	33	-23	-14
	Jupiter Environmental	Medium	-3%	0.51	-24	-15	
	Jupiter UK Growth	Low	+5%	0.60	19	-19	-18
Buy	Jupiter UK Special Situations	Medium	+3%	0.36	14	-41	-26
	Jupiter Undervalued Assets	Very High	+9%	0.47	-10	-17	
	Legal & General UK Recovery	Medium	-1%	0.69	10	-22	-10
	Legal & General Equity	Medium	-2%	0.78	8	-21	-11
	Legal & General UK Index	Medium	-1%	0.78	9	-21	-10
	Legal & General UK Stockmarket	Medium	-1%	0.85	10	-20	-10
	Legg Mason UK Growth	High	+0%	0.83	-23	-11	
	Lincoln Growth	Medium	-3%	0.68	5	-28	-11
Buy	M & G Blue Chip	Medium	-2%	0.83	-26	-11	
	M & G British Opportunities	Low	+13%	0.39	-20	-18	
	M & G Capital	Medium	-6%	0.63	-36	-15	
	M & G Index Tracker	Medium	-0%	0.89	-20	-11	
	M & G Recovery	Medium	+2%	0.66	13	-17	-15
	M & G UK Growth	Medium	-4%	0.78	-25	-11	
	MGM Special Situations	Medium	+2%	0.67	14	-21	-12
	MGM UK Growth	Medium	+2%	0.79	15	-19	-10
	Marlborough UK Growth	Very Low	-3%	0.25	5	-24	-14
	Martin Currie UK Growth	Low	-1%	0.63	24	-19	-6
	Merrill Lynch Brit Blue Chip	Medium	-3%	0.76	-1	-20	-9
	NatWest UK Tracker	Medium	-1%	0.87	7	-21	-10
	Old Mutual UK All Share Mirror	Medium	-0%	0.82	10	-21	-11
Avoid	Old Mutual UK Growth	Low	-10%	0.61	-21	-9	
	Pearl Equity Trust	Medium	-2%	0.74	1	-24	-11
	Pearl Growth	Medium	-1%	0.70	6	-24	-10
	Portfolio UK Growth	Low	+5%	0.43	-21	-14	
	Prudential UK Growth	Medium	-1%	0.79	9	-22	-13
	Rothschild FA Prt UK	Medium	-1%	0.53	-25	-13	
	Rothschild FA UK Major Coys	Medium	-5%	0.68	-29	-11	

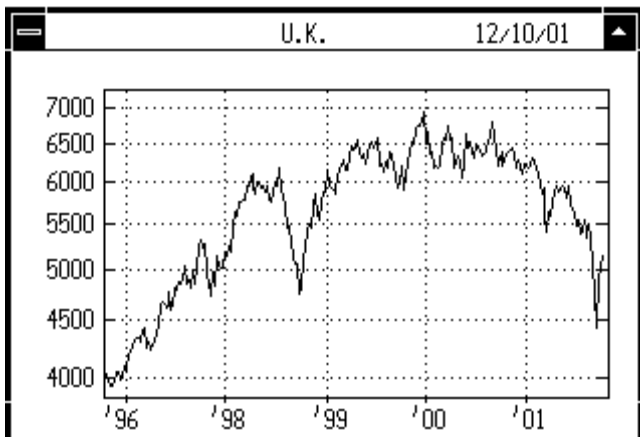
Current Advice	Investment Fund	Risk Rating	Super-odity Rating	Market Correla-tion	Performance			Current Advice	Investment Fund	Risk Rating	Super-odity Rating	Market Correla-tion	Performance		
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth
	Royal & Sun All. Equity Trust	Medium	+2%	0.76	18	-19	-10	Avoid	Gartmore SNT	Very High	-15%	0.42	-72	-48	
	Royal & Sun FTSE 100 Tracker	Medium	-2%	0.72	-20	-9		Avoid	Gartmore High Income	Very Low	-8%	0.08	-26	-8	
	Royal & Sun FTSE All Share	Low	-3%	0.75	-21	-11			Geared Income	Very High	-6%	0.33	-60	-43	
	Royal London UK Growth	Medium	+1%	0.78	12	-25	-12	Avoid	Govett Enhanced Income	High	-20%	0.19	-59	-54	
	Sanwa UK Growth	Low	+3%	0.48	23	-26	-13	Buy	Henderson High Income	Very High	+13%	0.27	1	-11	
	Schroder UK Enterprise	Medium	-3%	0.61	6	-27	-13		Henderson Geared I & G	Very Low	-2%	0.25	4	-13	
	Schroder UK Equity	Medium	+5%	0.77	31	-15	-11		I & S Optimum Income	Low	+2%	0.25	20	-15	
	Schroder UK Mid 250	Medium	+4%	0.54	-10	-10			Invesco Geared Opps	Low	+6%	0.17	31	6	
	Scot Amic Equity Trust	Medium	+1%	0.79	12	-20	-12	Buy	Invesco Recovery 2005	Very Low	+12%	0.08	-1	-20	
	Scot Life UK Equity	Medium	+1%	0.79	12	-22	-11		Investors Capital	Very High	+6%	0.23	-96	-98	
	Scot Mutual UK Equity	Medium	-1%	0.73	12	-24	-10	Avoid	Jersey Phoenix	Very High	-21%	0.30	-64	-69	
	Scot Widows Equity	Medium	-3%	0.75	6	-23	-9	Buy	Jos Holdings - Capital	Very High	+17%	0.41	65	-38	
	Scot Widows UK Spec Sits	Medium	-1%	0.59	8	-29	-12	Buy	Jove Investment - Cap	Very High	+9%	0.46	-30	-57	
	Scot Widows UK Index	Medium	-2%	0.79	5	-22	-11	Buy	Jupiter Split Trust Cap	Very High	+54%	0.38	295	-19	
	Soc Gen UK Growth	Medium	+6%	0.60	24	-25	-15	Buy	Jupiter Dividend & Gth	Very High	+15%	0.28	-2	-18	
	Solus UK Growth	High	+0%	0.85	-22	-12		Buy	Jupiter Enhanced	Very Low	+4%	0.15	-7	-19	
	Solus UK Special Situations	Very High	+4%	0.58	-29	-23		Avoid	Leveraged Income Fund	Medium	-39%	0.12	-79	-79	
	Sovereign FTSE 100	Low	-2%	0.72	7	-21	-9		M & G Equity Trust -Cap	High	+5%	0.23	13	-24	
	Sovereign UK Growth	Medium	-0%	0.64	15	-26	-11		M & G High Income - Cap	Very High	-4%	0.15	-50	-47	
Buy	St James's UK & Gen Prog.	Low	+10%	0.48	62	-9	-8	Buy	M & G Income IT - Cap	Very High	+9%	0.34	-1	-42	
	Sun Life of Canada UK Growth	Low	+3%	0.47	27	-4	3	Buy	M & G Recovery - Cap	Very High	+19%	0.31	24	-57	
	Tilney UK Equity	Medium	-1%	0.65	11	-23	-12	Buy	Martin Currie I & G (c)	Very High	+11%	0.33	-32	-44	

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	3i Group	Very High	+21%	0.54	49	-56	-32
	3i UK Select	Medium	-5%	0.53	-26	-18	
Avoid	Aberdeen High Income	Medium	-31%	0.23	-66	-67	-45
Avoid	Aberdeen Convertible	Very Low	-10%	0.17	-15	-22	-14
	Advance UK	Low	+2%	0.33	24	-26	-19
	Albany	Low	+2%	0.31	21	-17	-12
Buy	Aurora Invest Trust	High	+12%	0.27	40	-39	-23
	British American IT	Medium	-4%	0.39	-9	-25	-21
	City Merchants High Yld	Very Low	-5%	0.03	10	-2	4
	City of London	Medium	-1%	0.69	5	-9	-13
	Deutsche Equity Income	High	+6%	0.61	-10	-14	
	Dresdner RCM 2nd Endow.	Very Low	+1%	0.08	29	2	-3
	Dunedin Income Growth	High	+5%	0.56	10	-20	-19
Avoid	Edinburgh UK Tracker	Medium	+1%	0.70	14	-22	-11
	Enhanced Zero Trust	Very High	-15%	0.20	-64	-61	
	Exeter Selective Assets	Low	-0%	0.21	-3	-31	-27
Buy	F & C Income Growth	Low	+7%	0.59	32	-2	-10
Buy	Fidelity Special Values	Low	+25%	0.23	124	14	-15
	Finsbury Growth	Low	+0%	0.48	14	-18	-13
Buy	Fleming Mid Cap	High	+13%	0.50	-27	-22	
	Fleming Claverhouse	Medium	+1%	0.79	4	-27	-16
Buy	Gartmore Growth Opps	Very High	-5%	0.41	-42	-24	
Buy	Glasgow Income Trust	Very Low	+7%	0.23	30	4	-16
	Govett Strategic Inv.	High	+5%	0.47	21	-34	-21
	Invesco Convertible	Very Low	+6%	0.31	36	-0	-12
	Life Offices Opport.	Very Low	-0%	0.07	27	-4	0
Buy	London & St Lawrence	Very Low	-0%	0.31	18	-2	-1
	Lowland Investment Co	Low	+15%	0.26	58	12	-17
	Merchants Trust	Medium	+5%	0.50	3	-5	-19
Buy	Murray Income Trust	High	+8%	0.58	20	-10	-16
Buy	Perpetual Income & Gth	Low	+7%	0.33	22	4	-14
Avoid	Schroder UK Growth	Low	-7%	0.46	-5	-33	-14
	Schroder Income & Grwth	Very Low	+2%	0.28	21	4	-6
	Shires Investment Trust	Medium	+3%	0.45	3	-17	-19
Buy	Temple Bar Inv. Trust	Low	+7%	0.42	25	-4	-12
	Tribune Trust Indexed	Low	-2%	0.77	8	-20	-11
	Undervalued Assets	Very Low	-5%	0.18	1	-34	-18
	Value & Income Trust	Very Low	+3%	0.11	29	6	-3

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

Avoid	BFS Income & Growth	Very High	-38%	0.25	-78	-68	-59
	BFS Small Companies	Very Low	+0%	0.05	4	-13	
Avoid	Broadgate	High	-22%	0.12	-65	-51	
Buy	City of Oxford Grd Inc	Very High	+10%	0.41	-36	-41	
Buy	Derby Trust - Capital	Medium	+8%	0.41	34	-20	-16
	Dresdner RCM Income Gth	Low	+2%	0.12	3	-3	-15
Buy	Edinburgh Income & Val.	Very Low	+8%	0.07	5	20	
Buy	Fleming Inc & Cap	Very High	+13%	0.25	-29	-26	
Avoid	Fleming I & G (2006)	High	-18%	0.08	-70	-12	
Avoid	Framlington Second Dual	Very High	-25%	0.25	-56	-48	



Avoid	New Fulcrum	Medium	-12%	0.13	-31	-31	
	Premier High Income	Very Low	+2%	0.04	-4	-10	
Avoid	Quarterly High Income	Low	-47%	0.24	-67	-31	
Buy	Rights & Issues	Medium	+8%	0.24	-3	-15	
Buy	Schroder Split - Cap	Very High	+45%	0.31	29	-24	-37
Avoid	Second Scottish Nat'l	Very High	-19%	0.26	-62	-53	-47
Avoid	St David's Inv Trust	Very High	-10%	0.27	-81	-72	
	Yeoman II - Cap	Very High	+2%	0.12	-67	-51	

**UNITED KINGDOM SMALLER COS**

**UNITED KINGDOM BASED UNIT TRUSTS**

Buy	ABN AMRO UK Growth	Medium	+15%	0.66	93	-28	-16
	AXA UK - UK Smaller	Medium	+0%	0.92	-35	-21	
	Abbey Nat'l Smaller Cos	High	+0%	0.78	23	-41	-24
Buy	Aberdeen UK Emerging	Medium	+9%	0.75	55	-29	-18
Buy	Aberforth UK Small Coys	Low	+16%	0.84	9	-10	
Buy	Artemis UK Smaller Coys	Medium	+7%	0.95	-27	-21	
	BG British Smaller Coys	Low	-2%	0.71	7	-25	-18
	BG UK Smaller Companies	Low	-0%	0.78	7	-22	-17
Buy	BWD UK Smaller Coys	Very High	+15%	0.65	84	-35	-17
Buy	Barclays GIB Inv Smaller Coys	Medium	+7%	0.91	-25	-19	
Buy	Baring UK Small Coys	High	+12%	0.68	69	-40	-17
	Britannic Smaller Companies	Medium	+4%	0.81	40	-33	-21
	Canada Life UK Smaller Coys	High	+3%	0.72	29	-41	-20
	Cavendish Opportunities	Medium	+4%	0.74	33	-30	-20
	Cazenove UK Smaller Coys	High	+3%	0.75	30	-41	-20
	Clerical Medical UK Smaller	Medium	-4%	0.91	-44	-24	
	Credit Suisse Smaller Coys	High	+1%	0.73	14	-47	-26
Avoid	Deutsche Genesis	High	-9%	0.81	-52	-27	
	Dresdner UK Mid-Cap	Very High	+4%	0.63	30	-47	-24
	Dresdner UK Smaller Companies	Very High	-2%	0.57	3	-60	-27
Buy	Edinburgh UK Smaller Coys	Very High	+10%	0.68	37	-64	-35
	Equitable Smaller Coys	High	-6%	0.70	-1	-53	-25
	First State UK Smaller Cos	Medium	-0%	0.89	-34	-19	
Buy	Fleming Select UK Smaller Coys	High	+7%	0.86	43	-36	-23
	Framlington Capital	High	+6%	0.79	42	-31	-21
Buy	Gartmore UK & Irish Small Cos	Very High	+20%	0.79	-41	-25	
	Gartmore UK Small Coys	High	-1%	0.73	14	-44	-24
	Govett UK Smaller Companies	Medium	-3%	0.72	10	-38	-20
	Gresham UK Smaller Coys	Very Low	+1%	0.30	-15	-3	
	Hill Samuel UK Smaller Coys	Medium	-2%	0.76	23	-35	-16
	Invesco Perp UK Small Coys	High	+1%	0.78	18	-41	-23
	Investec GF UK Emerging Coys	Low	-2%	0.58	25	-27	-7
Buy	Jupiter UK Small Cos	High	+7%	0.86	-34	-24	
Buy	Lazard UK Small Coy	Medium	+7%	0.83	51	-17	-12
	Legal & General UK Small Coys	Medium	+5%	0.82	34	-33	-17
	M & G Smaller Companies	Very High	+1%	0.78	16	-51	-27
Buy	Marlborough Special Situations	High	+31%	0.57	182	-17	-14
	Martin Currie UK Smaller Coys	High	-3%	0.80	11	-46	-20
	Pearl UK Small Coys	High	-2%	0.73	10	-44	-23
	Prudential Smaller Companies	High	+3%	0.88	22	-35	-24
Buy	Royal & Sun All. UK Smaller	Very High	+9%	0.67	47	-42	-22
Avoid	S & W Smaller Securities	High	-12%	0.73	-57	-28	
Buy	Schroder UK Smaller Coys	Medium	+8%	0.74	53	-31	-18
	Scot Amic UK Small	High	+1%	0.92	16	-37	-26
	Scot Mutual UK Small Coys	High	+0%	0.77	24	-42	-24
	Scot Widows UK Small Coys	Medium	+0%	0.90	23	-31	-19
	Singer & Freidlander Small Cos	Very High	-6%	0.79	-15	-52	-32
Buy	Sun Life of Canada Small Coys	Low	+8%	0.58	56	-6	-2
	Tilney UK Smaller Cos	Medium	+0%	0.86	19	-32	-20

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

	3i Smaller Quoted Coys	Very High	+2%	0.76	24	-52	-30
Buy	AIM Trust	Very High	+39%	0.49	96	-68	-53
Buy	Aberforth Smaller Coys	Medium	+15%	0.54	77	-1	-17
Buy	Britannic Smaller Coys	Very High	+8%	0.85	-30	-24	
	Capital Opportunities	Very High	+0%	0.49	-4	-59	-38
	Discovery Trust	Medium	+4%	0.60	29	-39	-21

(Continued on Page 8)

Current Advice	Investment Fund	Risk Rating	Sper- oity Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
Buy	Dresdner RCM Smaller	Very High	+7%	0.58	47	-44	-22
Buy	Dunedin Smaller Coys IT	Very High	+10%	0.74	38	-39	-31
Buy	Eaglet Investment Trust	Medium	+37%	0.53	212	-9	-21
Buy	Edinburgh Smaller Coys	Very High	-1%	0.76	-8	-67	-44
Buy	Finsbury Smaller Quoted	High	-1%	0.85	-40	-26	
Buy	Finsbury Trust	High	+17%	0.43	48	-37	-29
Buy	Fleming Smaller Coys	Very High	+14%	0.78	60	-51	-37
Buy	Fleming Mercantile	Medium	+13%	0.85	80	-20	-16
Buy	Framlington Innovation	Low	+5%	0.65	-22	-19	
Buy	Gartmore Fledgling Indx	Medium	+18%	0.53	82	-22	-20
Buy	Gartmore Small Coys	High	-2%	0.67	19	-47	-26
Buy	Henderson Smaller Coy	Very High	-6%	0.57	-18	-64	-34
Buy	I & S UK Smaller Coys	High	+1%	0.64	30	-46	-17
Buy	Intrinsic Value plc	Very High	-2%	0.83	-47	-37	
Buy	Invesco England	Very High	+1%	0.78	12	-53	-36
Avoid	Knox D'Arcy Trust	Very Low	-16%	0.20	-27	-12	-7
Buy	Montanaro UK Small Coys	High	+12%	0.72	63	-28	-25
Buy	Perpetual UK Smaller Co	Medium	+6%	0.73	31	-26	-25
Buy	Shires Smaller Coys	Low	+6%	0.49	40	-13	-15
Buy	Smaller Companies IT	Very High	+14%	0.70	75	-25	-16
Buy	Themis FTSE All Small	Medium	+4%	0.70	-35	-27	
Buy	Throgmorton Trust	Medium	+1%	0.73	20	-28	-24

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

Buy	Aberforth SL - Cap	Very Low	+18%	0.38	126	13	-14
Buy	Lloyds Smaller Co - Cap	Medium	+11%	0.78	82	-24	-16

**EUROPE****AUSTRALIAN BASED UNIT TRUSTS**

Avoid	BT Europe Growth	High	-7%	0.56	-13	-33	-14
Avoid	Dresdner Europe Growth	Medium	-10%	0.40	-12	-33	-14
Avoid	Fidelity Perp. Europe	Medium	+2%	0.74	7	-26	-15
Avoid	Invesco European	Very High	-14%	0.57	-38	-56	-26

**NEW ZEALAND BASED UNIT TRUSTS**

Buy	BTIS European Share	Low	-1%	0.52	5	-20	-8
Buy	Tower Spotlight Europe	Medium	+1%	0.57	8	-26	-11
Buy	Tower Spot. Emerg. Euro.	High	+9%	0.39	34	-21	-17

**NEW ZEALAND BASED INSURANCE BONDS**

Buy	Royal Sun All European	Medium	-3%	0.53	-7	-29	-15
Buy	Sov. Super European	Medium	-5%	0.56	3	-26	-11

**UNITED KINGDOM BASED UNIT TRUSTS**

Avoid	A & L European	Medium	-4%	0.79	-26	-9	
Avoid	ABN AMRO Pan Europe	Low	-13%	0.62	-39	-15	
Avoid	AXA Global European Growth	High	-4%	0.85	-32	-15	
Avoid	Abbey European Capital	Medium	+3%	0.68	19	-25	-10
Avoid	Aberdeen European Growth	Medium	+6%	0.66	30	-29	-13
Avoid	Allchurches Euro Growth	Medium	+0%	0.81	-21	-11	
Buy	BG Europe	Very High	+7%	0.58	25	-34	-14
Buy	Barclays European	Low	-4%	0.53	-29	-11	
Buy	Barclays Gbl Inv European Gth	Medium	-3%	0.74	-29	-14	
Buy	Baring Euro Sel.	High	+4%	0.44	13	-39	-17
Buy	Baring European Growth	High	-1%	0.65	-2	-37	-15
Buy	Britannic European	Medium	+4%	0.56	20	-30	-10
Buy	Canada Life European	Medium	+6%	0.49	30	-33	-10
Buy	Cazenove European Portfolio	Very High	+8%	0.59	22	-46	-18
Buy	Clerical Medical European	Medium	+3%	0.61	18	-28	-11
Buy	Credit Suisse European	Medium	+2%	0.68	15	-24	-9
Buy	Deutsche European Growth	High	+4%	0.65	20	-32	-12
Buy	Dresdner Euro Index	Medium	-1%	0.68	2	-30	-14
Buy	Dresdner European	High	+4%	0.61	11	-38	-12
Buy	Edinburgh European	High	+3%	0.58	15	-28	-14
Buy	Equitable European	High	+2%	0.72	9	-31	-14
Buy	Fidelity European Opps	Very High	+6%	0.66	20	-36	-19
Buy	Fidelity European	Medium	+14%	0.57	72	-17	-12
Avoid	First State Euro Growth	Low	-12%	0.64	-37	-12	
Avoid	Fleming Select Cont Europe	Medium	+5%	0.60	23	-26	-11
Avoid	Fr Prov European	High	+6%	0.61	25	-29	-11
Avoid	Framlington European	High	+6%	0.60	33	-32	-11
Buy	GAM European Growth	High	+14%	0.70	-24	-13	
Buy	Gartmore European	Medium	+6%	0.58	26	-29	-13
Buy	Gartmore European Sel Opps	High	+11%	0.56	49	-26	-9
Buy	Govett European Blue Chip	Medium	+4%	0.61	17	-26	-12
Buy	Govett European Strategy	Very High	+11%	0.52	39	-36	-12
Buy	HSBC Eurotrack 100	Medium	+4%	0.69	17	-28	-13
Buy	Henderson European	High	+8%	0.60	36	-31	-12
Buy	Hill Samuel European	Medium	+7%	0.60	35	-28	-10
Buy	Invesco French	High	-6%	0.76	-44	-20	
Buy	Invesco Perp Euro Growth	Very High	+8%	0.40	31	-49	-13
Buy	Investec GF European Gth	Medium	+8%	0.62	38	-22	-10
Buy	Jupiter Euro Spec Sits	High	+24%	0.55	-23	-13	
Buy	Jupiter European	Medium	+9%	0.54	49	-22	-10
Buy	Lazard European Growth	Medium	+6%	0.62	30	-24	-12
Buy	Legal & General Euro Index	Medium	+4%	0.69	16	-29	-14
Buy	Legal & General European	Medium	+0%	0.67	9	-28	-12
Buy	Legg Mason Euro Growth	Medium	-6%	0.70	-31	-12	
Buy	Lincoln European	Medium	-0%	0.57	3	-37	-13
Buy	M & G European Index Tracker	Medium	-4%	0.81	-29	-14	
Buy	M & G European	High	+4%	0.68	12	-33	-16
Buy	MGM European Growth	Medium	+3%	0.71	3	-28	-14
Buy	Martin Currie European	High	+7%	0.63	24	-33	-14
Buy	Merrill Lynch European Gth	High	+7%	0.64	23	-32	-15
Buy	Merrill Lynch New Europe	High	+6%	0.68	23	-32	-14

Current Advice	Investment Fund	Risk Rating	Sper- oity Rating	Market Correla- tion	Performance		
					36 mth	12 mth	3 mth
Buy	Newton Continental European	Medium	-1%	0.74	-23	-11	
Buy	Old Mutual European	Very High	+2%	0.64	8	-35	-18
Buy	Old Mutual European Blue Chip	High	-4%	0.72	-33	-15	
Buy	Old Mutual Swiss Equities	Low	+0%	0.58	18	-26	-12
Buy	Pearl New Europe	High	+9%	0.60	41	-28	-12
Buy	Portfolio European	High	+6%	0.60	-33	-14	
Buy	Prudential European	Low	+2%	0.64	19	-19	-9
Buy	Rothschild FA Euroland	Medium	-5%	0.76	-32	-14	
Buy	Rothschild FA Prt Europe	High	+5%	0.60	-34	-15	
Buy	Royal & Sun All. European	High	+7%	0.57	28	-30	-13
Buy	Royal London European Gth	Medium	+9%	0.52	33	-29	-17
Buy	S & W European	Medium	-6%	0.67	-34	-17	
Buy	Sanwa European Gth	Medium	+12%	0.58	38	-28	-16
Buy	Schroder European	High	+6%	0.65	17	-33	-17
Buy	Scot Amic European	Medium	+3%	0.61	16	-21	-13
Buy	Scot Life European	Medium	+6%	0.69	17	-31	-17
Buy	Scot Mutual European	Medium	+2%	0.63	15	-30	-12
Buy	Scot Widows Europe	High	+7%	0.60	24	-32	-16
Buy	Scot Widows Euroland	Medium	-4%	0.66	-29	-15	
Buy	Singer & Freidlander Cont'l	High	+8%	0.56	22	-32	-18
Buy	Soc Gen European	Very High	+13%	0.62	44	-34	-15
Buy	Solus European Growth	High	-5%	0.86	-34	-14	
Buy	Sovereign European Gth	Medium	+3%	0.51	16	-30	-13
Buy	Sun Life of Canada European	High	+1%	0.69	4	-34	-19
Buy	Timley European Growth	High	+4%	0.64	15	-30	-12

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Buy	Charter European Trust	Very High	-2%	0.53	-2	-47	-21
Buy	Eastern European	Medium	+6%	0.26	-12	-10	
Buy	European Assets	High	+2%	0.36	2	-46	-31
Buy	F & C European	Very High	+10%	0.52	39	-32	-19
Buy	Fidelity Euro V.	High	+23%	0.50	121	-13	-15
Buy	Fleming Cont'l Europe	High	+10%	0.63	43	-26	-15
Buy	Gartmore Irish Small	Low	+13%	0.23	44	-12	-20
Buy	Gartmore European	Very High	+8%	0.53	35	-40	-14
Buy	Martin Currie European	Very High	+6%	0.57	20	-43	-22
Buy	Merrill Euro Priv.	High	+5%	0.63	25	-31	-16
Buy	Perpetual European	Very High	+5%	0.53	10	-44	-27

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

Avoid	Govett Euro Enhanced	Medium	-13%	0.27	-48	-37	
Buy	Henderson Eurotrust	Very High	+14%	0.47	44	-50	-33
Buy	Legg Mason Euro Util.	Very High	-1%	0.27	-17	-47	-21

**EUROPE SMALLER COS****UNITED KINGDOM BASED UNIT TRUSTS**

Buy	BG Euro Small Coys	Very High	+6%	0.47	8	-52	-25
Buy	Deutsche Europa	Very High	+16%	0.42	41	-48	-23
Buy	Dresdner European Smaller Coys	Very High	+5%	0.40	-4	-59	-26
Buy	F & C European Smaller Coys	Very High	-2%	0.49	-9	-49	-22
Buy	Fleming Select Cont Euro Sm Co	Very High	+17%	0.41	42	-47	-20
Buy	Framlington Cnt'l Sm Coys	Very High	+9%	0.44	17	-55	-24
Buy	Henderson European Small Cos	Very High	+14%	0.42	36	-47	-24
Buy	Hill Samuel Pan-Euro Small Cos	High	-5%	0.52	-43	-17	
Buy	Invesco Perp Euro Smaller Cos	Very High	+5%	0.43	-1	-61	-23
Buy	M & G European Smaller Coys	Very High	+12%	0.49	15	-62	-33
Buy	Schroder Euro Small Coys	Very High	+8%	0.50	14	-50	-25

**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

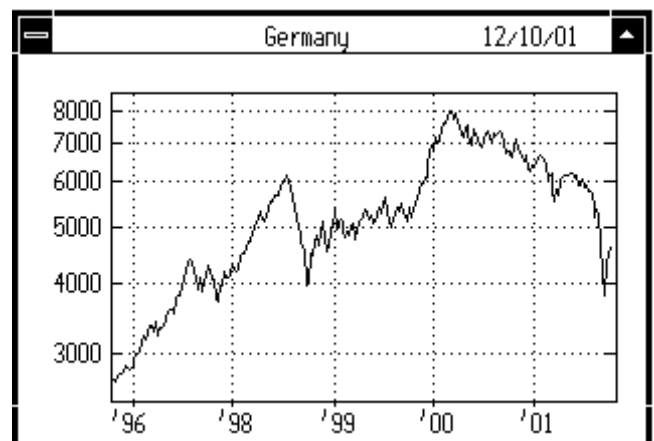
Buy	Fleming Euro Fledgling	Very High	+23%	0.44	44	-63	-39
Buy	Henderson Euro Micro	Very High	-2%	0.59	-57	-38	
Buy	Invesco Continental Sm	Very High	-3%	0.50	-41	-81	-43
Buy	TR European	Very High	+1%	0.47	7	-61	-30

**GERMANY****UNITED KINGDOM BASED UNIT TRUSTS**

Buy	Baring German Growth	Low	+9%	0.33	21	-47	-18
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**UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS**

Avoid	East German Inv Trust	Very Low	-22%	0.00	-17	-29	10
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# *Split Capital Review:*

## *Three Extremely Leveraged Trusts offer Very High Risk “Stockmarket Recovery” Play*

The *Capital* shares in a *split capital* listed trust are very volatile securities. When a stockmarket decline reduces their net asset value close to zero (or below zero) these shares can become *extremely* volatile. Such shares could quite likely become *valueless* when the trust is wound up. However, your loss is limited to 100% of the amount invested, while there is *no limit* on potential gains.

On the other hand, *if* stockmarkets rally over the next few years in response to easier monetary conditions (which, of course, is far from certain) these shares could soar in value, with every 1% stockmarket rise adding 20-80% to the value of the following shares:

### **Close FTSE 100 Trust** (Code: CSEC)

This is a *split capital* trust that seeks to match the FTSE 100 index. The Capital shares have declined so much - and have a negative net asset value - that they are an *extremely* leveraged investment.

The trust will be wound up in July 2004 (i.e. in 33 months) when it will (1) repay a £54.3 million bank loan, (2) pay £60.6 million on the Zero Dividend Preference shares (i.e. 148.64 pence per share), (3) pay £20.4 million to the Income shares. The remaining assets - if any - will be distributed to the 20,400,000 Capital shares.

In this case, repaying the first three groups will require a total of £135.3 million from a portfolio with a current value of £129.1 million. The portfolio therefore needs to appreciate just 5% to prevent the Capital shares being worthless. Every additional 1% adds 6 pence to the value of these shares.

As an “index” fund, all of the £129.1 million in assets is invested in the large UK shares that make up the FTSE 100 index.

The really bad news is the huge bid/offer spread on these shares: 2-12 pence. That is, if you want to buy these shares the UK *marketmaker* will charge you 12 pence, but if you wanted to sell you would only get 2 pence. That makes the shares a “buy and hold” for speculators prepared to gamble on an upturn in the UK stockmarket.

Summary: Once the portfolio has risen 5%, every additional 1% adds 6 pence to the net asset value of the Capital shares which can currently be purchased at 12 pence. However, there is less than three years until this fund is wound up.

### **Danae Investment Trust plc** (Code: DNIC)

This trust was originally formed in 1972, but its capital structure was re-organised in December 2000 to produce very highly leveraged Capital shares.

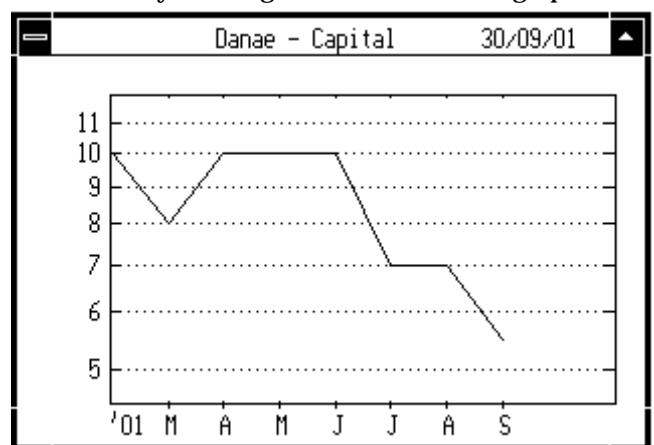
This new structure will be wound up (or again re-organised) in December 2007 when its assets will be used to (1) repay a £30 million bank loan, (2) pay £29.6 million to the Zero Dividend Preference shareholders (i.e. 174.47 pence per share), (3) pay £26.0 million to the Income shareholders and (4) distribute *all remaining assets* between the 7,599,624 Capital shares. Repaying the first three groups will require a total of £85.6 million.

The portfolio is *currently* worth only £73.9 million. For the Capital shares to have *any* value at the December 2007 winding up date the portfolio needs to appreciate just 16%, or about 2½% per annum. Every 1% increase in the portfolio value above £85.6 million adds 11 pence to the value of the Capital shares.

The portfolio is invested in UK shares (57%), split capital Income shares (22%), other equities (7%) and cash (14%).

These shares also have a *massive* bid/offer spread of 1-10 pence. This 900% spread reflects illiquidity in these shares and their volatility - but it rules out *trading* short term fluctuations.

Summary: The portfolio needs to rise 16% before the Capital shares have a positive asset value, but every additional 1% adds 11 pence to the net asset value of these shares that can be bought at 10 pence. This trust also has six years to grow until its winding up date.



(Continued on Page 10)

**Split Capital Review***(Continued from Page 9)***Premium Trust plc** (Code: PTTTC)

This *split capital* trust seeks to invest 80-85% of its portfolio in UK equities and 15-20% in fixed interest.

The winding up date is December 2006 when the trust must (1) repay £12.2 million of interest free loans (see details below), (2) pay £20.8 million on the Zero Dividend Preference shares (i.e. 105.05 pence per share), (3) pay £9.4 million to the Income shares. The remaining assets - if any - will be distributed to the 19,800,000 Capital shares.

The £12.2 million interest free loan is obtained in return for Premium Trust pledging its assets to enable Premium Underwriting to underwrite several Lloyds insurance syndicates. The benefit of no interest payable on the loan accrues to the Income shareholders as there is extra income available for distribution each year. As with any loan, the Capital shareholders gain or lose from fluctuations in the capital value of investments purchased with the loan money. In this case there is also the risk of underwriting losses that Premium Trust *may* be required to make up. The underwriter holds loss reserves, and calls would then be met by Premium Trust repaying the loan, but additional calls would be a loss to the trust. Initially any loss is firstly borne by the Capital shareholders (who share in the surplus assets at winding up), then from the Income shares and finally the ZDP shares.

The current capital structure was formed from a regular investment trust, with ordinary shareholders receiving equal numbers of ZDP shares, Income shares and Capital shares in a re-organisation of this trust last year. So all shareholders were initially treated equally, but investors are now free to buy or sell shares in any particular class of share - with full knowledge of their different rights to income and capital.

This asset pledge is an unusual type of risk for an investment trust. Risking virtually all of its assets in return for a £6-700,000 annual interest saving may not be a particularly good deal!

Assuming there are no insurance losses (in excess of the £12.2 million loan) repayment to the first three groups will total £42.2 million from the portfolio which has a current value of £39.0 million. The portfolio therefore needs to appreciate 8% in total over the next five years for the Capital shares to have some value.

Every additional 1% appreciation in the portfolio adds 2 pence to the value of the Capital shares.

78% of the portfolio is invested in mainly larger UK shares, with 17% in fixed interest and 5% in cash.

The bid/offer spread of 7-9 pence on these shares is still high by normal standards - at 28% - but is a huge improvement over the other two split capital trusts!

Summary: The portfolio needs to rise only 8% to give the Capital shares a positive net asset value, but every additional 1% adds only 2 pence to that value. The shares can be purchased at 9 pence. Although this is very high leverage (i.e. a 1% market gain adds 20% to the share value) it is considerably less leverage than the other two funds. Premium also carries the extra risk of insurance losses.

**Summary & Recommendations**

If the UK stockmarket fails to recover, all of these split Capital shares will expire worthless. If the stockmarket appreciates, however, these Capital shares offer massive leverage.

Danae Investment Trust *capital* shares appear to offer the best potential and has the longer period (i.e. six years) for the portfolio to grow in value before its winding up date.

Close FTSE 100 Trust *capital* shares would also be worth consideration.

Unfortunately, both shares have such wide bid/offer spreads that the purchase of these must be considered a long term investment. With limited potential to re-sell these shares (unless the stockmarket appreciates, significantly increasing the value of these Capital shares) investors may need to be hold these shares until the trusts are wound up (in 3-6 years) and surplus assets, if any, are distributed.

## Next Issue

The next issue of "International Investor" will be posted in four weeks time on Tuesday November 13, 2001 (and delivered in most areas on Wednesday 14).

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