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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%	Bullish	Bullish	Neutral	Neutral	+14.5%	+19.1%	+41.6%	3,232.10
Austria	63%	Bearish	Bullish	Bullish	Neutral	+21.5%	+20.5%	+61.7%	1,511.04
Belgium	73%	Bullish	Bullish	Bullish	Bullish	+15.3%	+14.6%	+31.9%	2,195.99
Canada	71%	Bearish	Bullish	Bullish	Bullish	+10.3%	+17.6%	+45.6%	7,990.28
Denmark	75%	Neutral	Bullish	Bullish	Bullish	+6.0%	+18.0%	+80.9%	243.36
Finland	69%	Bullish	Bullish	Neutral	Neutral	+15.0%	+14.9%	+16.6%	6,363.18
France	83%	Bullish	Bullish	Bullish	Bullish	+13.2%	+17.6%	+35.4%	2,365.66
Germany	72%	Bearish	Bullish	Bullish	Bullish	+17.2%	+27.5%	+44.0%	3,841.73
Ireland	82%	Bullish	Bullish	Bullish	Bullish	+13.2%	+13.0%	+35.4%	4,758.89
Italy	83%	Bullish	Bullish	Bullish	Bullish	+17.0%	+13.7%	+35.7%	20,451.00
Japan	58%	Neutral	Bullish	Bullish	Bearish	+5.3%	+30.0%	+34.0%	10,373.46
Netherlands	75%	Bullish	Bullish	Bullish	Bullish	+8.0%	+13.1%	+18.5%	474.60
New Zealand	58%	Neutral	Bullish	Neutral	Neutral	+16.5%	+21.1%	+38.0%	1,918.54
Norway	71%	Neutral	Bullish	Bullish	Bullish	+18.3%	+27.4%	+45.1%	602.31
Spain	74%	Neutral	Bullish	Bullish	Bullish	+12.4%	+15.2%	+39.3%	778.49
Sweden	65%	Bearish	Bullish	Bullish	Bullish	+15.4%	+27.3%	+41.1%	191.08
Switzerland	78%	Bearish	Bullish	Bullish	Bullish	+10.1%	+16.0%	+23.9%	5,365.10
Un. Kingdom	62%	Bullish	Bullish	Neutral	Neutral	+11.6%	+9.2%	+19.1%	4,367.00
USA	69%	Neutral	Bullish	Bullish	Neutral	+3.9%	+7.5%	+16.4%	1,061.50
Argentina	55%	Bearish	Bullish	Bullish	Bearish	+25.1%	+24.4%	+65.7%	2,258.25
Brazil	70%	Bearish	Bullish	Bullish	Bullish	+30.3%	+46.6%	+151.9%	20,879.81
Czech Rep.	77%	Bullish	Bullish	Bullish	Neutral	+6.0%	+6.2%	+56.9%	613.80
Chile	60%	Bearish	Bullish	Bullish	Bearish	+22.1%	+40.7%	+73.0%	7,277.50
China	55%	Bullish	Neutral	Bullish	Bearish	+10.8%	-3.6%	-5.3%	110.98
Greece	62%	Neutral	Bullish	Neutral	Bearish	+12.2%	+21.0%	+45.0%	2,187.24
Egypt	58%	Bearish	Bullish	Bearish	Bullish	+5.9%	+8.8%	-6.6%	783.61
Hong Kong	74%	Neutral	Bullish	Bullish	Bullish	+10.7%	+27.6%	+24.0%	12,314.73
Hungary	51%	Bearish	Bullish	Bearish	Bullish	+5.7%	+13.1%	+25.0%	9,279.17
India	64%	Bearish	Bullish	Bullish	Bearish	+20.3%	+62.7%	+67.2%	5,225.90
Indonesia	70%	Bullish	Bullish	Bullish	Bearish	+9.4%	+20.2%	+70.0%	638.04
Israel	61%	Bearish	Bullish	Bullish	Bearish	+15.9%	+15.9%	+45.8%	497.17
Korea	58%	Neutral	Bullish	Bearish	Bullish	+1.9%	+23.7%	+12.6%	789.41
Malaysia	53%	Bullish	Neutral	Neutral	Neutral	+4.0%	+15.5%	+27.3%	786.98
Mexico	72%	Neutral	Bullish	Bullish	Bullish	+5.9%	+15.7%	+26.4%	8,489.54
Philippines	43%	Bearish	Bullish	Bearish	Neutral	+7.5%	+11.5%	+26.1%	1,345.37
Poland	51%	Bearish	Bullish	Neutral	Neutral	-0.7%	+23.0%	+38.2%	19,610.20
Portugal	79%	Neutral	Bullish	Bullish	Bullish	+20.8%	+14.7%	+32.5%	1,843.40
Russia	52%	Bearish	Bullish	Bullish	Bearish	+2.0%	+18.0%	+59.5%	6,368.89
Singapore	77%	Bullish	Bullish	Bullish	Neutral	+9.6%	+21.3%	+30.6%	1,733.00
Sth Africa	76%	Bullish	Bullish	Bullish	Bullish	+21.2%	+40.8%	+53.1%	9,783.57
Taiwan	58%	Neutral	Bullish	Bullish	Bearish	+4.7%	+26.4%	+26.9%	5,900.05
Thailand	83%	Neutral	Bullish	Bullish	Bearish	+20.5%	+64.5%	+97.2%	659.29
Turkey	69%	Bearish	Bullish	Bullish	Bearish	+23.4%	+27.6%	+28.8%	14,796.70
Venezuela	70%	Neutral	Bullish	Bullish	Bearish	-11.3%	+2.6%	+36.3%	22,045.13

One Year Forecasts predict the probability that a stock-market will rise over the next year. Investors should seek to invest in markets with forecasts of 60-100%, while avoiding markets with forecasts of 0-40%. Bullish = Favourable. Bearish = Unfavourable.

Recommended International Investment Funds

Aberforth Smaller Companies Trust plc has issued 13,991,054 new shares at 442.24 pence each to acquire some of the assets of Aberforth Split Level Trust plc which is being wound up. These funds have virtually identical portfolios, so the shareholders in Aberforth Split Level Trust were given the option to merge their investment into the Aberforth Smaller Companies Trust. As this was done at net asset value, there is no dilution for existing investors. The issued capital is now 98,809,788 shares.

Schroder Asia Pacific Fund plc seeks capital growth, so generates little income. Nevertheless the trust will pay a 0.75 pence dividend to shareholders in February 2004. We own warrants, so receive nothing at this stage.

During the second half of 2003, the trust has progressively increased its leverage as Asian stockmarkets recovered. Borrowings increased from US\$15 million in March to US\$25 million in September. In October the facility was increased to US\$35 million and this has been drawn down and invested. This

makes about 17% of the portfolio funded by bank debt.

Our Schroder Asia Pacific warrants involve very high risks - but are not without potential. The final exercise date is 31 January 2006 - so we need a strong performance by the fund over the next two years.

The break-even rate on the warrants is a fairly high 18% per annum. So the fund needs to appreciate a total of 42.4% (i.e. 18% per annum) until January 2006 for the warrants to have a value equal to their current price of 12½ pence. That is, the shares need to rise from 79 pence to above the exercise price of 100 pence for the warrants to avoid being worthless, and to increase the warrant value to 12½ pence then requires the shares to rise to 112½ pence. Of course, Asian stockmarkets are volatile, having recorded several *monthly* gains of 10% during 2003, so a greater than 18% per annum recovery is possible over the next two years.

If Schroder Asia Pacific appreciates faster than this required 18% per annum break-even rate, then profits will rapidly accrue owing to the high warrant leverage of 3.6 times!

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		
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-10%	569.5p	1521.3	+18
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-9%	239.5p	639.8	-16
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-9%	394.0p	1052.5	+1
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-16%	283.5p	757.3	-35
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		91.75p	245.1	+17
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		180.1p	481.1	+357
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		39.31p	105.0	-1
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		157.9p	421.8	-12
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		273.8p	731.4	-35
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		78.0p	208.4	-1
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		12.5p	33.4	-56
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-10%	124.75p	333.2	-24
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-11%	65.75p	175.6	-38
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		88.45- 94.29p	244.1	+17
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	61.7p	184.0		118.0p	315.2	+71
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-25%	101.25p	270.5	-36
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		17.0p	45.4	-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 169¾ (-5%, i.e. 5% below net asset value), **Schroder Asia Pacific** shares at 79 pence (-7%), **Scottish Oriental Smaller Companies** shares at 166¾ pence (-2%), **Templeton Emerging Markets** shares at 141½ pence (-13%), **Baillie Gifford Shin Nippon** warrants at 16½ pence and **Invesco Japan Discovery** warrants which trade at 5¾ pence.

Exchange Traded Funds, American Depositary Receipts and London listed International Shares

UK based listed investment trusts and unlisted unit trust/OEICs are an attractive way to invest internationally. Other alternatives for international investment include *Exchange Traded Funds*, *American Depositary Receipts* (ADRs) and foreign shares listed on the London stock exchange.

Exchange Traded Funds

Back in April 1996 (*International Investor* Issue 4) we reviewed 17 new US listed country index funds. **Morgan Stanley** launched 17 *World Equity Benchmark Shares* (or WEBS) which have since been re-branded as *iShares*. **Deutsche Bank** launched a similar nine *Country Basket* (CB) funds.

While the Deutsche Bank funds have disappeared, the original 17 WEBS have been expanded to 28 *iShares* which are now offered by **Barclays Global Investors**.

The original funds were: Australia (code EWA), Austria (EWO), Belgium (EWK), Canada (EWC), France (EWQ), Germany (EWG), Hong Kong (EWH), Italy (EWI), Japan (EWJ), Malaysia (EWM), Mexico (EWW), Netherlands (EWN), Singapore (EWS), Spain (EWP), Sweden (EWD), Switzerland (EWL) and the United Kingdom (EWU).

The new funds cover five additional countries and six regional indices: Brazil (EWZ), TOPIX 150 (ITF), South Africa (EZA), South Korea (EWY) and Taiwan (EWT), plus Emerging Markets (EEM), EAFE (EFA), EMU (EZU), Pacific ex-Japan (EPP), S&P Europe 350 (IEV) and Latin America 40 (ILF). The Topix 150 covers *smaller* Japanese shares, EAFE covers European, Australasian and Far Eastern shares, EMU covers European shares.

iShares are actively traded and can be bought and sold through any US stockbroker - much as the TeNZ is traded on the NZ stockmarket. The costs of buying and selling are therefore low (i.e. around US\$15 with a US internet broker) and expense ratios are low (i.e. usually under 1%). The disadvantage is that these are *index* funds, so you are investing in the largest companies from a country, while often smaller and medium sized companies would be better long term investments.

A series of *iShares* are also listed on the London (and some European) stockmarkets. These include four European funds, two excluding UK companies - *iShares* DJ Euro Stoxx 50 (code EUE) and *iShares* iFTSE Euro 100 (ISF), and two *including* UK companies - *iShares* DJ Stoxx 50 Leaders (EUN) and *iShares* iFTSE Eurotop 100 (IEUR). There is also a UK fund - *iShares* iFTSE

100 (IEUT), and a US fund - *iShares* S&P 500 (IUSA).

Listed on the Hong Kong stockmarket is *iShares* MSCI China Tracker. Owing to NZ's Foreign Investment Fund tax rules, this HK based fund would be less attractive (i.e. subject to unrealised capital gains taxes) than UK or US based funds (i.e. where capital gains would be non-taxable).

American Depositary Receipts

An ADR is a security issued by a large US bank that represents an interest in a foreign security. Effectively this gives investors access to a relatively wide range of international shares with the convenience of buying a US listed security easily and cheaply through a US broker.

Shares from around 75 countries are listed as ADRs. While ADRs *can* play a role in your international portfolio they are not the complete answer. Many ADRs are very inactively traded, so investment through ADRs can limit you to the largest listed companies from each country. ADRs can also trade at discounts or (more often) premiums to the underlying shares listed on their home market. So if a market is considered "hot" its ADRs may be trading at a 20-30% premium. That premium could quickly disappear when that market loses its popularity.

A good website to look up ADRs is www.adr.com and then click on *ADR Universe*. From that page you will be able to find all of the ADRs for a particular country. There are, for example, 41 ADRs for Chinese companies - although only 21 of these trade regularly.

London Listings

Many foreign shares are also listed on the London stock exchange (i.e. dual listed, or as ADRs or GDRs) and can be conveniently bought or sold through a UK broker.

While similar to ADRs listed on the US stockmarket, in general there tends to be a smaller range of foreign companies listed, trading volumes are low and many issues appear to be illiquid. Listings tend to be limited to only the larger companies and prices can be at a premium or discount to shares trading on their home market.

You can find a list of foreign shares trading on the London market at www.londonstockexchange.com and then clicking on the *International Companies* link on the left of the page.

Overall the London stock market is not a good option for finding foreign companies for investment.

Recommended Funds

Geographic Portfolio Spread

Fund Name	Size (Mil)	Leverage (% debt)	Top 10 Hldgs (%)	Portfolio invested in (%):-											
				Cash	HK	Australia	Malay	Taiwan	Korea	Sing.	Thail'd	Phil.	China	India	
Aberdeen Asian Sm Coys plc	£60	11	30.8	0	17.1		3.8		14.1	13.7	12.9	2.8		13.8	Indonesia 10.0%
Baring Korea	£104	Nil	54.4	1.4					98.6						
Gartmore Pacific Gth Fund	£155	Nil	27.1	0.5	22.4	1.4	3.8	17.9	23.4	8.7	6.7		8.4	2.3	Indonesia 4.5%
HSBC Asian Fund	£47	Nil	33.0	0	21.3		6.2	21.3	27.2	11.2	3.2			7.5	Indonesia 2.2%
HSBC Hong Kong Gth Fund	£25	Nil	53.7	0	100										
Henderson Pacific Capital	£207	Nil	28.0	13.8	13.6	8.3	5.0	16.7	18.4	3.8	11.4		16.1		NZ 2.8%
Schroder Asia Pacific plc	£139	17	31.3	2.0	26.4		2.9	14.3	26.3	11.9	2.0		2.0	6.3	
Scottish Oriental Sm Coys plc	£50	8	22.0	8.2	20.1		7.7	1.0	10.1	10.0	11.0	2.8	9.1	10.5	Indonesia 4.8%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Smaller Cos Trust plc	£428	Nil	21.9	2.8		97.2									
Baillie Gifford Shin Nippon plc	£50	17	31.5	1.8				92.8							
Eaglet Investment Trust plc	£124	16	52.8			100									
Fidelity European Values plc	£457	16	16.9	1.0			99.0								
JPM Fleming Euro Fledgling	£175	9	11.2				100.0								
Invesco Japan Discovery Trt	£22	Nil	47.0	2.5				97.5							
Private Equity Investor plc	£68	Nil	-	50.8	49.2										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen Emerging Markets	£102	Nil	35.4	2.3	58.4	17.2	5.4	16.7							
Templeton E/Markets plc	£752	Nil	30.4	0.1	50.9	16.1	4.5	28.4							

Listed Investment Trust

Warrant Analysis

The number of warrants of UK listed investment trusts has diminished significantly over the last few years as they have reached their final exercise date. Warrants are often issued in either New Issues when new trusts are established, or with shares offered in a cash issue to existing shareholders. Sometimes trusts make bonus issues of warrants to existing shareholders. With stockmarkets depressed for much of the last three years and investment trusts out of favour with investors, there have been few new investment trusts. Existing listed investment trusts have usually traded at discounts to net asset values - so have re-purchased shares on-market and not sought to raise additional capital from their investors.

So old warrants have reached their final exercise date - and either been exercised to buy shares or have expired worthless. Very few new warrants have been issued.

Review of Speculative Warrants . . .

Two of our speculative warrants reach their final exercise date at the end of this month and the end of January.

So we shall sell our **Schroder Income & Growth** warrants on-market over the next week or two, realising a small profit (i.e. recouping our initial investment). In mid-January we shall sell the **Gartmore European** warrants on-market, but have lost about two-thirds of our investment in this holding.

Perpetual Income & Growth shares rose just 3.3% over the last quarter to 149½ pence, with the warrants

climbing 11.1% to 50 pence. We are now up 40.8% on our initial cost of 35¼ pence in December 2001.

These warrants are still an attractive speculative investment that will appreciate rapidly in value if the UK stockmarket continues to recover in value over the next two years and eight months. The warrants trade at their *intrinsic* value (i.e. the share price of 149¾ pence, less the exercise price of 100 pence), which is an 18% discount to their *fair* value. The warrants offer a 2.4 times leverage, so every 1% rise in the share price adds around 2.4% to the value of the warrants.

Gartmore European warrants expire at the end of January 2004 - so we shall hold these until mid-January and then sell them on-market.

These volatile warrants were also purchased in December 2001 at 220 pence and lost significant value during 2002 as stockmarkets continued to decline. Now that the expiry date is approaching we are running out of time to recoup those losses - so will lose about two-thirds of our capital.

Over the last three months the shares have risen only 1.1% to 284 pence, lifting the warrants 1.6% to 65 pence. Hopefully a *New Year* rally will boost values a little more before we sell.

Polar Capital warrants offer an excellent exposure to the recovery in Technology shares. The warrants sell at their *intrinsic* value and offer 2.0 times leverage!

Over the last three months the shares have eased

back 2.0%, so the warrants have come back 5.8% to 69 pence. That is up 64.3% on our initial cost of 42 pence in December 2002 and there is still 17 months until the final exercise date.

Schroder Income & Growth warrants expire at the end of this month, so we recommend selling the warrants on-market over the next week or two. The warrants currently trade around 53¾ pence, so their sale will realise a small 15% profit over our initial cost of 46½ pence in December 2001.

In retrospect, we clearly bought these warrants *too early* as the UK stockmarket continued to decline during 2002 and into early 2003. In fact, the UK stockmarket is still *down* 17% since December 2001. Fortunately, Schroder Income & Growth shares have *outperformed* the market and have *increased* 6% which gives us a small gain.

Schroder Income & Growth is currently active re-purchasing its warrants on-market. Over the last month the trust has bought back over 1.5 million warrants (i.e. about one-fifth of the total). Sell on-market.

Templeton Emerging Markets warrants are a long term formal recommendation but we also added them to this quarterly review as a speculative investment in September 2003.

Since then, the shares have risen 4.4% to 141½ pence, while the warrants are up just 3.0% at 17 pence. The final expiry date is only nine months away on 30 September 2004 - so this is now a *very high risk* warrant but offers *extremely high leverage* of 5.6 times! So if emerging stockmarkets continue to recover over the months ahead, then these warrants will *soar* in value!

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 Return (%p.a.) from Break-Share Price appreciation of:	5%pa	10%pa	20%pa	Even Rate
<u>INDIA</u>													
JPM Fleming Indian	112.8p	100.0p	0-2	12.62p	14.21p	-11	0.279	7.5	+61.6	+135.4	+352.2	-1%	
<u>UNITED KINGDOM</u>													
Edinburgh Smaller Coys	47.0p	100.0p	4-9	10.00p	9.04p	+11	0.425	2.4	-100.0	-100.0	+3.4	+20%	
Fidelity Special Values	312.3p	100.0p	0-1	209.50p	212.58p	-1	0.233	1.5	+25.6	+34.5	+52.8	-10%	
Invesco City & Com.	61.0p	100.0p	1-6	6.00p	9.02p	-34	0.594	2.9	-100.0	-100.0	-100.0	+45%	
Legal & Gen UK Select	106.0p	100.0p	0-10	13.50p	12.53p	+8	0.189	6.9	-26.9	+11.3	+93.4	+9%	
Perpetual Income & Gth	149.8p	100.0p	2-8	50.00p	60.99p	-18	0.210	2.4	+13.8	+26.2	+48.5	+0%	
<u>LATIN AMERICA</u>													
Deutsche Latin America	66.0p	100.0p	6-6	14.25p	18.76p	-24	0.340	2.2	-100.0	+7.4	+38.0	+9%	
<u>EMERGING MARKETS</u>													
Templeton Emerging Mkts	141.5p	133.0p	0-9	17.00p	19.33p	-12	0.260	5.6	-24.5	+15.9	+106.0	+8%	
<u>TECHNOLOGY</u>													
Polar Capital	169.0p	100.0p	1-9	69.00p	78.93p	-13	0.368	2.0	+11.9	+23.4	+45.2	+0%	
<u>EUROPE</u>													
Gartmore European	284.0p	220.0p	0-1	65.00p	64.73p	+0	0.241	4.4	+2.9	+26.0	+82.7	+4%	
Merrill European	128.5p	100.0p	0-7	28.25p	31.33p	-10	0.233	4.0	+25.2	+50.4	+104.8	-0%	
<u>JAPAN</u>													
B Gifford Shin Nippon	124.8p	200.0p	1-4	16.50p	5.95p	+178	0.378	5.5	-100.0	-100.0	-100.0	+51%	
Fidelity Japan Values	54.5p	100.0p	0-4	0.47p	0.08p	+484	0.457	18.3	-100.0	-100.0	-100.0	+526%	
Invesco Japan	65.8p	100.0p	0-10	5.75p	3.74p	+54	0.489	5.2	-100.0	-100.0	-100.0	+77%	
Martin Currie Japan 05	68.8p	100.0p	1-10	13.75p	4.85p	+184	0.318	5.0	-100.0	-100.0	-100.0	+32%	
Schroder Japan Growth	71.5p	100.0p	0-11	5.50p	1.32p	+318	0.271	11.0	-100.0	-100.0	-100.0	+53%	
<u>FAR EASTERN</u>													
Aberdeen Asian Small	169.8p	100.0p	6-11	91.75p	96.49p	-5	0.227	1.7	+6.1	+14.1	+27.7	+2%	
Edinburgh Dragon Trust	75.3p	60.0p	1-1	23.25p	20.56p	+13	0.331	3.2	-15.7	+0.7	+33.1	+10%	
Fidelity Asian Values	62.3p	100.0p	2-8	9.50p	6.89p	+38	0.359	3.6	-100.0	-100.0	-53.6	+24%	
Invesco Asia	52.3p	100.0p	0-7	0.18p	0.07p	+158	0.356	17.9	-100.0	-100.0	-100.0	+205%	
JPM Fleming Asia	91.3p	100.0p	1-2	10.75p	12.10p	-11	0.353	4.4	-100.0	-76.5	+16.7	+18%	
Schroder Asia Pacific	79.0p	100.0p	2-1	12.50p	10.76p	+16	0.338	3.8	-100.0	-100.0	+10.9	+18%	
Scottish Oriental Sm Co	166.8p	100.0p	3-1	78.00p	80.00p	-3	0.250	2.0	+6.2	+16.1	+34.1	+2%	
<u>HONG KONG / CHINA REGION</u>													
JPM Fleming Chinese	67.0p	100.0p	0-2	0.22p	0.06p	+261	0.430	34.7	-100.0	-100.0	-100.0	+1021%	

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)	\$3,291
110 shares in JP Morgan Chase (JPM)	\$3,846
44 shares in General Electric (GE)	\$1,280
43 shares in SBC Communications (SBC)	\$1,049
Cash balance	US\$275
Total Value	US\$9,741

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\$275.

The Dow Jones Index is currently 9862.68 and the S&P 500 Index is 1061.50.

Our "Dow Dividend" Portfolio advanced just 1.6% over the last quarter, while the Dow Jones index rose 3.8% and the S&P 500 index rose 3.9%.

Over the last year, however, our portfolio has performed strongly, up 25.8%, while the Dow Jones Index rose only 10.9% and the S&P 500 Index recovered 13.4%

Since inception in January 2002 our portfolio has fallen 2.6% owing to the US stockmarket decline until March 2003. Over that period, the Dow Jones Index has fallen 1.3% and S&P 500 Index is down 7.3%.

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). The five *lowest priced* shares are also identified as "Small Dogs".

Next Issue

The next issue of *International Investor* will be posted in five weeks time on Tuesday January 13, 2004 (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.

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\$51.42	5.29%	No
AT & T	\$20.15	4.71%	Yes
SBC Communications	\$24.39	4.63%	Yes
General Motors	\$46.05	4.34%	No
JP Morgan Chase	\$34.96	3.89%	Yes
Merck	\$43.07	3.44%	No
DuPont	\$43.41	3.23%	No
Citigroup	\$46.58	3.01%	No
ExxonMobil	\$36.78	2.72%	Yes
General Electric	\$29.10	2.61	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, General Electric and JP Morgan Chase. We would seek to invest 40% of the portfolio in the lowest priced stock, then 30%, 20% and 10% .:

Company	Price	Percent
AT&T	\$20.15	40%
SBC Communications	\$24.39	30%
General Electric	\$29.10	20%
JP Morgan Chase	\$34.96	10%

Achieving this, however, would require buying an additional 23 General Electric shares for \$669 to raise this holding from 13% to 20% of the portfolio. We shall avoid this small transaction by leaving that holding unchanged and slightly increasing our holdings in the other three companies.

Portfolio Changes

We shall therefore make the following changes to our portfolio:

1. Sell all of our shares in Honeywell (HON).
2. Sell 80 shares in JP Morgan Chase (JPM) *reducing* our holding to 30 shares.
3. Buy 207 shares of AT&T Shares (T).
4. Buy 87 shares of SBC Communications (SBC) *increasing* our holding to 130 shares.

After deducting brokerage costs of (at US\$15 per trade or US\$60 in total) our portfolio will look like this:

207 shares in AT&T (T)	\$4,171
130 shares in SBC Communications (SBC)	\$3,171
44 shares in General Electric (GE)	\$1,280
30 shares in JP Morgan Chase (JPM)	\$1,049
Cash balance	US\$10
Total Value	\$9,681

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