

International Investor

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Inside International Investor

World Stockmarket Capitalisations	2	Listed Investment Trust Warrant Analysis	4, 5
Geographic Portfolio Spread	2	Dow Dividend Portfolio	6

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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	58%	Bullish	Bullish	Bearish	Neutral	+8.0%	+23.7%	+54.1%	3,416.30
Austria	63%	Bearish	Bullish	Bullish	Bullish	+25.0%	+51.9%	+80.7%	1,846.48
Belgium	77%	Neutral	Bullish	Bullish	Bullish	+17.1%	+35.0%	+85.3%	2,513.20
Canada	76%	Bearish	Bullish	Bullish	Bullish	+9.7%	+21.0%	+54.6%	8,845.04
Denmark	69%	Bearish	Bullish	Bullish	Bullish	+17.3%	+24.3%	+80.6%	279.35
Finland	68%	Bullish	Bullish	Neutral	Neutral	+17.8%	+35.4%	+75.8%	7,328.42
France	78%	Bullish	Bullish	Bullish	Bullish	+11.6%	+26.3%	+67.9%	2,580.49
Germany	72%	Bearish	Bullish	Bullish	Neutral	+9.9%	+28.8%	+91.4%	4,126.14
Ireland	74%	Bullish	Bullish	Bullish	Bullish	+12.0%	+26.7%	+54.0%	5,208.51
Italy	86%	Bullish	Bullish	Bullish	Bullish	+5.4%	+23.3%	+48.7%	21,069.00
Japan	47%	Bearish	Bullish	Bearish	Bearish	+8.1%	+13.8%	+49.3%	11,537.29
Netherlands	77%	Bullish	Bullish	Bullish	Bullish	+5.4%	+13.9%	+56.3%	359.93
New Zealand	49%	Neutral	Bullish	Bearish	Bearish	+7.8%	+25.5%	+38.2%	1,965.91
Norway	76%	Neutral	Bullish	Bullish	Neutral	+19.2%	+41.1%	+101.9%	752.76
Spain	78%	Neutral	Bullish	Bullish	Bullish	+14.7%	+28.9%	+63.6%	872.74
Sweden	69%	Bearish	Bullish	Bullish	Neutral	+13.7%	+31.2%	+80.4%	217.65
Switzerland	82%	Bullish	Bullish	Bullish	Bullish	+10.7%	+21.8%	+59.8%	5,895.80
Un. Kingdom	62%	Neutral	Bullish	Neutral	Bearish	+11.5%	+24.5%	+50.1%	4,547.10
USA	64%	Neutral	Bullish	Bullish	Bearish	+9.0%	+13.3%	+39.6%	1,156.87
Argentina	55%	Bearish	Bullish	Bullish	Bearish	+23.9%	+55.0%	+81.9%	2,750.79
Brazil	74%	Neutral	Bullish	Bullish	Bullish	+11.6%	+45.3%	+158.5%	22,872.94
Czech Rep.	81%	Bullish	Bullish	Bullish	Bullish	+29.7%	+37.5%	+86.0%	792.00
Chile	52%	Bearish	Bullish	Bearish	Bearish	+8.6%	+32.5%	+91.3%	7,695.88
China	54%	Bearish	Neutral	Bullish	Neutral	+4.5%	+15.8%	-6.0%	115.94
Greece	65%	Neutral	Bullish	Bullish	Bearish	+16.4%	+30.6%	+82.3%	2,489.38
Egypt	64%	Bearish	Bullish	Neutral	Bullish	+8.2%	+14.6%	+21.3%	849.85
Hong Kong	66%	Neutral	Bullish	Bullish	Neutral	+8.9%	+20.7%	+51.3%	13,454.76
Hungary	54%	Bearish	Bullish	Bearish	Neutral	+27.1%	+34.3%	+67.7%	10,943.38
India	49%	Bearish	Bullish	Bearish	Bearish	+13.3%	+36.4%	+96.3%	5,880.35
Indonesia	74%	Bullish	Bullish	Bullish	Bearish	+20.5%	+31.9%	+106.3%	778.01
Israel	68%	Bearish	Bullish	Bullish	Neutral	+14.0%	+32.1%	+88.1%	574.67
Korea	59%	Neutral	Bullish	Bearish	Bullish	+16.6%	+18.8%	+72.4%	905.38
Malaysia	65%	Bullish	Bullish	Bullish	Bearish	+12.6%	+17.1%	+39.4%	886.15
Mexico	63%	Neutral	Bullish	Neutral	Neutral	+23.0%	+30.2%	+75.1%	10,195.03
Philippines	39%	Neutral	Bullish	Bearish	Bearish	+7.7%	+15.8%	+41.5%	1,471.65
Poland	55%	Bearish	Bullish	Neutral	Neutral	+19.1%	+18.3%	+76.0%	23,858.06
Portugal	74%	Bearish	Bullish	Bullish	Bullish	+20.4%	+45.4%	+64.6%	2,169.80
Russia	59%	Bearish	Bullish	Bullish	Bearish	+31.4%	+34.0%	+88.6%	8,063.15
Singapore	74%	Bullish	Bullish	Bullish	Bearish	+9.8%	+20.3%	+56.9%	1,891.54
Sth Africa	69%	Bullish	Bullish	Neutral	Bullish	+8.3%	+31.3%	+67.4%	11,096.55
Taiwan	53%	Bearish	Bullish	Neutral	Bearish	+20.8%	+26.4%	+66.4%	6,943.68
Thailand	70%	Neutral	Bullish	Bullish	Bearish	+7.9%	+29.9%	+111.3%	700.59
Turkey	62%	Bearish	Bullish	Bullish	Neutral	+26.7%	+56.4%	+100.2%	19,165.70
Venezuela	46%	Bullish	Neutral	Bullish	Bearish	-3.2%	-14.1%	+57.7%	28,217.94

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.

World Stockmarket Capitalisations

The total world stockmarket capitalisation increased US\$5,053 billion - or 20.2% - over the last six months. The US stockmarket's share of the total fell 2.29% to 46.65% as other stockmarkets recovered strongly while the US market suffered from a weak exchange rate.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	14,037	46.65
Japan	3,065	10.18
United Kingdom	2,413	8.02
France	1,268	4.22
Germany	935	3.11
Canada	807	2.68
Switzerland	766	2.55
Italy	614	2.04
Australia	563	1.87
Netherlands	497	1.65
Spain	496	1.65
Hong Kong	487	1.62
Taiwan	434	1.44
China	325	1.08
South Korea	318	1.06
Sweden	305	1.01
Russia	259	0.86
India	221	0.74
South Africa	218	0.72
Belgium	214	0.71

		International Investor
Brazil	200	0.66
Finland	196	0.65
Mexico	163	0.54
Singapore	142	0.47
Malaysia	136	0.45
Denmark	127	0.42
Norway	102	0.34
Greece	84	0.28
Ireland	83	0.28
Thailand	76	0.25
Chile	73	0.24
Israel	66	0.22
Portugal	64	0.21
Austria	58	0.19
Turkey	55	0.18
Indonesia	39	0.12
Poland	31	0.10
New Zealand	26	0.08
Hungary	16	0.05
Philippines	16	0.05
Czech Republic	14	0.05
Argentina	13	0.04
Peru	13	0.04
Morocco	10	0.03
Columbia	8.2	0.03
Iceland	7.8	0.03
Pakistan	7.5	0.02
Nigeria	6.6	0.02
Jordan	6.5	0.02
Egypt	5.8	0.02
Slovenia	3.6	0.01
Venezuela	2.6	0.01
TOTAL	\$30,094	100.00%

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	£64	10	32.6	1.0	17.0		4.3		17.0	12.3	13.7	2.9		10.8	Indonesia 10.0%
Baring Korea	£112	Nil	52.5	2.4				97.6							
Gartmore Pacific Gth Fund	£129	Nil	27.3	1.5	21.1		6.2	17.5	24.0	8.1	5.9		8.6	2.1	Indonesia 3.8%
HSBC Asian Fund	£47	Nil	29.8	0	21.3		5.7	19.3	25.1	10.7	3.3	0.6	10.7		Indonesia 2.4%
HSBC Hong Kong Gth Fund	£29	Nil	50.2	0	100										
Henderson Pacific Capital	£227	Nil	28.4	2.6	15.3	9.5	4.3	18.8	14.6	3.9	16.0		12.6		NZ 2.4%
Schroder Asia Pacific plc	£149	13	30.3	0	25.4		3.1	12.7	28.0	12.2	3.8				Indonesia 8.8%
Scottish Oriental Sm Coys plc	£52	7	20.2	2.9	19.1		8.3	5.4	11.6	11.7	8.6		9.6	9.8	Indonesia 6.1%
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust plc	£483	Nil	21.6	6.0		94.0									
Baillie Gifford Shin Nippon plc	£52	13	29.7	1.6				98.4							
Eaglet Investment Trust plc	£144	12	56.7			100									
Fidelity European Values plc	£482	12	21.1	0			100.0								
JPM Fleming Euro Fledgling	£189	9	12.6				100.0								
Invesco Japan Discovery Trt	£25	5	43.8	0				100.0							
Private Equity Investor plc	£63	Nil	-	46.8	53.2										
				Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Aberdeen Emerging Markets	£111	Nil	35.0	1.0	57.7		16.5	5.2	19.6						
Templeton E/Markets plc	£819	Nil	34.0	0	51.7		13.9	4.0	30.3						

Fidelity European Values plc has its largest investments in France (19.6% of the portfolio), followed by Germany (11.6%), Netherlands (10.9%), Spain (9.7%), Italy (6.8%), Greece (6.8%), Switzerland (6.7%), Denmark (6.1%), Norway (5.3%), Finland (4.2%), Russia (3.2%), Estonia (2.0%), Czech Republic (1.1%), Portugal (1.1%), Hungary (1.0%), Ireland (1.0%), Austria (1.0%), UK (1.0%) and Sweden (1.0%).

JPMorgan Fleming European Fledgling has 13.4% of its portfolio invested in **FF European Discovery** (a micro-cap European fund) and direct investments in France (13.7%), Germany (11.7%), Switzerland (9.6%), Italy (8.9%), Finland (8.6%), Netherlands (8.4%), Norway (7.7%), Spain (6.4%), Sweden (4.8%), Ireland (3.9%), Denmark (3.7%), Austria (2.5%), Belgium (1.6%) and Portugal (0.8%).

Recommended International Investment Funds

A Year of Strong Recovery...

One year on since world stockmarkets hit their lows, and most of our investments have recovered very strongly. Despite the strength of the NZ dollar (which depressed returns) **JFMF Euro Fledgeling IT** is up 83% since March 2003. **Eaglet IT** is up 94%, **Gartmore Pacific Growth Fund** recovered 55%, **HSBC Asian Fund** 44%, **HSBC HK Growth Fund** 40%, **Henderson Pacific Capital** 46% and **Schroder Asia Pacific** warrants recovered 278% from their lows. Our Japanese funds performed well: **Baillie Gifford Shin Nippon** rising 71% over the year and **Invesco Japan Discovery Trust** up 63%. **Baring Korea Trust** rose just 35%. **Aberdeen Prolific Emerging Markets** rose 50% (adjusted for a restructuring during the year), while the **Templeton Emerging Markets** warrants recovered 430% in value. **Private Equity Investor** - with large holdings of US bonds (which declined significantly in value in NZ dollar terms) managed only a 12% gain.

Fund News

Eaglet Investment Trust plc reports "some outstanding turnarounds" in many of the shares in which it holds investments. UK Recruiters (a sector in which we have invested successfully in Australia through our *Market Analysis* newsletter) performed well for Eaglet with **Harvey Nash** up 125%, **Robert Walters** up 87%, **MSB** up 44% and **Lorien** up 41%. **Volex Group** rose 162% and **NSB Retail Systems** went up 119%. Over the last six months the trust has been purchasing *Industrial and Business Services* companies which the Fund Manager believes are at an early stage of recovery and which will benefit from merger activity.

Borrowings currently stand at £23.0 million, funding 17.0% of total investments of £135.1 million, but the trust has "substantial unutilised facilities" so may increase leverage to "enhance future returns to shareholders".

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	-6%	645.0p	1760.9	+36
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-16%	265.5p	724.8	-5
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15-07-03	375.5p	1042.0	-10%	439.0p	1198.5	+15
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-9%	368.5p	1006.0	-13
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		101.5p	277.1	+32
BUY	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		200.71p	548.0	+420
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		43.25p	118.1	+11
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		170.0p	464.1	-4
BUY	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		288.9p	788.7	-30
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		81.75p	223.2	+6
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		12.75p	34.8	-54
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-8%	136.25p	372.0	-16
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-11%	73.0p	199.3	-30
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		96.99-103.10p	273.1	+30
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	61.7p	184.0		130.3p	355.7	+93
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-20%	99.5p	271.6	-35
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		18.5p	50.5	-58

* 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 184½ (-2%, i.e. 2% below net asset value), **Schroder Asia Pacific** shares at 89 pence (-4%), **Scottish Oriental Smaller Companies** shares at 170½ pence (-3%), **Templeton Emerging Markets** shares at 151½ pence (-12%), **Baillie Gifford Shin Nippon** warrants at 12 pence and **Invesco Japan Discovery** warrants which trade at 3 pence.

Listed Investment Trust Warrant Analysis

When we first started the quarterly *Listed Investment Trust Warrant Analysis* in early 1998 there were 116 warrants. Now - six years later - there are only 19 warrants. What has happened?

Firstly investors need to realise that warrants are *dated* securities with a limited life. Eventually they reach their final exercise/expiry date - and are either exercised (i.e. the investor uses the warrant to buy a new share from the company) or the warrant expires worthless. So for there to be a wide selection of warrants trading on the stockmarket it is necessary for companies to continuously be issuing new warrants.

Secondly, while a company can issue *bonus* warrants to its existing shareholders, most warrants are offered either (1) in the initial offering of shares in a new investment trust or (2) when an existing investment trust seeks to raise additional capital through a cash issue.

Unfortunately, world stockmarkets have been depressed over recent years and investor interest in investment trusts has been very low. Most listed investment trusts have been trading at significant discounts to net asset value. This has led to the sector declining in size.

When trusts are trading at large discounts to net asset value it is very difficult to float *new* investment trusts. So there have been very few new trusts floated on the stockmarket - and very few (if any) new warrants issued this way. On the contrary, many existing investment trusts have liquidated or converted to open-ended funds (i.e. unlisted unit trusts or OEICs). In this situation, warrants (if any were on issue) were also liquidated with the payment of a small sum to the warrant holders.

Large discounts have also made it extremely rare for an existing trust to seek to raise *additional* capital from an issue of new shares (and warrants). Once again, trusts have tended to re-purchase existing shares at a discount to net asset value.

With stockmarkets depressed, investors also lost interest in *leveraged* securities such as warrants. When share prices fall, warrants simply lose money a lot faster!

All of the above, however, simply represents a cyclical swing in sentiment towards investment. In the late 1990's stockmarket investment was popular, investment trusts were popular and warrants were seen as the way to multiply your investment gains. People bought high - and lost. A year later no-one wanted to know about the stockmarket, and a year into the recovery interest in investment is still low. In NZ we see a couple of new investment trusts planning to float. Eventually new investment trusts will start to float on the UK market. When this happens the number of listed warrants will also start to increase.

At this time there are very limited investment opportunities in warrants. Nevertheless, warrant values are generally low and share prices are recovering - so there are a few very attractive opportunities.

Review of Speculative Warrants

As outlined in our last quarterly *Listed Investment Trust Warrant Analysis* we sold our **Schroder Income & Growth** warrants and the **Gartmore European** warrants on-market just before their final exercise/expiry date. We realised a small gain of about 10% on the Schroder warrants but lost almost *half* our original investment in the Gartmore warrants.

This leaves us with three remaining speculative warrants:

Perpetual Income & Growth warrants were purchased at 35¾ pence in December 2001. Although we bought in far too early, the final exercise date is 31 August 2006 - so we now have time for the warrants to appreciate in value as the UK stockmarket increases in value.

Over the last three months the shares have risen 9.0% to 163¼ pence, with the warrants up 20.0% to 60.0 pence. So we are now ahead 67.8% on this speculative holding.

These warrants are still very attractive, so we shall let our profits run.

The warrants are *under-valued*, trading below their *intrinsic value* of 63¼ pence (i.e. the share value of 163¼ pence, less the 100 pence to buy the share) and below their *fair value* of 73.45 pence. As a result, the *Break-Even Rate* is -1% per annum, so the shares could *fall* 1% per annum through until the final exercise date and the warrants would still be worth their current value of 62½ pence. The *Warrant Leverage* is relatively high at 2.2 - so every 1% fluctuation in the share price will result in approximately a 2.2% change in the value of the warrants.

If the UK stockmarket rises just 10% per annum over the next two years and five months, then the share price will rise 26% to 205½ pence. That would increase the warrants 76% to 105½ pence (or *triple* our initial cost).

Polar Capital warrants were informally recommended in December 2002 at 42 pence. Although that was close to the stockmarket's ultimate low of March 2003, we still suffered an initial 50% loss in value, although the warrants have since soared in value.

Over the last three months the share price has weakened slightly, down 1.3% to 166¾ pence. The warrants slipped 2.2% to 67½ pence - but are still up 60% on our initial cost.

These warrants also remain an attractive speculation.
The warrants trade just slightly above their *intrinsic*

value of 66¾ pence, and at a 10% discount to their *fair value*. The *Break-Even Rate* is slightly above 0% and the *Warrant Leverage* 2.1 times. So every 1% recovery in value by this Technology trust will add 2.1% to the value of the warrants. The final exercise date is 1½ years away on 30 September 2005.

So a 20% per annum recovery by Technology shares will increase the share price 31% to 219 pence by September 2005 and increase the warrants 76% to 119 pence. A 30% per annum recovery would value the shares at 247 pence and the warrants at 147 pence!

Templeton Emerging Markets warrants - a long term holding in our *Recommended Funds* portfolio - was also selected as a speculative, short term investment in September 2003 at 16½ pence.

Over the last quarter the share price has risen 7.1% to 151½ pence, although the warrants weakened 1.5%

to 16¾ pence.

The final exercise date is 30 September 2004 - only six months away - but these warrants offer excellent leverage and potential for gains.

The exercise price is 133 pence, so at 16¾ pence the warrants are trading for *less* than their *intrinsic value* of 18½ pence. Their *fair value* - which takes into account the speculative potential - is 24 pence. The warrants trade at a 30% discount to this fair value!

Owing to the discount, the *Break-Even Rate* is -2%. The discount *and* the short period until expiry combine to produce an extremely high 5.6 times *Warrant Leverage*. With the warrants at a 30% discount to fair value, the actual leverage is even higher! So a 10% increase in the value of this Emerging Markets trust (i.e. to 166½ pence) will increase the warrant value 100% to 33½. If the trust rises 30% to 197 pence then the warrants will almost *quadruple* to 64 pence.

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	Return (%p.a.) from Break-Even Rate appreciation of:	10%pa	20%pa	Even Rate
<u>UNITED KINGDOM</u>													
Edinburgh Smaller Coys	55.8p	100.0p	4-6	14.75p	12.58p	+17	0.423	2.3	-100.0	-100.0	+14.0	+17%	
Invesco City & Com.	60.5p	100.0p	1-3	6.00p	6.19p	-3	0.552	3.6	-100.0	-100.0	-100.0	+57%	
Perpetual Income & Gth	163.3p	100.0p	2-5	60.00p	73.45p	-18	0.212	2.2	+14.8	+26.3	+47.6	-1%	
<u>LATIN AMERICA</u>													
Deutsche Latin America	75.8p	100.0p	6-3	18.50p	23.90p	-23	0.331	2.1	-26.3	+11.9	+37.7	+7%	
<u>EMERGING MARKETS</u>													
Templeton Emerging Mkts	151.5p	133.0p	0-6	16.75p	24.06p	-30	0.254	5.6	+76.3	+139.0	+287.2	-2%	
<u>TECHNOLOGY</u>													
Polar Capital	166.8p	100.0p	1-6	67.50p	75.12p	-10	0.353	2.1	+11.4	+23.3	+46.1	+0%	
<u>EUROPE</u>													
Merrill European	136.0p	100.0p	0-4	36.50p	37.43p	-2	0.235	3.6	+14.9	+35.5	+81.5	+1%	
<u>JAPAN</u>													
B Gifford Shin Nippon	136.3p	200.0p	1-1	10.00p	5.50p	+82	0.349	6.7	-100.0	-100.0	-100.0	+49%	
Fidelity Japan Values	56.3p	100.0p	0-1	0.10p	-0.00p	-	0.428	-	-100.0	-100.0	-100.0	+999%	
Invesco Japan	73.0p	100.0p	0-7	3.00p	3.18p	-6	0.449	6.8	-100.0	-100.0	-100.0	+80%	
Martin Currie Japan 05	74.3p	100.0p	1-7	12.00p	5.30p	+126	0.305	5.4	-100.0	-100.0	-100.0	+30%	
Schroder Japan Growth	75.5p	100.0p	0-8	3.00p	0.91p	+230	0.251	15.5	-100.0	-100.0	-100.0	+59%	
<u>FAR EASTERN</u>													
Aberdeen Asian Small	184.5p	100.0p	6-8	99.00p	110.68p	-11	0.225	1.6	+7.0	+14.8	+28.3	+1%	
Edinburgh Dragon Trust	86.3p	60.0p	0-10	26.00p	29.21p	-11	0.329	2.8	+17.9	+35.0	+69.7	-0%	
Fidelity Asian Values	70.0p	100.0p	2-5	8.75p	8.98p	-3	0.354	3.6	-100.0	-100.0	+0.0	+20%	
Invesco Asia	58.3p	100.0p	0-4	0.10p	0.02p	+319	0.354	32.1	-100.0	-100.0	-100.0	+407%	
JPM Fleming Asia	102.5p	100.0p	0-11	11.25p	16.58p	-32	0.350	4.3	-38.7	+5.9	+99.1	+9%	
Schroder Asia Pacific	89.0p	100.0p	1-10	12.00p	14.62p	-18	0.336	3.6	-100.0	-31.5	+47.0	+13%	
Scottish Oriental Sm Co	170.5p	100.0p	2-10	77.50p	82.90p	-7	0.245	2.0	+7.8	+17.8	+36.2	+1%	

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:

207 shares in AT&T (T)	\$4,128
130 shares in SBC Communications (SBC)	\$3,253
44 shares in General Electric (GE)	\$1,442
30 shares in JP Morgan Chase (JPM)	\$1,290
Cash balance	<u>\$120</u>
Total Value	US\$10,233

Over the last three months we have collected regular quarterly dividends from Honeywell (which was ex-dividend when we sold in December, US\$20.63) and our four current holdings: 23¾ cents from AT&T (US\$49.16), 31¼ cents from SBC Communications (US\$40.63), 20 cents from General Electric (US\$8.80), 34 cents from JP Morgan Chase (US\$10.20). After 15% non-resident withholding tax was deducted, that raised our cash holding by US\$110 to US\$120.

The Dow Jones Index is currently 10,595.55 and the S&P 500 Index is 1156.87.

Our “Dow Dividend” Portfolio advanced 5.7% over the last quarter, while the Dow Jones index rose 7.4% and the S&P 500 index rose 9.0%.

Over the last year, however, our portfolio has performed strongly, up 49.1%, while the Dow Jones Index rose only 36.9% and the S&P 500 Index recovered 39.6%.

Since inception in January 2002 our portfolio has risen 2.3%. Over that period, the Dow Jones Index has risen 6.1% and S&P 500 Index is up just 1.0%.

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”.

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”
SBC Communications	US\$25.02	5.00%	Yes
AT & T	\$19.94	4.76%	Yes
Altria	\$58.22	4.67%	No
General Motors	\$48.38	4.13%	No
Citigroup	\$50.00	3.20%	No
JP Morgan Chase	\$43.01	3.16%	Yes
DuPont	\$44.64	3.14%	No
Merck	\$48.10	3.08%	No
General Electric	\$32.77	2.44%	Yes
ExxonMobil	\$42.49	2.35%	Yes

The *highest yielding* stock is SBC Communications 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 ExxonMobil.

We are, however, only updating our “Dow Dividend” portfolio once per year, in December, but if we were starting today the portfolio would be:

Company	Price	Percent
AT&T	\$19.94	40%
SBC Communications	\$25.02	30%
General Electric	\$32.77	20%
ExxonMobil	\$42.49	10%

Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday April 6, 2004 (and delivered in most areas on Wednesday 7).

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