

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	61%	Bullish	Bullish	Neutral	Neutral	+3.0%	-3.5%	+19.3%	3,584.40
Austria	67%	Bearish	Bullish	Bullish	Neutral	+6.4%	+6.0%	+61.1%	2,017.68
Belgium	71%	Neutral	Bullish	Bullish	Neutral	+4.9%	+1.2%	+36.6%	2,621.27
Canada	58%	Neutral	Bullish	Bullish	Neutral	+3.7%	-4.5%	+15.5%	8,344.42
Denmark	65%	Bearish	Bullish	Bullish	Neutral	+3.6%	-5.2%	+17.9%	272.43
Finland	58%	Bullish	Bearish	Bullish	Neutral	-2.8%	-26.2%	-0.0%	5,574.45
France	64%	Bullish	Bullish	Bullish	Bearish	-2.2%	-6.1%	+18.6%	2,497.14
Germany	49%	Bearish	Neutral	Bullish	Bearish	-3.9%	-9.1%	+17.1%	3,866.99
Ireland	77%	Neutral	Bullish	Bullish	Neutral	+3.1%	+3.5%	+31.2%	5,557.08
Italy	71%	Bullish	Bullish	Bullish	Neutral	-0.7%	-3.9%	+18.5%	20,872.00
Japan	38%	Neutral	Neutral	Bearish	Bearish	+0.1%	-3.7%	+9.6%	11,022.49
Netherlands	52%	Bullish	Bearish	Bullish	Neutral	-4.5%	-11.4%	+0.9%	328.75
New Zealand	61%	Neutral	Bullish	Neutral	Bearish	+12.1%	+7.6%	+35.0%	2,222.13
Norway	68%	Neutral	Bullish	Bullish	Bearish	+4.7%	-0.9%	+39.8%	737.35
Spain	71%	Bullish	Bullish	Bullish	Neutral	-0.5%	-5.3%	+22.1%	851.51
Sweden	39%	Bearish	Bearish	Bullish	Bearish	-0.7%	-5.4%	+24.1%	210.91
Switzerland	50%	Bearish	Neutral	Neutral	Neutral	-5.2%	-6.7%	+13.6%	5,502.50
Un. Kingdom	53%	Bullish	Bullish	Neutral	Bearish	-1.2%	-3.8%	+19.7%	4,550.80
USA	46%	Neutral	Neutral	Neutral	Bearish	-0.8%	-3.7%	+9.0%	1,113.63
Argentina	58%	Bearish	Bullish	Bullish	Bearish	+11.6%	-12.4%	+35.8%	2,478.96
Brazil	68%	Bullish	Bullish	Bullish	Bearish	+21.3%	-3.4%	+40.4%	22,415.05
Czech Rep.	66%	Bullish	Bullish	Bullish	Bullish	-99.0%	-99.0%	-98.6%	819.10
Chile	50%	Bearish	Bullish	Bearish	Bearish	+19.8%	+1.9%	+35.0%	8,253.44
China	33%	Neutral	Bearish	Neutral	Bearish	-14.6%	-25.3%	-13.5%	86.63
Greece	66%	Neutral	Neutral	Bullish	Neutral	-5.9%	-9.0%	+18.9%	2,334.71
Egypt	64%	Bearish	Bullish	Bearish	Bullish	+10.8%	+16.2%	+33.1%	990.37
Hong Kong	52%	Neutral	Bullish	Neutral	Bearish	+7.7%	-3.9%	+15.9%	12,948.10
Hungary	75%	Neutral	Bullish	Bullish	Neutral	+9.8%	+12.0%	+50.3%	12,232.47
India	39%	Neutral	Neutral	Bearish	Bearish	+4.0%	-13.2%	+18.3%	5,218.46
Indonesia	67%	Bullish	Bullish	Neutral	Neutral	+14.8%	-6.3%	+23.6%	786.49
Israel	45%	Bearish	Neutral	Bullish	Bearish	-3.9%	-4.9%	+25.6%	549.48
Korea	72%	Neutral	Bullish	Bullish	Neutral	+6.3%	-7.6%	+9.8%	820.69
Malaysia	56%	Bullish	Neutral	Bullish	Bearish	+4.9%	-5.0%	+11.3%	841.90
Mexico	71%	Bullish	Bullish	Bullish	Neutral	+1.9%	-3.8%	+25.3%	10,355.01
Philippines	65%	Bearish	Bullish	Bullish	Bearish	+6.3%	+10.9%	+28.5%	1,627.96
Poland	53%	Bearish	Bullish	Neutral	Bearish	+7.8%	+9.2%	+29.3%	24,412.73
Portugal	67%	Bearish	Bullish	Bullish	Bullish	-2.7%	-7.0%	+35.3%	2,080.30
Russia	59%	Bearish	Bullish	Bullish	Neutral	+2.9%	-10.7%	+19.7%	7,370.28
Singapore	69%	Neutral	Bullish	Bullish	Bearish	+8.5%	+2.5%	+23.3%	1,936.55
Sth Africa	73%	Neutral	Bullish	Bullish	Neutral	+7.4%	+0.7%	+32.2%	11,223.91
Taiwan	47%	Bullish	Bearish	Bullish	Bearish	-0.4%	-18.3%	+3.2%	5,761.14
Thailand	44%	Bullish	Bearish	Neutral	Neutral	-1.6%	-15.0%	+10.4%	629.08
Turkey	74%	Neutral	Bullish	Bullish	Bearish	+16.2%	-5.3%	+48.1%	20,775.00
Venezuela	79%	Bullish	Bullish	Bullish	Bearish	+21.8%	+36.2%	+17.0%	28,336.06

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 Charts

United States Stockmarket



United Kingdom Stockmarket



Hong Kong Stockmarket



Japan Stockmarket



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	£63	15	32.0	0	18.5	3.9		16.3	13.0	9.4	3.9		14.1	Indonesia 9.8%	
Baring Korea	£113	Nil	47.8	6.3				93.7							
Gartmore Pacific Opps	£129	Nil	28.1	0	25.1	0.4	7.1	15.9	26.4	9.9	6.1		4.7	1.7	Indonesia 2.7%
HSBC Asian Fund	£48	Nil	25.4	9.5	21.0		5.7	14.6	22.6	10.5	2.4		11.4	Indonesia 2.4%	
HSBC Hong Kong Gth Fund	£24	Nil	47.1	5.5	94.5										
Henderson Pacific Capital	£198	Nil	29.1	3.9	16.5	15.8	4.1	11.9	11.6	8.3	15.6		12.3		
Schroder Asia Pacific plc	£142	16	27.3	5.6	30.5		2.9	9.0	21.9	10.8	4.7	1.9	1.0	4.8	Indonesia 6.8%
Scottish Oriental Sm Coys plc	£50	7	20.3	4.8	16.9		7.9	5.3	17.3	10.0	8.6	3.0	7.6	9.9	Indonesia 4.0%
					Cash	USA	UK	Europe	Japan	Other					
Aberforth Small Cos Trust plc	£475	Nil	23.0	0			100								
Baillie Gifford Shin Nippon plc	£60	13	25.1	0					100						
Eaglet Investment Trust plc	£120	16	54.5				100								
Fidelity European Values plc	£500	14	27.2	0				100.0							
JPM Fleming Euro Fledgling	£203	22	17.0					100.0							
Invesco Japan Discovery Trt	£32	0	42.1	0					100.0						
Private Equity Investor plc	£64	Nil	-	45.9	54.1										
					Cash	Asia	Latin Amer	Africa	Europe & Middle East						
Aberdeen Emerging Markets	£128	Nil	34.4	1.6	65.3		11.1	4.7	17.3						
Templeton E/Markets plc	£805	Nil	32.2	0.1	56.1		13.6	4.9	25.3						

Fidelity European Values plc continues to have its largest investments in France (23.5% of the portfolio), followed by Switzerland (12.9%), Italy (9.0%), Germany (7.9%), Denmark (7.2%), Netherlands (7.0%), Greece (4.1%), Norway (4.0%), Ireland (3.1%), Sweden (3.1%), Finland (3.0%), Spain (2.9%), Portugal (2.0%), Austria (2.0%) and small holdings in Russia, Hungary, Czech Republic, Turkey and Estonia.

JPMorgan Fleming European Fledgling has 13.7% of its portfolio invested in **FF European Discovery** (a micro-cap European fund) and direct investments in Germany (14.6%), Italy (12.1%), Finland (12.1%), France (10.9%), Netherlands (9.8%), Spain (8.0%), Switzerland (7.9%), Sweden (6.9%), Denmark (6.2%), Norway (4.3%), Belgium (2.1%), Portugal (1.0%), Austria (1.0%) and regional funds (6.1%).

Recommended International Investment Funds

Sell Templeton Emerging Markets Warrants On-market

As we discussed in greater detail last month, Templeton Emergings Markets fell sharply during 2000 and 2001, destroying most of the value in our warrants. The share price has recovered strongly over the last two years, but has exceeded the warrant's 133 pence exercise price just as the final exercise/expiry date of 30 September 2004 approaches. The warrants have increased 155% (146% in NZ dollar terms) over the last month . . . but time for further recovery is running short.

Sell Templeton Emerging Markets warrants on-market this month to realise some value (but an 80% loss on our initial cost in 1999).

Management Change

Last month we discussed how new major shareholders, led by **Value Catalyst Fund**, were seeking to replace the directors of **Private Equity Investor plc**. That change has happened, with the existing directors having agreed to resign to be replaced by the new directors nominated by Value Catalyst. From released announcements we are unable to determine *exactly* what has happened here - but Private Equity Investor also repurchased unsecured convertible loan notes from a company owned by former directors for £1,295,000 and that company paid Value Catalyst Fund £250,000 towards its costs. Barbara Thomas has been invited to remain on the board (Continued on Page 4)

Current Advice	Investment Fund	EPIC Code	Initial Recommendation --- Date ---	Offer Price		Prem/ Disc to Net Assets	Recent Price		Gain or Loss %
				Foreign	NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Europe									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-7%	642.0p	1766.2	+37
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-19%	252.0p	693.3	-9
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15-07-03	375.5p	1042.0	-7%	448.0p	1232.5	+18
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-17%	288.0p	792.3	-32
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS	AASW	09/09/03	75.3p	209.1		93.0p	255.8	+22
HOLD	Gartmore Pacific Opportunities	*	29/10/85	41.4p	105.4		181.07p	498.1	+373
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		39.97p	110.0	+3
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		160.25p	440.9	-8
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		265.20p	729.6	-35
BUY	Scot Oriental Sm Cos WARRANTS	SSTW	11/11/03	78.0p	211.5		73.50p	202.2	-4
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		6.50p	17.9	-76
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-13%	151.0p	415.4	-6
BUY	Invesco Japan Discovery Trust	JD	13/07/99	95.5p	284.0	-12%	97.25p	267.5	-6
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		95.63-101.60p	271.3	+30
International									
BUY	Aberdeen Prolific Emerging Markets	*	13/08/91	61.7p	184.0		126.60p	348.3	+89
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-19%	106.00p	291.6	-31
SELL	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		8.62p	23.7	-80

* 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 179¾ (-1%, i.e. 1% below net asset value), **Schroder Asia Pacific** shares at 80½ (-5), **Scottish Oriental Smaller Companies** shares at 162½ pence (-5%), **Templeton Emerging Markets** shares at 141¾ pence (-17%), **Baillie Gifford Shin Nippon** warrants at 9¼ pence and **Invesco Japan Discovery** warrants which trade at 6 pence.

Recommended Funds (Continued from Page 3) and has agreed. These changes will become effective once approved by shareholders at the October AGM - so some further explanation may be received prior to that meeting.

Name Change

Gartmore Pacific Growth Fund has changed its name to **Gartmore Pacific Opportunities**. This does not reflect any change in the investment strategy

of the fund - simply that Gartmore has rebranded a series of its funds as "Opportunities".

Share Repurchase

Eaglet Investment Trust plc repurchased 350,000 shares on-market at £2.70 on 12 August as they were trading at a large discount to net asset value. **Templeton Emerging Markets plc** re-purchased 1,000,000 shares on-market on 1 September.

World Stockmarket Capitalisations

The world stockmarket capitalisation rose 2.2% over the last three months to US\$29,292 billion. The United States remains by far the largest stockmarket but its share of the total continues to decline.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	13,695	46.76	Norway	108	0.37
Japan	3,223	11.00	Ireland	86	0.29
United Kingdom	2,363	8.07	Greece	80	0.27
France	1,169	3.99	Chile	72	0.25
Canada	856	2.92	Thailand	69	0.24
Germany	845	2.88	Israel	59	0.20
Switzerland	724	2.47	Portugal	56	0.19
Italy	614	2.10	Austria	62	0.21
Australia	557	1.90	Turkey	52	0.18
Hong Kong	477	1.63	Indonesia	38	0.13
Spain	474	1.62	Poland	31	0.11
Netherlands	452	1.54	New Zealand	28	0.09
Taiwan	357	1.22	Hungary	18	0.06
South Korea	305	1.04	Philippines	18	0.06
Sweden	296	1.01	Argentina	16	0.05
China	295	1.01	Czech Republic	15	0.05
Russia	231	0.79	Peru	13	0.05
Belgium	226	0.77	Morocco	11	0.04
India	204	0.70	Iceland	10	0.04
Brazil	201	0.69	Columbia	9.1	0.03
South Africa	165	0.56	Egypt	7.6	0.03
Singapore	145	0.50	Nigeria	6.8	0.02
Mexico	142	0.48	Pakistan	6.5	0.02
Finland	141	0.48	Jordan	6.4	0.02
Malaysia	128	0.44	Slovenia	4.3	0.01
Denmark	122	0.42	Venezuela	3.1	0.01
			TOTAL	\$29,292	100.00%

Listed Investment Trust

Warrant Analysis

Review of Speculative Warrants

Perpetual Income & Growth shares have been virtually unchanged over the last quarter, with the warrants down 3.5% to 55 pence.

These warrants have just under two years to go until their final exercise/expiry date and offer high leverage - so remain an attractive speculative holding.

Polar Capital share have also changed very little over the last three months, with the warrants down 1.4% to 54¼ pence - which is their *intrinsic* value (i.e. the share price of 154¼ pence, less the 100 pence cost of exercising the warrants).

These warrants offer a highly leveraged investment that would benefit from a recovery in Technology share prices. A 5% increase in the share price will lift the warrant value 14%, a 10% rise by the share will produce a 28% increase in the warrant value while a 20% gain by the shares will boost the warrants 56%.

Templeton Emerging Markets warrants were selected here as a short term speculation in September 2003 when the shares were at 135½ pence and the warrants at 16½ pence.

Unfortunately the 4.6% rise in the share price to 141¾ pence was below the required *Break-Even Rate* of 10%. So the warrants have declined in value to around 8½-8¾ pence, where we shall have to realise this position before the expiry date at the end of September.

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 5%pa	Warrant Return 10%pa	Warrant Return 20%pa	Warrant Return (%p.a.) from Break-Even Rate
<u>UNITED KINGDOM</u>												
Edinburgh Smaller Coys	52.5p	100.0p	4-0	7.25p	8.97p	-19	0.419	2.5	-100.0	-100.0	+5.2	+20%
Invesco City & Com.	59.5p	100.0p	0-9	6.00p	4.51p	+33	0.484	4.4	-100.0	-100.0	-100.0	+116%
Perpetual Income & Gth	158.5p	100.0p	1-11	55.00p	68.27p	-19	0.202	2.3	+16.8	+29.5	+53.3	-1%
<u>LATIN AMERICA</u>												
Deutsche Latin America	76.0p	100.0p	5-9	9.75p	16.00p	-39	0.322	2.4	-38.2	+22.6	+54.0	+7%
<u>EMERGING MARKETS</u>												
Templeton Emerging Mkts	141.8p	133.0p	0-0	8.62p	6.68p	+29	0.229	13.9	+999.9	+999.9	+999.9	N/A
<u>TECHNOLOGY</u>												
Polar Capital	154.3p	100.0p	1-0	54.25p	62.69p	-13	0.329	2.3	+14.2	+28.4	+56.9	+0%
<u>JAPAN</u>												
B Gifford Shin Nippon	151.0p	200.0p	0-7	9.25p	5.12p	+81	0.318	7.9	-100.0	-100.0	-100.0	+75%
Invesco Japan	97.3p	100.0p	0-1	6.00p	8.97p	-33	0.419	6.5	-100.0	-100.0	-100.0	+181%
Martin Currie Japan 05	73.3p	100.0p	1-1	4.00p	4.73p	-15	0.305	5.9	-100.0	-100.0	-100.0	+38%
Schroder Japan Growth	81.5p	100.0p	0-2	0.50p	0.47p	+7	0.257	23.2	-100.0	-100.0	-100.0	+252%
<u>FAR EASTERN</u>												
Aberdeen Asian Small	179.8p	100.0p	6-2	93.00p	91.79p	+1	0.210	1.7	+7.2	+15.3	+29.3	+1%
Edinburgh Dragon Trust	72.5p	60.0p	0-4	12.75p	12.75p	+0	0.295	4.7	+23.8	+57.7	+138.8	+1%
Fidelity Asian Values	62.5p	100.0p	1-11	2.87p	3.41p	-16	0.340	4.7	-100.0	-100.0	-100.0	+30%
JPM Fleming Asia	87.3p	100.0p	0-5	2.50p	3.68p	-32	0.315	8.3	-100.0	-100.0	-100.0	+47%
Schroder Asia Pacific	80.5p	100.0p	1-4	6.50p	5.57p	+17	0.302	5.4	-100.0	-100.0	-48.9	+23%
Scottish Oriental Sm Co	162.5p	100.0p	2-4	73.50p	66.70p	+10	0.207	2.3	+4.9	+15.5	+35.2	+3%

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)	\$3,064
130 shares in SBC Communications (SBC)	\$3,406
44 shares in General Electric (GE)	\$1,445
30 shares in JP Morgan Chase (JPM)	\$1,196
Cash balance	<u>\$305</u>
Total Value	US\$9,416

Over the last three months we have collected regular quarterly dividends: 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\$92 to US\$305.

The Dow Jones Index is currently 10,260.20 and the S&P 500 Index is 1113.63.

Our "Dow Dividend" Portfolio increased 2.1% over the last quarter, while the Dow Jones index rose 0.2% and the S&P 500 index slipped 0.8%.

Over the last year our portfolio has performed poorly, slipping 1.7%, in value while the Dow Jones Index appreciated 8.0% and the S&P 500 Index rose a similar 9.0%.

Since inception in January 2002 our portfolio has fallen 5.8%. Over that period, the Dow Jones Index has risen 2.7% and S&P 500 Index fallen 2.8%.

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\$49.20	5.93%	No
SBC Communications	\$26.20	4.77%	Yes
General Motors	\$42.53	4.70%	Yes
Verizon	\$40.06	3.84%	Yes
Citigroup	\$46.84	3.42%	No
JP Morgan Chase	\$39.85	3.41%	Yes
Merck	\$45.48	3.34%	No
DuPont	\$42.66	3.28%	No
General Electric	\$32.84	2.44%	Yes
ExxonMobil	\$47.06	2.29%	No

The *highest yielding* stock is Altria while the *lowest priced* is SBC Communications, so make no change to the list. Then invest in the *four lowest priced* stocks, labelled as "Small Dogs" which are SBC Communications, General Electric, JP Morgan Chase and Verizon.

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
SBC Communications	\$26.20	40%
General Electric	\$32.84	30%
JP Morgan Chase	\$39.85	15%
Verizon	\$40.06	15%

Next Issue

The next issue of *International Investor* will be posted in five weeks time on Tuesday October 12, 2004 (and delivered in most areas on Wednesday 13).

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