

# 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	76%	Bullish	Bullish	Bullish	Bullish	+4.0%	+24.6%	+24.5%	3,220.10
Austria	68%	Bearish	Bullish	Bullish	Bullish	-0.8%	+19.0%	+38.6%	1,369.00
Belgium	74%	Bullish	Bullish	Bullish	Bullish	-0.6%	+37.3%	+7.7%	2,096.42
Canada	72%	Bearish	Bullish	Bullish	Bullish	+6.6%	+27.8%	+33.5%	7,612.50
Denmark	76%	Bearish	Bullish	Bullish	Bullish	+11.3%	+45.3%	+28.6%	252.20
Finland	71%	Bullish	Bullish	Bullish	Bullish	-0.1%	+29.8%	+23.1%	6,093.14
France	80%	Bullish	Bullish	Bullish	Bullish	+3.9%	+33.0%	+18.2%	2,301.24
Germany	73%	Neutral	Bullish	Bullish	Bullish	+8.8%	+48.6%	+16.3%	3,607.71
Ireland	87%	Bullish	Bullish	Bullish	Bullish	-0.1%	+21.6%	+24.1%	4,629.20
Italy	82%	Bullish	Bullish	Bullish	Bullish	-2.8%	+20.6%	+17.6%	19,244.00
Japan	59%	Bearish	Bullish	Bullish	Bearish	+23.4%	+31.1%	+18.5%	10,650.77
Netherlands	82%	Bullish	Bullish	Bullish	Bullish	+4.7%	+37.3%	+7.0%	483.70
New Zealand	64%	Neutral	Bullish	Bullish	Bearish	+4.0%	+10.1%	+19.5%	1,848.88
Norway	84%	Neutral	Bullish	Bullish	Bullish	+7.7%	+43.1%	+19.5%	570.66
Spain	79%	Neutral	Bullish	Bullish	Bullish	+2.5%	+26.9%	+31.2%	762.36
Sweden	70%	Bearish	Bullish	Bullish	Bullish	+10.3%	+37.5%	+36.4%	185.35
Switzerland	76%	Bearish	Bullish	Bullish	Bullish	+5.3%	+31.2%	+10.7%	5,310.60
Un. Kingdom	65%	Bullish	Bullish	Bullish	Bearish	-2.2%	+20.6%	+5.5%	4,257.20
USA	71%	Neutral	Bullish	Bullish	Bullish	+3.4%	+23.2%	+14.3%	1,021.39
Argentina	66%	Bearish	Bullish	Bullish	Bearish	-0.6%	+17.4%	+44.4%	1,791.37
Brazil	75%	Neutral	Bullish	Bullish	Bullish	+12.5%	+77.9%	+77.4%	15,889.64
Czech Rep.	77%	Bullish	Bullish	Neutral	Bullish	+0.1%	+35.2%	+49.1%	643.20
Chile	71%	Bearish	Bullish	Bullish	Neutral	+15.3%	+44.4%	+44.2%	6,685.53
China	46%	Bullish	Bearish	Bullish	Bullish	-13.0%	-18.8%	-32.5%	100.13
Greece	62%	Bullish	Bullish	Neutral	Bearish	+7.9%	+39.6%	+16.6%	2,146.39
Egypt	57%	Neutral	Bullish	Bearish	Bullish	+2.8%	+5.8%	-10.9%	736.98
Hong Kong	75%	Neutral	Bullish	Bullish	Bullish	+15.2%	+25.4%	+14.9%	11,170.61
Hungary	56%	Bearish	Bullish	Bearish	Bullish	+7.0%	+24.9%	+34.1%	9,188.69
India	58%	Bearish	Bullish	Bearish	Neutral	+35.2%	+44.0%	+47.3%	4,369.17
Indonesia	66%	Bullish	Bullish	Neutral	Bearish	+9.9%	+56.4%	+42.2%	582.32
Israel	63%	Bearish	Bullish	Bullish	Neutral	-0.0%	+42.3%	+28.6%	429.75
Korea	75%	Neutral	Bullish	Bullish	Neutral	+21.5%	+45.1%	+9.7%	761.55
Malaysia	54%	Bullish	Neutral	Neutral	Neutral	+11.0%	+19.0%	+9.0%	756.48
Mexico	82%	Bullish	Bullish	Bullish	Bullish	+9.3%	+34.5%	+16.8%	7,775.34
Philippines	59%	Bearish	Bullish	Bullish	Neutral	+3.7%	+22.2%	+4.7%	1,240.58
Poland	59%	Bearish	Bullish	Neutral	Bullish	+23.8%	+48.7%	+65.4%	20,713.37
Portugal	81%	Neutral	Bullish	Bullish	Bullish	-5.0%	+13.2%	+15.8%	1,680.32
Russia	54%	Bearish	Bullish	Neutral	Bearish	+15.7%	+40.7%	+61.3%	6,465.86
Singapore	67%	Neutral	Bullish	Neutral	Bullish	+10.7%	+30.4%	+11.8%	1,617.84
Sth Africa	75%	Bullish	Bullish	Bullish	Bullish	+16.2%	+27.5%	+41.3%	9,498.09
Taiwan	71%	Neutral	Bullish	Bullish	Neutral	+20.8%	+31.6%	+26.3%	5,639.03
Thailand	68%	Neutral	Bullish	Bullish	Bearish	+36.6%	+62.6%	+64.0%	557.81
Turkey	50%	Bearish	Bullish	Bearish	Neutral	+3.4%	+28.0%	+43.8%	11,471.49
Venezuela	79%	Bullish	Bullish	Bullish	Bearish	+15.6%	+83.5%	+95.0%	14,917.49

**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

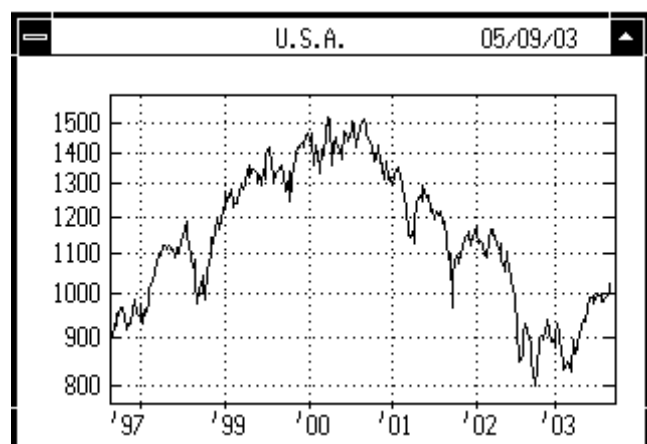
The global stockmarket recovery is becoming more secure, with most markets rising strongly over the last month. Our Stockmarket Forecasts also remain Bullish (i.e favourable), so investors should remain fully invested in the recommended funds and warrants.

Overall, the total world stockmarket capitalisation (i.e. the total value of all listed shares) increased 23.6% to US\$25,041 billion over the last six months. The US share of the total fell from 49.49% to 48.94% - indicating stronger growth by smaller countries. Japan's capitalisation grew 29.9%, Korea 34.3% and Hong Kong 26.1%.

The global downturn lasted far longer than we expected, so when we re-invested much of our cash reserve during 2001 we suffered initial losses and terrorism further depressed world stockmarkets. However, we remained close to fully invested - so our portfolio has recovered strongly over recent months.

Investment gains are not made "buying and selling", but by being invested as share prices appreciate in value. So as we are fully invested our portfolio requires little action - except to improve its potential performance. One such opportunity is now at hand - selling our **Fidelity Asian Values** warrants and re-investing in **Aberdeen Asian Smaller Companies** warrants. This will leave our overall portfolio spread unchanged, but ties down recent recovery gains by switching into a warrant with both *lower risks* and the potential for *higher profits*.

This situation (i.e. low risk *and* higher returns) results mainly from the market currently *over-valuing* the Fidelity warrants - which further increases their risks and lowers their expected future returns. There is therefore an attractive opportunity to realise this investment, but maintain our exposure to the recovering Asian stockmarkets by re-investing in a lower risk Aberdeen warrant.



# World Stockmarket Capitalisations

Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	12,256	48.94
Japan	2,624	10.48
United Kingdom	1,923	7.68
France	1,059	4.23
Germany	732	2.92
Canada	656	2.62
Switzerland	623	2.49
Italy	500	2.00
Australia	444	1.77
Netherlands	415	1.66
Hong Kong	391	1.56
Spain	381	1.52
Taiwan	325	1.30
South Korea	266	1.06
Sweden	235	0.94
China	208	0.83
Russia	173	0.69
South Africa	160	0.64
Belgium	157	0.63
Finland	147	0.59
India	142	0.57
Brazil	138	0.55
Mexico	127	0.51
Singapore	118	0.47
Malaysia	111	0.44
Denmark	103	0.41
Norway	72	0.29
Greece	68	0.27
Ireland	65	0.26
Israel	51	0.20
Chile	50	0.20
Thailand	44	0.18
Portugal	43	0.17
Austria	41	0.16
Turkey	30	0.12
Indonesia	25	0.10
Poland	24	0.10
New Zealand	21	0.08
Philippines	14	0.06
Hungary	12	0.05
Czech Republic	11	0.04
Peru	9.5	0.04
Morocco	8.3	0.03
Pakistan	5.8	0.02
Argentina	5.3	0.02
Columbia	5.1	0.02
Jordan	4.6	0.02
Iceland	4.3	0.02
Nigeria	4.1	0.02
Egypt	4.0	0.02
Venezuela	3.2	0.01
Slovenia	2.5	0.01
<b>TOTAL</b>	<b>\$25,041</b>	<b>100.00%</b>

# Recommended International Investment Funds

Our portfolio continues to recover strongly in value - with most of our funds rising 12-18% over the last month! That is resulting in even faster rates of gain (i.e. up 39-93% per *month*) in our warrants.

Most warrants remain below the initial purchase price shown in the portfolio below although, in practice, most investors - like us - probably added to these investments at lower prices. For example, £1000 bought 2500 warrants at 40 pence. Another £1000 invested at 20 pence would have purchased 5000 warrants, while a at 10 pence a third £1000 would have purchased another 10,000 warrants. In total an investor would then hold 17500 warrants at an average cost of about 17¼ pence!

So our *actual*, real money portfolios have performed significantly better than the *theoretical* portfolio below which assumes only one initial investment.

## Warrants

While our **Fidelity Asian Values** warrants show the *best returns* (i.e. a small loss, compared to larger losses on the other three warrants) they are the least attractive for *future* potential. We therefore recommend the sale of these and re-investing in **Aberdeen Asian Smaller Companies** warrants (see Page 4-5).

**Templeton Emerging Markets** now trade *above* the exercise price of our warrants - which should appreciate *rapidly* in value over the next year if emerging stockmarkets continue to appreciate.

**JPM Fleming Asia** shares trade just 8% *below* the warrant's exercise price, while **Schroder Asia Pacific** shares are 21% *below* the warrant's exercise price but still have almost 2½ years to expiry.

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>Europe</b>									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-12%	526.0p	1461.9	+13
HOLD	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-24%	203.5p	565.6	-26
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-5%	417.0p	1159.0	+11
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-14%	285.0p	792.1	-32
<b>Asian Regional</b>									
BUY	Aberdeen Asian Sm Co WARRANTS	ASSW	09/09/03	75.3p	209.1		75.25p	209.1	
SELL	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		14.5p	40.3	-19
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		182.6p	507.4	+382
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		40.8p	113.5	+7
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		156.1p	433.9	-10
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		269.4p	748.8	-33
HOLD	JPM Fleming Asia WARRANTS	JPFW	07/03/00	43.8p	141.7		12.75p	35.4	-75
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		11.0p	30.6	-60
<b>Japan</b>									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-11%	115.0p	319.6	-27
HOLD	Invesco Japan Discovery Trust	UD	13/07/99	95.5p	284.0	-15%	61.0p	169.5	-40
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		94.39-100.30p	270.6	+29
<b>International</b>									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	61.7p	184.0		114.4p	318.0	+73
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-26%	107.0p	297.4	-29
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		16.5p	45.9	-62

\* United Kingdom based Unit Trust

## Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 161¼ (-7%, i.e. 7% *below* net asset value), **Fidelity Asian Values** shares at 65¼ pence (-10%), **JPMorgan Fleming Asian** shares at 92 pence (-8%), **Schroder Asia Pacific** shares at 79¼ pence (-7%), **Templeton Emerging Markets** shares at 135½ pence (-14%), **Baillie Gifford Shin Nippon** warrants at 12½ pence and **Invesco Japan Discovery** warrants which trade at 5¼ pence.

# *Fund Recommendations:*

## *Sell Fidelity Asian Values warrants*

## *Buy Aberdeen Asian Smaller Companies warrants*

**SELL Fidelity Asian Values plc warrants (code FASW)**  
**BUY Aberdeen Asian Smaller Companies IT plc warrants (code AASW).**

We are recommending the sale of Fidelity Asian Values warrants and re-investing the money in the purchase of Aberdeen Asian Smaller Companies warrants. This change will significantly lower risks, considerably extend the life of our warrant investment and should increase our future profits. Here are the details.

### **Fidelity Asian Values warrants**

Fidelity Asian Values shares have recovered strongly in value over the last six months - with the warrants increasing 5-6 fold in value from their lows.

Unfortunately, at 65½ pence the shares are still far below the 100 pence exercise price for the warrants - although there is still almost *three years* to the final exercise/expiry date of 31 August 2006. So for the warrants to have any value at expiry, the shares need to rise 53% (15.8% per annum) to reach 100 pence. For the warrant value to equal its current market value of 14½ pence, the shares need to rise 75% (21.1% per annum) to 114½ pence. While this is certainly possible, this is a risky situation. Furthermore the high Break-even rate (i.e. the 21.1% p.a. gain) needed to equal the current 14½ pence value of the warrants is a significant hurdle before which the warrants can increase further in value.

This is also a good time to switch out of the Fidelity Asian Value warrants as they are currently over-valued - trading at a 37% premium to their *fair value* (i.e. their *Black-Scholes option valuation*). The warrants are quoted at a bid-offer spread of 11.1% (i.e. bid at 13½ pence- which investors will receive selling, and offered at 15 pence), but this is fairly normal for low-priced, volatile securities.

### **Aberdeen Asian Smaller Companies warrants**

Aberdeen Asian Smaller Companies' share price has also recovered strongly over the last six months and its warrants involve significantly less risk.

These warrants have over seven years until their final exercise/expiry date of 30 November 2010 at 100 pence and the shares already trade at 161¼ pence. Both of these factors result in very little risk attached to these warrants. The *Break-even rate* is just 1% p.a., so virtually *any* gain in the share price will add to the value of the warrants.

### **Break Even Rate and Warrant Leverage**

The Fidelity Asian Values warrants involve very high risks so have a high 3.0 times leverage, while the

Aberdeen Asian Smaller Companies warrants have very low risks and a low 1.7 times leverage. The Aberdeen Asian Smaller Companies warrants, however, should yield higher future returns owing to their lower Break-Even hurdle before which the warrant value will increase.

For example, if both trusts appreciate by 20% per annum over the next few years then the Fidelity shares will rise to 111 pence by August 2006 and the Aberdeen shares will rise to 274 pence. That would value the Fidelity warrants at 11 pence (down 24% on their current value) and the Aberdeen warrants at around 180-190 pence (up 140-150%).

At an amazing 35% per annum rate of gain by Asian stockmarkets over the next three years, the Fidelity warrants would still only be worth 56½ pence (up 290%), while the Aberdeen warrants would trade around 295 pence (up 292%).

If Asian stockmarkets fail to appreciate by at least 15.8%, then the Fidelity warrants will expire worthless while the Aberdeen warrants would still have considerable value.

### **Aberdeen Asian Smaller Companies Investment Trust plc**

**Aberdeen Asian Smaller Companies Investment Trust plc** seeks "to maximise its total return" from investments in smaller companies (i.e. with a market capitalisation of under US\$600 million at the time of purchase) in the Asia Pacific region, excluding Japan.

The trust was formed in 1995 and currently has assets of £57.6 million and is slightly leveraged (i.e. with about 9% of borrowings).

The trust is well diversified with the ten largest holdings making up just 29.4% of the portfolio. The largest investments are in Hong Kong (16.1% of the portfolio), Singapore (14.3%), Thailand (13.4%), India (11.9%), Indonesia (11.2%), Korea (10.6%), Sri Lanka (8.6%), Malaysia (4.7%), UK (3.6%), Philippines (3.5%) and Pakistan (2.0%).

The issued capital consists of 26,754,100 shares (code AAS) and 6,999,400 warrants (code AASW) to buy shares at 100 pence until 30 November 2010. The annual management fee is 1.2% per annum. A dividend of 2.65 pence (plus Tax Credit) was paid in November, offering a gross yield of 1.9%.

Aberdeen Asian Smaller Companies Investment Trust rates as a *Low Risk* fund in our *Investment Fund Survey*, with a *Superiority Rating* of +17%.

At 161¼ pence the shares are at a 7% discount to net

assets. The November 2010 warrants offer an attractive leveraged investment and at 75¼ pence trade at a 17% discount to fair value. The shares and warrants are actively traded with bid-offer spreads of less than 1%

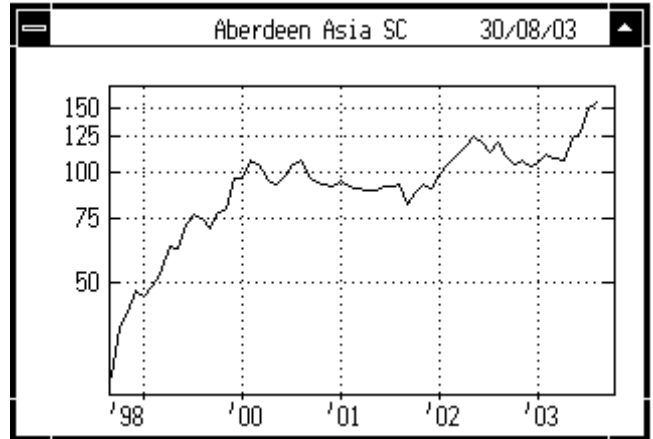
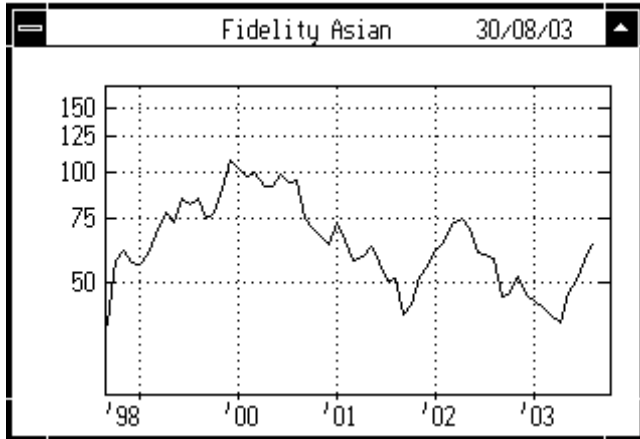
**Summary and Recommendation**

Our Fidelity Asian Values warrants have recovered strongly over the last six months but remain high risk and their high break-even rate limits the potential for further gains.

Aberdeen Asian Smaller Companies warrants involve

significantly lower risk and, although they have lower leverage, the potential to appreciate in value in the future is greater owing to a very low break-even rate.

We therefore recommend the sale of the Fidelity Asian Values warrants and re-investing the money in Aberdeen Asian Smaller Companies warrants. This will maintain our exposure to the Asian stockmarket recovery, but lowers our risk exposure *and* increases our potential to earn future profits!



## *Listed Investment Trust Warrant Analysis*

**Review of Speculative Warrants ...**

We sold **F & C Income Growth** warrants in July, realising a 47% loss. Our remaining speculative warrants, however, are recovering and appreciating strongly.

Speculative warrants attractive for purchase at this time would include existing informal recommendations **Perpetual Income & Growth** and **Polar Capital**.

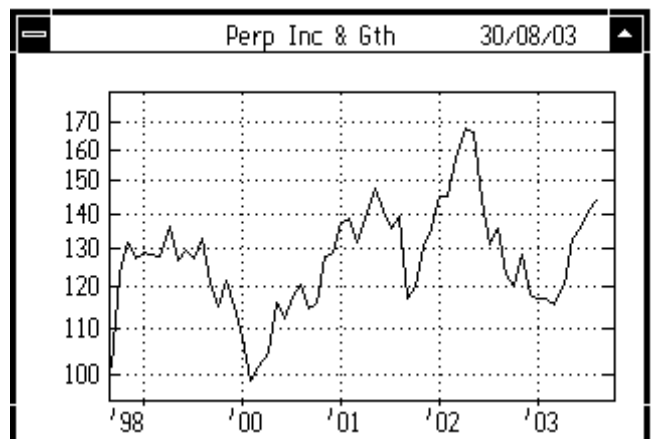
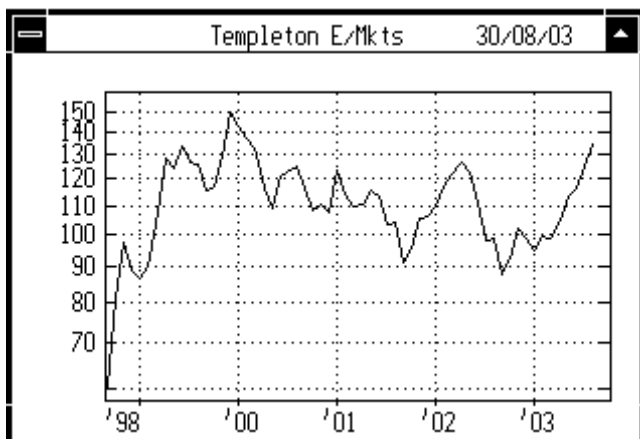
**... and a new Speculative Buy.**

Formally recommended **Templeton Emerging Markets** warrants are now also attractive for a short term, *speculative* investment.

Templeton Emerging Markets warrants have only twelve *months* until their final exercise/expiry date of

30 September 2004 and an exercise price of 133 pence. The shares currently trade at 135½ pence and the warrant at 16½ pence. The *break-even rate* is 10%, but the main attraction is the very high *warrant leverage* of 4.7 times. If the trust rises 20% over the year, the warrants will increase by 78% to 29½ pence! A 30% gain by the trust will lift the warrants 145% to 40½ pence!

**Perpetual Income & Growth** shares rose just 3.6% over the last quarter to 145 pence, with the warrants rising 13.2% to 45 pence. We bought these warrants in December 2001 and the stockmarket continued to fall for another 15 months - but we are now up on our cost of 35¾ pence and *(Continued on Page 6)*



## Investment Trust Warrant Analysis

(Continued from Page 5)

showing a 25.9% profit!

We still have almost three years until the final exercise/expiry date of 31 August 2006 - so if the UK stockmarket continues to recover then these warrants will become very valuable. A 10% per annum gain in the shares (i.e. to 90 pence) will lift the warrants 100.0% further to 90 pence! A 15% per annum gain by the shares (i.e. to 215 pence) will make the warrants worth 115 pence.

So we *could* ultimately realise a 2½-3 fold gain on these warrants - despite buying too early and paying too much!

**Schroder Income & Growth** shares rose a similar 4.3%, to 158½ pence, over the last three months, with the warrants increasing 11.5% to 58 pence. We bought these warrants in December 2001 at 46½ pence - so we are now up 24.7%.

These warrants have a final exercise/expiry date of 31 December 2003 so we shall need to either exercise these warrants, or sell them on-market, before that date. Most probably we shall sell them on-market in mid-December. We shall give our advice in the next quarterly *Listed Investment Trust Warrant Analysis* (to be published December 9) unless we decide to take action sooner.

The warrants sell close to their *intrinsic value* - which is the share price (i.e. 158½ pence) less the cost of exercising the warrants (i.e. 100 pence) to buy the share. Every 1 pence change in the share price over the next three months will result in a 1 pence change in the value of the warrants. So every 1% fluctuation in the trust's portfolio of Blue Chip UK shares will result in a 2.7% fluctuation in the warrant value. That is the *warrant volatility* of 2.7.

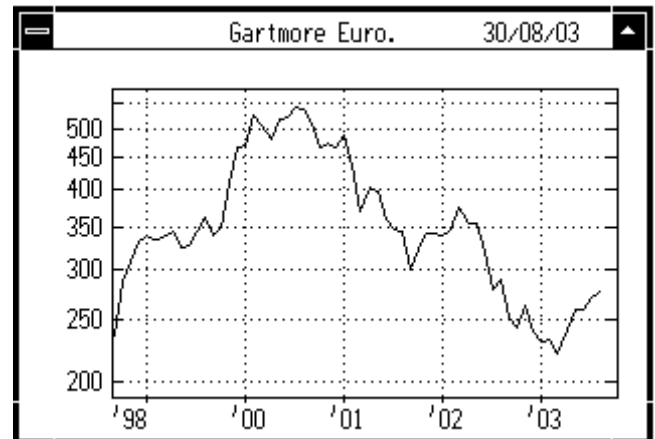
If the UK stockmarket were to rise 10-15% over the next quarter (i.e. lifting the trust's share price to 174-180 pence) then the warrants would increase a further 27-38% to 74-80 pence.

**Gartmore European** were also informally recommended in December 2001 - and we initially experienced a significant loss in value on these very volatile warrants. The shares have continued to recover slightly over the last three months, up 5.4% to 281 pence. The warrants have high leverage (i.e. 4.3 times), so appreciated 33.3% to 64 pence. We originally paid 142 pence for these warrants - so we still have a 54.9% loss on this position.

These warrants also expire in a little over four months time, on 31 January 2004. Again, we shall probably sell them on-market in January - and will advise in our December review.

To break-even on our cost price of 142 pence, the shares will need to rise 28.8% to 362 pence over the next four months. That is unlikely - although *anything* is possible in the early stages of a stockmarket recovery.

Our loss here comes from our inability to *time* our initial purchase more accurately. We bought relatively short dated warrants (i.e. with only about two years to expiry) to maximise leverage and potential gains from these speculative investments in anticipation of a stockmarket recovery. As we now know, stockmarkets continued to fall for longer than we expected (i.e. for another 15 months *after* we bought these warrants). With perfect hindsight we could have bought these warrants early *this year* at less than 20 pence.

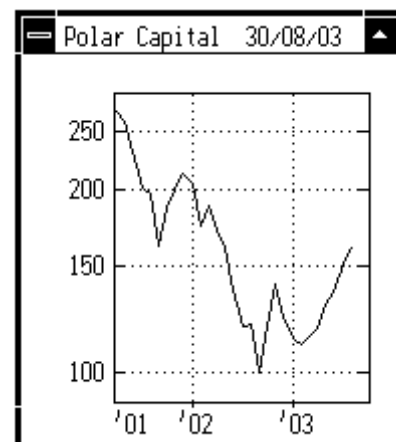


**Polar Capital** shows the value of persevering with an investment strategy - especially when things don't initially turn out as expected. Despite our other speculative warrants showing large losses, we informally recommended Polar Capital warrants in December 2002 at 42 pence - and then watched them rapidly lose half of their value too!

The shares recovered in value during the June quarter and soared a further 23.7% over the last three months, with the warrants appreciating 86.6% to 73½ pence. That puts us ahead 74.4% at this stage!

The warrants still have two years to run (i.e. with a final exercise/expiry date of 30 September 2005). If technology shares appreciate at 10% per annum that will lift the share price to around 209 pence and value the warrants at 109 pence. A 20% per annum recovery in technology share prices will lift the shares to 248 pence and the warrants to 148 pence.

So these warrants have the potential to increase our initial investment 2½-6 fold.



Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Warrant Share Price 5%pa	Warrant Share Price 10%pa	Warrant Share Price 20%pa	Return (%p.a.) from Break-Even Rate
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**INDIA**

JPM Fleming Indian	87.8p	100.0p	0-5	4.20p	2.64p	+59	0.279	13.0	-100.0	-100.0	-100.0	+51%
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**UNITED KINGDOM**

Edinburgh Smaller Coys	49.0p	100.0p	5-0	18.25p	10.37p	+76	0.426	2.3	-100.0	-100.0	+3.7	+19%
Fidelity Special Values	308.0p	100.0p	0-4	207.00p	209.20p	-1	0.234	1.5	+9.0	+16.7	+32.4	-1%
Invesco City & Com.	59.0p	100.0p	1-9	6.00p	11.42p	-47	0.653	2.5	-100.0	-100.0	-100.0	+40%
Legal & Gen UK Select	106.0p	100.0p	1-1	13.50p	15.64p	-14	0.238	5.2	-12.0	+27.3	+103.5	+7%
Perpetual Income & Gth	145.0p	100.0p	2-11	45.00p	57.33p	-22	0.227	2.4	+14.7	+27.5	+50.0	+0%
Schroder Income & Grwth	158.5p	100.0p	0-3	58.00p	59.40p	-2	0.164	2.7	+18.0	+33.3	+66.6	-1%

**LATIN AMERICA**

Deutsche Latin America	65.0p	100.0p	6-9	12.25p	19.20p	-36	0.354	2.1	-100.0	+10.3	+40.7	+8%
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**EMERGING MARKETS**

Templeton Emerging Mkts	135.5p	133.0p	1-0	16.50p	19.75p	-16	0.303	4.7	-43.8	-2.7	+79.4	+10%
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**TECHNOLOGY**

Polar Capital	172.5p	100.0p	2-0	73.25p	83.73p	-13	0.383	1.9	+11.0	+21.8	+42.3	+0%
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**EUROPE**

Gartmore European	281.0p	220.0p	0-4	64.00p	64.29p	-0	0.259	4.3	+7.7	+31.2	+85.3	+3%
Merrill European	123.8p	100.0p	0-10	28.00p	28.53p	-2	0.249	4.0	+3.8	+26.1	+72.3	+4%
TR European	148.5p	166.0p	0-1	0.62p	0.80p	-23	0.314	51.4	-100.0	-100.0	-100.0	+298%

**JAPAN**

B Gifford Shin Nippon	115.0p	200.0p	1-7	12.50p	5.48p	+128	0.383	5.2	-100.0	-100.0	-100.0	+47%
Fidelity Japan Values	50.0p	100.0p	0-7	3.30p	0.26p	+1171	0.460	10.7	-100.0	-100.0	-100.0	+247%
Invesco Japan	61.0p	100.0p	1-1	5.25p	4.02p	+31	0.496	4.5	-100.0	-100.0	-100.0	+65%
Martin Currie Japan 05	72.0p	100.0p	2-1	17.00p	7.41p	+129	0.335	4.2	-100.0	-100.0	-43.0	+26%
Schroder Japan Growth	74.8p	100.0p	1-2	7.87p	3.49p	+125	0.301	7.0	-100.0	-100.0	-100.0	+37%

**FAR EASTERN**

Aberdeen Asian Small	161.3p	100.0p	7-2	75.25p	90.34p	-17	0.270	1.7	+7.8	+16.1	+30.1	+1%
Edinburgh Dragon Trust	74.3p	60.0p	1-4	20.50p	21.25p	-4	0.354	2.9	-4.6	+13.6	+48.3	+6%
Fidelity Asian Values	65.3p	100.0p	2-11	14.50p	10.55p	+37	0.400	3.0	-100.0	-100.0	-8.9	+21%
Invesco Asia	56.8p	100.0p	0-10	0.92p	0.69p	+33	0.383	9.2	-100.0	-100.0	-100.0	+100%
JPM Fleming Asia	92.0p	100.0p	1-5	12.75p	14.87p	-14	0.371	3.7	-100.0	-46.2	+33.1	+15%
Schroder Asia Pacific	79.3p	100.0p	2-4	11.00p	13.95p	-21	0.382	3.1	-100.0	-100.0	+32.7	+16%
Scottish Oriental Sm Co	158.5p	100.0p	3-4	69.00p	74.05p	-7	0.288	2.0	+7.0	+17.4	+35.7	+2%

**HONG KONG / CHINA REGION**

JPM Fleming Chinese	64.3p	100.0p	0-5	1.20p	0.74p	+62	0.454	11.0	-100.0	-100.0	-100.0	+198%
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# The "Dow Dividend" Portfolio

## Our "Dow Dividend" Portfolio

Our "Dow Dividend" portfolio was started with US\$10,000 (NZ\$23,450) in January 2002 when the Dow Jones Industrial Index was 9987.53 and the S&P 500 Index was 1145.60.

The portfolio currently consists of:

110 shares in Honeywell (HON)	\$3,262
110 shares in JP Morgan Chase (JPM)	\$3,761
44 shares in General Electric (GE)	\$1,366
43 shares in SBC Communications (SBC)	\$989
Cash balance	<u>\$205</u>
<b>Total Value</b>	<b>US\$9,583</b>

Over the last three months we have collected regular quarterly dividends from all four of the current holdings: 18¾ cents from Honeywell (US\$20.63), 34 cents (US\$37.40) from JP Morgan Chase, 19 cents from General Electric (US\$8.36) and 38¾ cents from SBC Communications (US\$16.45). After 15% non-resident withholding tax was deducted, that raised our cash holding by US\$70 to US\$205.

The Dow Jones Index is currently 9503.34 and the S&P 500 Index is 1021.39.

Our "Dow Dividend" Portfolio jumped sharply in the June quarter (up 58%), but has moved up just 1.0% since. The Dow Jones index rose 4.9% over the last three months, with the S&P 500 index up 3.4%.

Over the last year our portfolio has risen 31.3%, while the Dow Jones Index rose 12.8% and the S&P 500 Index recovered 14.3%

Since inception in January 2002 our portfolio has fallen 4.2% compared with a 4.8% decline in the Dow Jones Index and a 10.8% decline in the S&P 500 Index.

Our "Dow Dividend" Portfolio is updated once per year, in December.

### Current Data and Annual Update

Investors can find the current ten highest yielding Dow stocks by visiting a site such as **Dogs of the Dow** ([www.dogsofthedow.com/doggishy1.htm](http://www.dogsofthedow.com/doggishy1.htm)). The five *lowest priced* shares are also identified as "Small Dogs".

If the stock with the *highest yield* is also the *lowest priced* stock, remove it from this list - as this company is often *distressed* rather than simply *depressed*. Then select the four *lowest priced* "small dogs":

Company	Price	Yield	"Small Dog"
Altria	US\$41.50	6.55%	No
Eastman Kodak	\$28.80	6.25%	Yes
SBC Communications	\$23.00	4.91%	Yes
General Motors	\$41.71	4.80%	No
JP Morgan Chase	\$34.19	3.98%	Yes
AT & T	\$22.69	3.31%	Yes
Citigroup	\$44.34	3.16%	No
DuPont	\$44.37	3.16%	No
Merck	\$51.00	2.90%	No
ExxonMobil	\$37.97	2.63%	Yes

The *highest yielding* stock is Altria (formerly Philip Morris) while the *lowest priced* is AT&T, so make no change to the list. Then invest in the *four lowest priced* stocks, labelled as "Small Dogs" which are AT&T, SBC Communications, Honeywell and Eastman Kodak.

While we are not making any changes to our portfolio at this time, investors starting a "Dow Dividend" portfolio *now* should invest as follows:

Company	Price	Percent
AT&T	\$22.69	35%
SBC Communications	\$23.00	35%
Eastman Kodak	\$28.80	20%
ExxonMobil	\$37.97	10%

## Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday October 7, 2003 (and delivered in most areas on Wednesday 8).

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