

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
						3mths	6mths	12mths	
Australia	76%	Bullish	Bullish	Bullish	Neutral	+19.8%	+18.9%	+5.8%	3,018.10
Austria	70%	Bearish	Bullish	Bullish	Bullish	+20.0%	+34.2%	+25.6%	1,302.10
Belgium	74%	Bullish	Bullish	Bullish	Bullish	+38.1%	+15.1%	-7.5%	1,988.87
Canada	66%	Neutral	Bullish	Neutral	Neutral	+19.9%	+23.8%	+6.7%	7,046.88
Denmark	78%	Bearish	Bullish	Bullish	Bullish	+30.6%	+53.3%	+6.1%	213.65
Finland	72%	Bullish	Bullish	Bullish	Neutral	+29.9%	+1.5%	+22.4%	5,750.30
France	73%	Bullish	Bullish	Bullish	Bullish	+28.0%	+15.2%	-3.9%	2,089.00
Germany	71%	Neutral	Bullish	Bullish	Bullish	+36.6%	+12.9%	-15.9%	3,127.46
Ireland	87%	Bullish	Bullish	Bullish	Bullish	+21.7%	+19.8%	+5.3%	4,371.06
Italy	80%	Bullish	Bullish	Bullish	Bullish	+24.1%	+19.3%	+10.8%	18,664.00
Japan	47%	Bearish	Bullish	Bullish	Bearish	+6.3%	+3.1%	-19.6%	8,785.87
Netherlands	76%	Bullish	Neutral	Bullish	Bullish	+31.1%	+4.8%	-16.3%	435.60
New Zealand	58%	Bearish	Bullish	Bullish	Bearish	+5.9%	+14.0%	+4.6%	1,766.98
Norway	73%	Bullish	Bullish	Bullish	Bullish	+32.9%	+13.9%	-6.2%	493.94
Spain	76%	Bearish	Bullish	Bullish	Bullish	+23.8%	+21.0%	+12.2%	701.71
Sweden	69%	Bearish	Bullish	Bullish	Bullish	+24.7%	+10.9%	+4.4%	158.39
Switzerland	79%	Neutral	Bullish	Bullish	Bullish	+24.6%	+6.8%	-9.9%	4,786.70
Un. Kingdom	68%	Bullish	Bullish	Bullish	Bearish	+23.3%	+9.1%	-3.9%	4,150.80
USA	74%	Bearish	Bullish	Bullish	Bullish	+19.2%	+8.3%	-3.9%	987.76
Argentina	65%	Bearish	Bullish	Bullish	Bearish	+18.0%	+33.2%	+53.0%	1,734.46
Brazil	54%	Neutral	Bullish	Bearish	Neutral	+58.1%	+71.8%	+4.1%	13,923.11
Czech Rep.	65%	Bearish	Bullish	Neutral	Bullish	+35.1%	+47.8%	+55.1%	581.30
Chile	70%	Bearish	Bullish	Bullish	Neutral	+25.2%	+22.9%	+10.2%	6,057.06
China	45%	Bullish	Bearish	Bullish	Bearish	-6.6%	-1.8%	-17.6%	115.13
Greece	74%	Bullish	Bullish	Bullish	Neutral	+29.4%	+19.9%	+1.3%	1,876.64
Egypt	46%	Neutral	Neutral	Bearish	Bullish	+3.0%	-14.2%	-12.7%	699.40
Hong Kong	59%	Neutral	Bullish	Neutral	Neutral	+8.8%	-2.8%	-14.1%	9,694.63
Hungary	73%	Bearish	Bullish	Bullish	Bullish	+16.7%	+10.5%	+18.6%	8,291.93
India	61%	Neutral	Bullish	Bearish	Bullish	+6.5%	+2.8%	+7.3%	3,303.24
Indonesia	64%	Neutral	Bullish	Neutral	Bearish	+42.4%	+41.4%	+7.9%	510.69
Israel	59%	Bearish	Bullish	Neutral	Neutral	+42.3%	+25.9%	+28.2%	426.78
Korea	62%	Bullish	Bullish	Bullish	Neutral	+19.5%	-9.0%	-17.4%	642.38
Malaysia	55%	Neutral	Neutral	Bullish	Neutral	+7.3%	+10.2%	-9.7%	681.57
Mexico	77%	Neutral	Bullish	Bullish	Neutral	+23.0%	+9.2%	-6.8%	6,870.60
Philippines	60%	Bearish	Bullish	Bullish	Bearish	+17.8%	+13.0%	-13.3%	1,163.84
Poland	59%	Bearish	Bullish	Neutral	Bullish	+20.1%	+12.4%	+7.7%	15,598.45
Portugal	92%	Bullish	Bullish	Bullish	Bullish	+19.1%	+15.5%	+9.1%	1,668.28
Russia	58%	Bearish	Bullish	Neutral	Bearish	+21.6%	+35.2%	+14.5%	5,565.55
Singapore	61%	Neutral	Bullish	Neutral	Neutral	+17.8%	+7.7%	-9.7%	1,439.25
Sth Africa	65%	Bullish	Bullish	Bullish	Neutral	+9.7%	+8.7%	-2.2%	8,860.60
Taiwan	54%	Neutral	Bullish	Neutral	Neutral	+9.0%	+0.4%	-13.9%	4,740.45
Thailand	68%	Neutral	Bullish	Bullish	Bearish	+19.1%	+19.9%	+2.2%	418.21
Turkey	45%	Bearish	Bullish	Bearish	Bearish	+23.8%	+0.9%	+38.5%	11,430.53
Venezuela	95%	Bullish	Bullish	Bullish	Bullish	+58.7%	+32.9%	+24.3%	12,901.06

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.

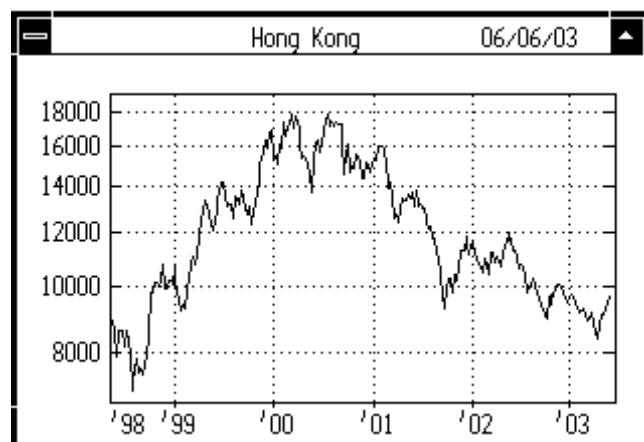
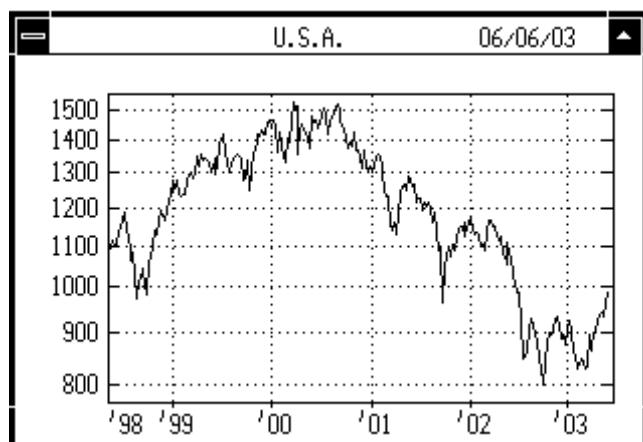
Stockmarket Outlook

Our World Stockmarket Forecasts have turned firmly Bullish (i.e. favourable) over the last month - helped by improving Technical indicators. This puts world stockmarkets in a recovery phase, although expect volatility as the uptrend "climbs a wall of worry".

The stockmarket declines clearly went on for much longer than we originally expected. As expected, however, when the recovery started, markets jumped sharply and may continue to do so. As we warned, the main risk of sell out *late in a market decline* is that you end up holding cash while shares go higher and higher.

Asian stockmarkets are most sensitive to global economic changes and more volatile than other stockmarkets. To date, however, they have tended to recover less than other world stockmarkets. The major explanation is probably short term local problems (i.e. SARS) that have had a negative impact upon economic activity and sentiment. As that threat diminishes, economic activity and stockmarkets will likely spring back sharply over the next few months.

Remain close to fully invested. "Hold" existing positions in Asian warrants and allow them to recover in value.



Recommended Funds Geographic Portfolio Spread

Fund Name	Size	Leverage	Top 10 Hldgs (%)	Portfolio invested in (%):-											
	(Mil)	(% debt)	(%)	Cash	HK	Australia	Malay	Japan	Taiwan	Korea	Sing.	Thail'd	Phil.	China	
Fidelity Asian Values plc	£71	28	32.5	9.5	23.4	6.9	15.6	23.4	11.1	3.1	3.7	Indonesia	2.2%		
Gartmore Pacific Gth Fund	£113	Nil	30.7	0.8	21.2	10.8	2.2	12.2	27.0	7.4	4.5	7.6	Indonesia	4.0%	
HSBC Asian Fund	£34	Nil	34.7	0	23.6	6.9	14.2	30.0	11.3	3.2	9.5	Indonesia	1.3%		
HSBC Hong Kong Gth Fund	£18	Nil	52.7	0	100										
Henderson Pacific Capital	£146	Nil	36.0	2.9	13.1	28.3	4.1	11.3	18.5	6.8	6.4	4.4	NZ	4.2%	
Schroder Asia Pacific plc	£105	10	39.0	7.1	35.2	4.9	11.3	23.2	10.3	0.9				Indonesia	4.4%
Baring Korea	£81	Nil	51.2	4.1						95.9					
<hr/>															
Baillie Gifford Shin Nippon plc	£39	19	30.9	Cash	USA	UK	Europe	Japan	Other						
Eaglet Investment Trust plc	£107	24	56.3			100									
Fidelity European Values plc	£410	16	19.6	2.8			97.2								
JPM Fleming Euro Fledgling	£162	12	9.9	4.4			95.6								
Invesco Japan Discovery Trt	£16	Nil	36.9	5.5			94.5								
Legg Mason Int'l Utilities	£185	100	47.6	24.0	12.0	20.0	31.0								
Private Equity Investor plc	£69	Nil	-	56.3	43.7										
<hr/>															
Aberdeen Emerging Markets	£12	Nil	28.6	Cash	Asia	Latin Amer	Africa	Europe & Middle East							
Templeton E/Markets plc	£617	Nil	30.8	1.4	54.0	19.6	7.8	17.2							
				Nil	48.9	17.7	4.9	28.5							

Recommended International Investment Funds

Most of our recommended funds continued to recover in value over the last month: **Eaglet Investment Trust plc** was again the star performer (excluding the very volatile warrants) rising another 17.0% (after being up 14.4% the previous month). **Private Equity Investor plc** was second with a 13.2% gain. With monthly gains of 9-11% were **JFM Fleming Euro Fledgeling IT plc** (which still trades at a very attractive 23% discount to net asset value), **Fidelity European Values plc** and the unlisted unit trusts or open ended investment companies: **Henderson Pacific Capital, Gartmore Pacific Growth Fund, HSBC Hong Kong Growth Fund, HSBC Asian Fund** and **Aberdeen Prolific Emerging Markets**.

Fund News

Legg Mason Investors International Utilities Trust plc will pay a first interim dividend of 1.5 pence (plus Tax Credit) on 13 June. The shares have traded ex-dividend since 23 May and we now recommend the sale of these shares (see Page 4)

Current Advice	Investment Fund	EPIC Code	Initial Recommendation			Prem/Disc to Net Assets	Recent Price		Gain or Loss %
			--- Date ---	Offer Price	Foreign NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-9%	498.0p	1428.2	+11
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-23%	182.0p	521.9	-32
United Kingdom									
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-7%	228.5p	655.3	-44
Asian Regional									
HOLD	JPM Fleming Asia WARRANTS	JPFW	07/03/00	43.8p	141.7		3.25p	9.3	.93
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		4.0p	11.5	-77
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		137.38p	394.0	+274
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		31.53p	90.4	-15
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		123.9p	355.3	-26
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		213.4p	612.0	-45
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		5.0p	14.3	-81
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-13%	89.75p	257.4	-42
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-15%	47.0p	134.8	-53
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		79.42-84.42p	234.9	+12
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		59.67-63.11p	176.1	+52
SELL	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	N/A	4.25p	12.2	.98
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-27%	99.0p	283.9	-32
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		7.25p	20.8	-83

* 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 50½ pence (-9%, i.e. 9% below net asset value), **JPMorgan Fleming Asian** shares at 68¾ pence (-10%), **Schroder Asia Pacific** shares at 61½ pence (-7%), **Templeton Emerging Markets** shares at 115¾ pence (-14%), **Baillie Gifford Shin Nippon** warrants at 4¼ pence and **Invesco Japan Discovery** warrants which trade at 2½ pence.

Fund Recommendation: Sell Legg Mason Investors International Utilities Trust plc

This split capital trust lost most of its value during the recent stockmarket decline - and unfortunately has little chance of recovery.

The decline in share prices effectively caught the trust with the equivalent of a "margin call". Asset cover fell below that required by its bank - forcing the trust to sell shares when the stockmarket was low to repay debt.

The trust has also been caught by its winding up date of 31 December 2003. This gives the trust little time for its portfolio to recover in value before it must liquidate all of its assets to repay its remaining bank debt, its Zero Dividend Preference shares, its Income shares and finally - if there were anything remaining - distribute all remaining assets to the Ordinary shareholders.

Unfortunately, the trust's portfolio declined to the point where it was very unlikely that the Ordinary

shareholders would receive any payment on liquidation. Even the current stockmarket recovery has come too late as the trust has *already* begun to liquidate its share portfolio. Over recent months the trust has sold shares and built up a cash holding equal to 24% of its assets.

In retrospect, we clearly underestimated the length of the world stockmarket decline. We bought into this highly leveraged trust in February 2001 in anticipation of a recovery that was still two years away.

Including the current dividend (ex-May 23, payable June 13) we have collected 20.3 pence (plus Tax Credit) from these shares but will recover only a few pence from selling the shares. The trust may make two further small dividends on the ordinary shares, but that is likely to be less than we can now receive by simply selling the shares.

Review of Formally Recommended Warrants: Fidelity Asian Values, Schroder Asia Pacific, Templeton Emerging Markets and JPM Fleming Asia.

Between March 1998 and March 2000 we deliberately sought to slightly *leverage* our *Portfolio of International Investment Funds* with the purchase of warrants on three Asian funds and one Emerging Markets fund.

At the time we saw the potential for strong gains as Asian economies and stockmarkets recovered from the "Asian crisis" of 1997. In retrospect we failed to foresee a *second* Asian crisis in late 1998; that Asian economies would be very slow to restructure; we under-estimated the impact of the Technology downturn on Asian companies, plus the impact of the global economy downturn and the global stockmarket decline. Of course, terrorism was something that happened in London or Paris (and went virtually unnoticed elsewhere), not New York where the global impact has been so much greater. And yes, we completely failed to predict SARS.

So, did we get *anything* right? While our portfolios have suffered significant declines the answer to that question is "yes".

Firstly, we sought to leverage our portfolios with warrants, rather than margin loans or other methods of increasing risks and returns. Like shares, your maximum loss on a warrant is limited to 100% of the

initial capital invested. No matter how low the stockmarket dips, we will never face "margin calls" (requiring you to sell other, successful investments to raise cash) or - as is more likely - be forced to sell out when prices are lowest to repay a margin loan. We have suffered a significant loss, but we weren't forced out at the bottom!

Secondly, we chose to invest in long dated warrants. The main risk with warrants is that they are depreciating assets with a limited life. If the market falls *and* the warrants reach their final exercise date then they will probably expire worthless. Short dated warrants would have expired a long time ago and we would have nothing, with no hope of recovery. The long dated warrants have declined significantly in value - but still have over 1-3 years to go. If stockmarkets continue to recover, then warrant values will probably increase significantly (i.e. provided the share price appreciates above the exercise price). We could recoup much of our loss. We may even come out with a profit!

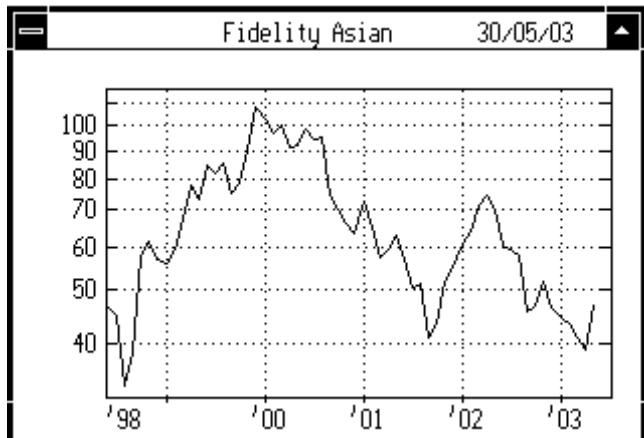
Thirdly, as warrants are more volatile than shares or funds we limited our exposure to these securities. We limited our total investment in warrants (and split

capital trusts) to about 15-25% of the international portfolio. We slightly leveraged our portfolio, we didn't "bet the whole farm". We also recommended an investment in warrants of just 50-75% of the amount that would normally be invested in a fund. This enabled us to hold a significant cash reserve during the early stages of the stockmarket decline (although we invested most of this during 2001 and these funds have since declined in value).

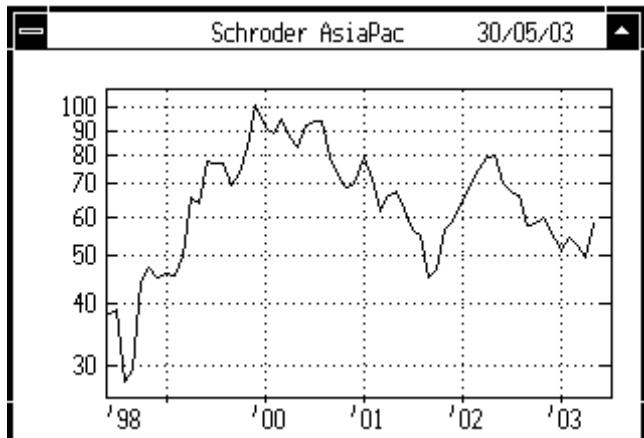
Review of Warrants

Fidelity Asian Value plc warrants (code FASW) was the first of our current warrants, recommended in March 1998. That is over five years ago, but fortunately there were *very long* dated warrants with a final exercise/expiry date of 31 August 2006. That still leaves us with three years and six months!

The exercise price is 100 pence, while the shares currently trade around 50½ pence - so the shares need to *double* in value over the next 3¼ years (i.e. appreciate by 23% per annum) before the warrants will have any intrinsic value. This is a *very high risk* warrant as the shares need to increase by 100% over the next 3¼ years, but a 26% per annum rate of gain is certainly achievable in a stockmarket recovery. Markets are currently rising by about 10% *per month*.



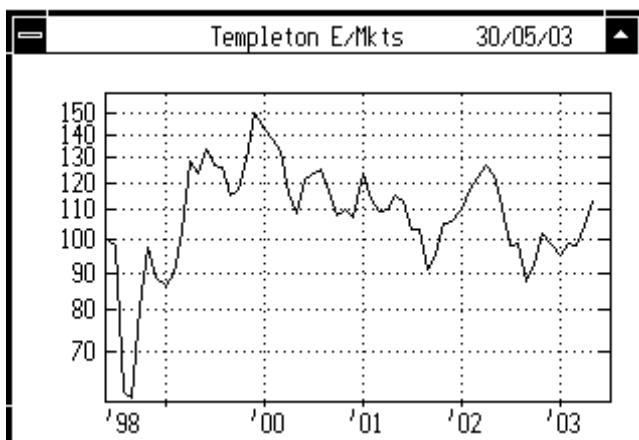
Schroder Asia Pacific plc warrants (code SDPW) have an exercise price of 100 pence and a final exercise/expiry date of 31 January 2006. With the shares currently trading at 61½ pence that requires a 63% gain (20% per annum) over the next two years and seven months. That still involves *risk* - but looks very possible if stockmarkets continue to recover and appreciate in value.



Templeton Emerging Markets plc warrants (code TEMA) will allow investors to buy shares at 133 pence on 30 September 2004. That is only 15 months away, but the shares trade just slightly below that exercise price.

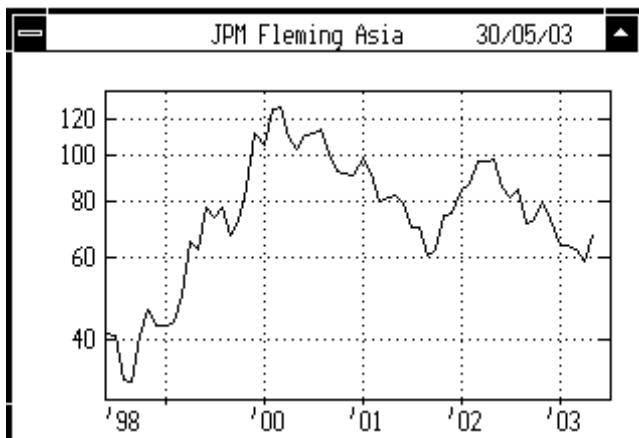
If the share price rises *less than* 15% (i.e. 12% per annum) over the next 15 months then the warrants will be worthless. At a 20% increase (16% per annum) the warrants will be worth 5¾ pence. If the shares go up 30-40% (23-31% per annum) - which is likely in the early stages of a stockmarket recovery - then the warrants will be worth 17½-29 pence.

Templeton Emerging Markets warrants are not without risk, but there is a good chance that they will be worth 15-30 pence by their final exercise date. That won't cover the cost of our initial purchase (at 40½ pence) but will recoup much of our loss on this holding.



JPM Fleming Asia plc warrants (code JPFW) have an exercise price of 100 pence and a final exercise/expiry date of 28 February 2005. So the shares need to appreciate 45% over the next 20 months (i.e. about 22% per annum) for the warrants to have an intrinsic value.

While these warrants involve *high risks*, the warrants will likely have *some* value. *How much* will depend upon *how strongly* Asian stockmarkets recover.



Summary and Recommendation

All four of our recommended warrants now involve *very high risk*. This is owing to the significant decline by Asian and Emerging stockmarkets which has (1) significantly increased the risk the warrants will expire worthless and (2) reduced the *(Continued on Page 6)*

Review of Formally Recommended Warrants

(Continued from Page 5)

potential value of the warrants at their final exercise date. Nevertheless, stockmarkets are now in a recovery phase, so warrant prices could increase significantly from their current low prices over the next year or two.

These warrants have *already* fallen 77-93% in value - so investors cannot lose much more! On the other hand, there is now good potential for stockmarkets to recover and for these warrants to regain much of their value. So existing investors should definitely "Hold".

The question of whether to *add* to these positions is

more difficult. There is a good chance that all or most of these warrants will increase significantly in value over the next year - but the relatively high break-even rates and the relatively short periods until the final exercise/expiry now make all of these warrants very speculative.

JPM Fleming Asia, Schroder Asia Pacific and Templeton Emerging Markets rate best in our quarterly *Investment Trust Survey* and also offer the highest *Warrant Leverage* (see our *Listed Investment Trust Warrant Analysis*), so small new investments in these warrants would be more suitable for investors prepared to accept the high risks involved.

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)	\$3,029
110 shares in JP Morgan Chase (JPM)	\$3,864
44 shares in General Electric (GE)	\$1,333
43 shares in SBC Communications (SBC)	\$1,124
Cash balance	<u>\$135</u>
Total Value	US\$9,485

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 33¼ cents from SBC Communications (US\$14.30). After 15% non-resident withholding tax was deducted, that raised our cash holding by US\$69 to US\$135.

The Dow Jones Index is currently 9062.79 and the S&P 500 Index is 987.76.

Our “Dow Dividend” Portfolio has performed extremely strongly over the last quarter, rising 38% in value! This was helped by the 58% jump by the previously very *out of favour* JP Morgan Chase, plus strong gains by Honeywell up 27%, SBC Communications up 28% and General Electric up 25%. Each one of those shares significantly outperformed the market averages, with the Dow Jones Index rising 17% and the S&P 500 Index managing a 19% gain over the last three months.

Over the last year our portfolio has risen 1.8%, while the Dow Jones Index is still down 5.5% and the S&P 500 Index down 3.9%

Since inception in January 2002 our portfolio has outperformed slightly, falling only 5.2% compared with

a 9.3% decline in the Dow Jones Index and a 13.8% 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). 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\$43.50	5.89%	No
Eastman Kodak	\$31.28	5.75%	Yes
General Motors	\$35.74	5.60%	No
SBC Communications	\$26.42	4.28%	Yes
AT & T	\$19.37	3.87%	Yes
JP Morgan Chase	\$35.13	3.87%	Yes
DuPont	\$43.25	3.24%	No
Honeywell	\$27.54	2.72%	Yes
ExxonMobil	\$37.34	2.68%	No
International Paper	\$38.44	2.60%	No

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	\$19.37	40%
SBC Communication	\$26.42	25%
Honeywell	\$27.54	25%
Eastman Kodak	\$31.28	10%

Listed Investment Trust

Warrant Analysis

Review of Speculative Warrants

In December 2001 we started to informally recommend some speculative warrants that offered the potential for leveraged gains if world stockmarkets recovered. Unfortunately, we probably started buying too early and stockmarkets continued to decline through to March 2003. Warrants magnify gains or losses, so in March all of our warrants had declined significantly in value.

But what a difference three months can make! As we warned many times, stockmarkets can jump sharply in the first few months of a recovery - and warrants magnify those gains 2-4 fold.

At this stage the returns from our speculative warrants are mixed. With high leverage, however, this situation could change significantly over the next few months. If stockmarkets continue to recover and appreciate in value, then our warrants could become very valuable.

One warrant - F & C Income Growth - expires at the end of July, so we shall need to sell these on-market during July, and should yield a small profit or a small loss. Two more expire in 6-7 months, while the remaining two have 2½ years and 3½ years. This provides a diversified exposure to the stockmarket recovery.

The final exercise/expiry date for our F & C Income Growth warrants is 31 July 2003. Warrant trading will probably cease about mid-July, so we need to either (1) sell these on market in early to mid-July, (2) exercise them (i.e. pay 100 pence to receive a share) or (3) let them expire. With the shares trading above 100 pence, the warrants have value and we shall not let them expire.

The shares have risen 19.7% to 129 pence over the last three months, lifting the market price of the warrants 83.3% to 22 pence. Their *intrinsic value* is 29 pence (i.e. the value of the share, 129 pence, less the cost of exercising the warrant, 100 pence) so we would hope to get closer to intrinsic value when we sell on-market.

We informally recommended F & C Income Growth warrants in March 2002 when the shares were at 133½ pence and the warrants at 34 pence. In retrospect, we bought in too early and the warrants dropped to a low of 11 pence in March. **With a 4.4 times leverage, the warrant value is increasing rapidly with the current stockmarket recovery, so we shall hope for further gains over the next month - and then sell the warrants on-market.**

Perpetual Income & Growth shares rose 20.2% to 140 pence over the quarter, with the warrant price up 87.1% to 39¾ pence.

The final exercise/expiry date on these warrants is 31 August 2006 - which is still three and a quarter years away!

We informally recommended these warrants *way too early*, in December 2001, when the share price was 133 pence and the warrant price 35¾ pence. **Despite the continuing stockmarket decline over most of the last 18 months we are now showing a small profit on these warrants.** If the UK stockmarket continues to recover and increase in value over the next 3½ years then these warrants will multiply the value of our initial investment *several fold!*

Schroder Income & Growth shares rose 19.0% to 152 pence and the warrants increased 62.5% to 52 pence over the last quarter. The final exercise/expiry date is 31 December 2003.

We informally recommended these warrants in December 2001 when the shares traded at 145¾ pence and the warrants at 46½ pence. **So despite buying in far too early we are again sitting on a small profit.**

Owing to the short date until expiry (i.e. six months) the warrants have a high 2.8 times leverage. So if the UK stockmarket continues to recover these warrants will soar in value!

Gartmore European shares increased in value by 22.8% to 266½ pence over the last three months. Owing to the very high 4.2 times leverage on these warrants, the warrant price rose 182.4% to 48 pence over that period! The final exercise/expiry date is 31 January 2004, so we still have 7½ months to benefit from further recovery of European stockmarkets.

These warrants were also first informally recommended in December 2001. At that time the shares were 360 pence and the warrants 142 pence, so we are still well down on this investment!

Polar Capital's share price rose 27.4% to 138¼ pence over the last quarter. The warrants rose 82.6% to 39¼ pence. The final exercise/expiry date is 30 September 2005.

We informally recommended these warrants in December 2002 when the shares traded at 139½ pence and the warrants 42 pence. So we have a small loss on these warrants, but with 2½ years until expiry, these warrants remain an attractive medium to long term speculation on a recovery by Technology share prices.

(Continued on Page 8)

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	Return(%p.a.)from appreciation of:	International Investor Break-Even Rate
	5%pa	10%pa	20%pa								
INDIA											
Fleming Indian	57.3p	100.0p	0-8	0.20p	0.00p	+7894	0.206	64.1	-100.0	-100.0	-100.0 +132%
UNITED KINGDOM											
Edinburgh Smaller Coys	36.8p	100.0p	5-3	17.75p	5.81p	+206	0.430	2.5	-100.0	-100.0	-100.0 +25%
F & C Income Growth	129.0p	100.0p	0-1	22.00p	29.30p	-25	0.208	4.4	+3308.8	+4075.0	+5958.2 -49%
Fidelity Special Values	267.5p	100.0p	0-7	167.00p	169.57p	-2	0.260	1.6	+8.6	+16.8	+33.3 -0%
Invesco City & Commercial	41.0p	100.0p	2-0	6.00p	3.68p	+63	0.563	3.2	-100.0	-100.0	-100.0 +61%
Perpetual Income & Gth	140.0p	100.0p	3-6	39.75p	54.85p	-28	0.252	2.3	+15.9	+29.1	+51.9 -0%
Schroder Income & Grwth	152.0p	100.0p	0-6	52.00p	53.78p	-3	0.185	2.8	+15.0	+30.6	+63.6 +0%
LATIN AMERICA											
Aberdeen Latin American	50.3p	100.0p	6-4	7.00p	16.94p	-59	0.486	1.8	-100.0	-100.0	+40.2 +13%
Detsche Latin American	55.0p	100.0p	7-0	9.00p	14.62p	-38	0.364	2.1	-100.0	-3.2	+40.5 +10%
EMERGING MARKETS											
Schroder Emer Countries	50.8p	100.0p	3-3	2.87p	5.54p	-48	0.391	3.2	-100.0	-100.0	-100.0 +24%
Templeton Emerging Mkts	115.8p	133.0p	1-3	7.25p	14.73p	-51	0.371	4.2	-100.0	-100.0	+53.4 +17%
TECHNOLOGY											
Polar Capital	138.3p	100.0p	2-3	39.25p	55.20p	-29	0.387	2.1	+15.5	+30.4	+57.0 +0%
INTERNATIONAL											
Special Utilities S	142.5p	100.0p	4-7	47.50p	60.95p	-22	0.216	2.2	+11.5	+22.5	+40.9 +1%
EUROPE											
Gartmore European	266.5p	220.0p	0-7	48.00p	56.18p	-15	0.298	4.2	+23.1	+53.9	+121.9 +1%
Merrill European	113.5p	100.0p	1-1	25.50p	22.69p	+12	0.280	4.1	-21.3	+1.3	+45.5 +10%
TR European	125.5p	166.0p	0-4	0.30p	1.21p	-75	0.347	16.8	-100.0	-100.0	-100.0 +133%
JAPAN											
B Gifford Shin Nippon	89.8p	200.0p	1-10	4.75p	2.67p	+78	0.397	5.3	-100.0	-100.0	-100.0 +57%
Fidelity Japan Values	37.3p	100.0p	0-10	0.32p	0.11p	+179	0.471	9.4	-100.0	-100.0	-100.0 +228%
Martin Currie Japan 05	54.8p	100.0p	2-4	5.00p	3.40p	+47	0.355	4.4	-100.0	-100.0	-100.0 +32%
Schroder Japan Growth	59.3p	100.0p	1-5	2.37p	1.52p	+56	0.324	7.1	-100.0	-100.0	-100.0 +47%
FAR EASTERN											
Aberdeen Asian Small	128.0p	100.0p	7-5	60.50p	64.83p	-7	0.312	1.7	+4.5	+14.0	+28.8 +3%
Edinburgh Dragon Trust	56.3p	60.0p	1-7	9.00p	10.10p	-11	0.367	3.5	-78.9	-27.5	+38.5 +14%
Fidelity Asian Values	50.5p	100.0p	3-2	4.00p	6.23p	-36	0.421	3.0	-100.0	-100.0	-100.0 +26%
Invesco Asia	42.0p	100.0p	1-1	0.31p	0.22p	+42	0.398	9.1	-100.0	-100.0	-100.0 +123%
JPM Fleming Asia	68.8p	100.0p	1-8	3.25p	6.10p	-47	0.380	4.3	-100.0	-100.0	-100.0 +28%
Schroder Asia Pacific	61.5p	100.0p	2-7	5.00p	8.07p	-38	0.409	3.2	-100.0	-100.0	-100.0 +23%
Scottish Oriental Sm Co	123.5p	100.0p	3-7	49.00p	47.89p	+2	0.339	2.1	-1.1	+12.1	+33.3 +5%
HONG KONG / CHINA REGION											
JPM Fleming Chinese	45.8p	100.0p	0-8	0.50p	0.20p	+147	0.461	10.2	-100.0	-100.0	-100.0 +226%

Next Issue

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