

International Investor

Issue No. 153

www.stockmarket.co.nz

September 8, 2008

Inside International Investor

Rise in US Interest Rates to Slow? 2

Investment Fund Survey: 4 - 8

International Investments Rise Strongly 3

International, United States, United Kingdom,
Europe and Germany

Founder: James R Cornell (B.Com.)

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 _____	53%	Bullish	Bearish	Bullish	Neutral	-26.6%	-19.4%	-22.9%	4,949.50
Austria _____	39%	Bullish	Bearish	Neutral	Neutral	-28.9%	-16.0%	-22.6%	3,350.19
Belgium _____	47%	Bullish	Bearish	Neutral	Bullish	-25.9%	-23.6%	-26.4%	3,002.39
Canada _____	57%	Bullish	Bearish	Bullish	Bullish	-17.9%	-9.9%	-7.1%	12,816.42
Denmark _____	37%	Bearish	Bearish	Neutral	Bullish	-19.7%	-13.8%	-15.8%	393.04
Finland _____	52%	Bullish	Bearish	Bullish	Neutral	-25.7%	-30.0%	-31.7%	7,626.25
France _____	50%	Bullish	Bearish	Neutral	Bullish	-20.9%	-15.9%	-20.3%	2,973.41
Germany _____	39%	Bullish	Bearish	Bearish	Neutral	-18.3%	-13.0%	-14.6%	6,127.44
Ireland _____	50%	Bullish	Bearish	Neutral	Bullish	-33.1%	-35.7%	-45.8%	4,282.32
Italy _____	44%	Bullish	Bearish	Bearish	Bullish	-21.8%	-20.3%	-27.1%	21,241.00
Japan _____	44%	Bullish	Bearish	Neutral	Bullish	-17.0%	-8.8%	-20.2%	12,212.23
Netherlands _____	38%	Bullish	Bearish	Bearish	Neutral	-25.1%	-17.2%	-22.0%	389.22
New Zealand _____	52%	Bullish	Bearish	Bullish	Bullish	-23.0%	-29.7%	-36.4%	1,727.25
Norway _____	55%	Bullish	Bearish	Bullish	Bearish	-33.0%	-16.4%	-17.2%	324.95
Spain _____	50%	Bullish	Bearish	Neutral	Bullish	-22.0%	-19.5%	-19.0%	1,197.97
Sweden _____	55%	Bullish	Bearish	Bullish	Bullish	-25.5%	-20.2%	-27.8%	265.86
Switzerland _____	35%	Bullish	Bearish	Bearish	Bearish	-14.0%	-10.8%	-14.5%	6,976.59
Un. Kingdom _____	51%	Bullish	Bearish	Neutral	Bullish	-20.3%	-19.2%	-26.1%	5,240.70
USA _____	54%	Bullish	Bearish	Bullish	Bullish	-8.7%	-3.9%	-14.5%	1,242.31
Argentina _____	33%	Bearish	Bearish	Neutral	Bullish	-24.6%	-18.9%	-14.0%	6,152.03
Brazil _____	20%	Bearish	Bearish	Bearish	Bearish	-29.5%	-18.2%	+8.3%	51,939.60
Czech Rep. _____	50%	Neutral	Bearish	Bullish	Bullish	-24.1%	-12.6%	-10.5%	1,374.50
Chile _____	35%	Bearish	Bearish	Bearish	Bullish	-14.1%	-12.2%	-8.4%	13,280.37
China _____	42%	Bearish	Bearish	Bullish	Neutral	-39.3%	-50.6%	-51.3%	147.11
Greece _____	47%	Bullish	Bearish	Neutral	Bullish	-30.4%	-25.9%	-32.4%	3,143.92
Egypt _____	36%	Bullish	Bearish	Bearish	Bearish	-24.1%	-25.0%	+20.4%	8,400.86
Hong Kong _____	42%	Bullish	Bearish	Neutral	Bullish	-18.3%	-11.7%	-17.1%	19,933.28
Hungary _____	41%	Bearish	Bearish	Neutral	Bullish	-17.5%	-10.3%	-19.0%	19,615.42
India _____	15%	Bearish	Bearish	Bearish	Bullish	-10.9%	-17.7%	-15.4%	14,483.83
Indonesia _____	39%	Neutral	Bearish	Bearish	Bullish	-17.0%	-26.2%	-9.0%	2,022.56
Israel _____	34%	Bearish	Bearish	Bullish	Bearish	-19.0%	-9.6%	+0.3%	900.86
Korea _____	31%	Neutral	Bearish	Neutral	Neutral	-29.4%	-27.8%	-37.4%	1,404.38
Malaysia _____	36%	Bullish	Bearish	Neutral	Neutral	-18.9%	-24.1%	-16.5%	1,070.54
Mexico _____	30%	Bearish	Bearish	Bearish	Bullish	-17.7%	-6.2%	-8.9%	25,904.18
Philippines _____	56%	Bullish	Bearish	Bullish	Neutral	-5.2%	-21.6%	-18.5%	2,724.72
Poland _____	40%	Bullish	Bearish	Neutral	Neutral	-22.3%	-16.4%	-22.8%	39,913.52
Portugal _____	29%	Bearish	Bearish	Neutral	Neutral	-26.1%	-24.5%	-27.8%	2,775.85
Russia _____	40%	Bearish	Bearish	Bullish	Neutral	-42.9%	-30.2%	-23.1%	2,155.58
Singapore _____	64%	Bullish	Bearish	Bullish	Bullish	-22.1%	-13.3%	-21.7%	2,574.21
Sth Africa _____	26%	Bullish	Bearish	Bearish	Bearish	-21.4%	-17.0%	-18.6%	25,416.67
Taiwan _____	36%	Bullish	Bearish	Bearish	Neutral	-31.3%	-28.7%	-27.4%	6,307.28
Thailand _____	30%	Bullish	Bearish	Bearish	Neutral	-24.2%	-28.3%	-20.1%	645.80
Turkey _____	37%	Bullish	Bearish	Bearish	Neutral	-0.7%	-4.9%	-16.2%	39,115.63
Venezuela _____	66%	Bullish	Bullish	Bearish	Bullish	+9.6%	+18.2%	+3.4%	40,547.21

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 Outlook

World stockmarkets have been extremely volatile over the last six months, with most markets closely following fluctuations on the US stockmarket.

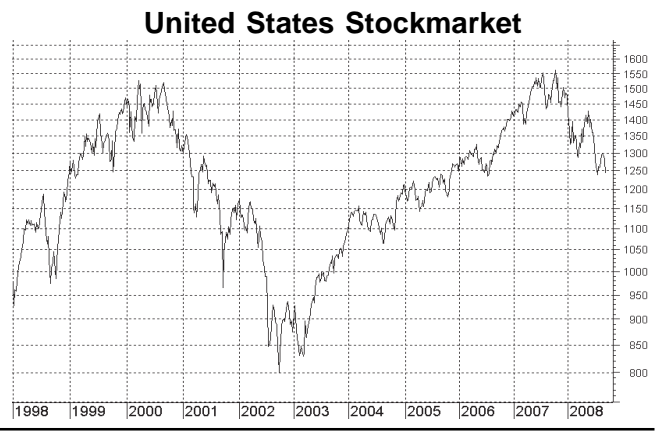
Markets recovered sharply from mid-March to mid-May, then slipped back to new lows by the end of June. Shares again rallied strongly in July and early August, only to slump sharply last week.

The S&P 500 Index was up 0.44% on Friday, so perhaps the roller coaster is heading back up again this week.

Clearly financial markets are being driven by manic-depressive changes in sentiment. That is impossible to predict and will continue to result in sharp, random fluctuations. This situation of extreme volatility, however, is more characteristic of a market bottom rather than a market top.

Look at any long term chart of virtually any stockmarket and you may notice that market tops tend to be relatively smooth, broad "upside down saucer" type formations over 12-24 months. In contrast, market bottoms tend to be very volatile. A sharp "V" type formation is common where prices drop sharply, then suddenly turn around and rally sharply before continuing upwards. A "W" formation is also likely where prices fluctuate sharply up and down over 3-6 months.

Volatile market bottoms also help explain the risks of trying to *time* market cycles. Many people don't realise markets are in an uptrend until 1-2 years after the ultimate low. If you could pick the bottom absolutely accurately but bought back just *one month* late, then prices would already be 15-25% higher and rising rapidly.



Recommended Funds Geographic Portfolio Spread

FundName	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	£116	5	32.2	1.5	18.8		14.8			5.5	17.1	9.4	5.6				
Baring Korea	£252	Nil	42.3	3.2					96.8								
Gartmore China Opps	£546	Nil	39.0	4.9										95.1			
Gartmore Pacific Opps	£101	Nil	26.5	0.4	16.8	28.4	3.0	12.9	18.0	5.3	1.2	0.9	10.4				Indonesia 2.7%
HSBC Asian Fund	£49	Nil	26.7		13.0		3.7	17.1	22.1	7.0	2.2	0.4	24.3				Indonesia 2.2%
Hend Asia Pacific Cap	£129	Nil	36.4		10.2		4.6	12.5	11.6	9.1	2.5		29.6	5.6			UK 4.7%
Scottish Oriental Sm Coys	£91	Nil	17.4	3.4	9.8		10.9	10.6	9.0	18.0	9.4	7.2	9.8				Indonesia 6.5%
							Cash	USA	UK	Europe	Japan	Other					
Aberforth Small Cos Trust	£640	6	25.6						100.0								
Baillie Gifford Shin Nippon	£48	27	30.6	3.4							96.6						
Fidelity European Values	£811	16	29.4	5.9						94.1							
Fidelity Japan Values plc	£70	32	27.9	1.1							98.9						
Herald Investment Trust	£352	17	23.7	14.9	20.0	55.0					6.4	3.2					
JPM Fleming Euro Fledgling	£344	Nil	27.1	4.6						95.4							
Invesco English & Int'l	£79	8	19.2	0.0		100.0						2.0					
Invesco Perp Japan Small	£44	Nil	37.1	2.7							97.3						
Private Equity Investor plc	£85	Nil	25.9	39.0	61.0												
							Cash	Asia	Latin Amer	Africa	Europe & Middle East						
Aberdeen E/Markets	£505	Nil	33.2	2.6	46.8			29.0		5.9	15.7						

Fidelity European Values plc continues to have its largest investments in Germany (18% of the portfolio) and France (12%). It has smaller holdings in Switzerland (9%), Spain (9%), Italy (7%), Netherlands (5%), Russia (4%), Sweden (3%), Finland (3%), Austria (3%), Belgium (3%), Luxembourg (2%), Greece (2%), Norway (2%), South Africa (1%), Denmark (1%), Israel (1%), Portugal (1%) and Ireland (1%).

JPMorgan Fleming European Fledgling has its largest investments in Italy (17% of the portfolio), the Netherlands (12%), Spain (12%), France (12%), Germany (9%), Switzerland (8%), Finland (7%), Belgium (6%), Sweden (4%), Greece (3%), Denmark (3%), Austria (2%) and Ireland (1%).

Recommended International Investment Funds

Fund Buy-Backs

Aberdeen Asian Smaller Companies IT plc made four on-market buy-backs, acquiring a total of 47,225 shares for £127,405.

Herald Investment Trust plc repurchased 120,000 shares for £357,396 and 250,000 shares for £750,000.

Invesco English & International Trust plc re-purchased 28,529 shares for £69,896 and 15,000 shares for £37,125.

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									
HOLD	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-8%	1166.0p	3081.4	+139
BUY	JFM Fleming Euro Fledgeling IT plc	JFF	15/01/02	226.5p	765.8	-14%	615.0p	1625.3	+112
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-14%	543.0p	1435.0	+38
HOLD	Invesco English & Int'l Trust	IEI	10/01/06	273.5p	700.6	-8%	246.75p	652.1	-7
Asian Regional									
BUY	Aberdeen Asian Sm Co WARRANTS AASW		09/09/03	75.3p	209.1		165.0p	436.0	+108
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		479.63p	1267.5	-10
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		296.29p	783.0	+643
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		66.28p	175.2	+65
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		434.0p	1146.9	+2
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-14%	260.0p	687.1	+108
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-12%	106.25p	280.8	-36
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	49.25p	130.2	-60
BUY	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		43.8p	115.8	-36
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		166.8-176.7p	453.9	+117
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		313.27p	827.9	+350
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-17%	297.5p	786.2	-4
HOLD	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-32%	135.5p	358.1	-15

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +89.0%. This is equal to an average annual rate of +10.8%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 17 current and 46 closed out) is +11.4%.

Other Shares and Warrants

Alternative investments in the UK listed investment trust warrants recommended above include **Aberdeen Asian Smaller Companies** shares at 269½ pence (trading at a 16% discount to net asset value).

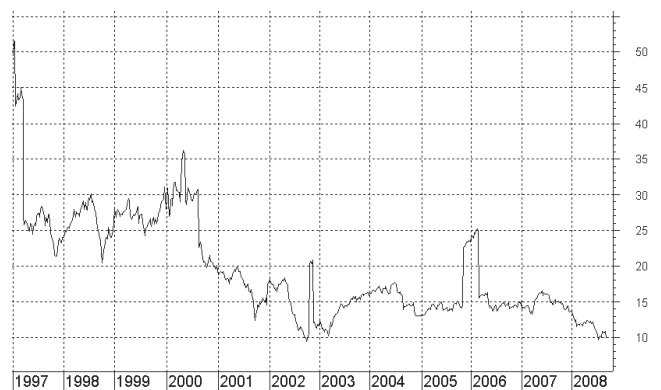
World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio	Country	Dividend Yield	Price/Earn. Ratio
Australia	4.9	12.0	Chile	2.8	17.4
Austria	2.9	10.9	China	1.8	16.7
Belgium	7.3	8.3	Greece	3.5	8.4
Canada	2.7	16.0	Egypt	8.7	6.8
Denmark	2.0	13.9	Hong Kong	3.3	8.0
Finland	5.0	10.2	Hungary	2.8	8.3
France	5.6	9.8	India	1.2	15.8
Germany	3.6	12.1	Indonesia	2.9	14.5
Ireland	7.1	5.9	Israel	1.1	40.5
Italy	6.5	9.3	Korea	2.0	12.1
Japan	2.0	15.3	Malaysia	3.6	12.4
Netherlands	4.8	7.9	Mexico	1.8	13.3
New Zealand	9.0	9.0	Philippines	3.1	11.0
Norway	3.5	9.4	Poland	3.5	10.3
Spain	4.4	9.3	Portugal	4.7	11.0
Sweden	4.8	9.8	Russia	1.5	6.9
Switzerland	2.5	15.5	Singapore	3.8	10.2
Un. Kingdom	5.5	9.3	Sth Africa	3.4	10.8
USA	2.1	19.4	Taiwan	5.1	10.7
Argentina	1.1	14.6	Thailand	4.8	10.9
Brazil	1.4	12.8	Turkey	3.5	8.9
Czech Rep.	4.1	14.8	Venezuela	9.9	4.6

France: Dividend Yield



France: Price/Earnings Ratio



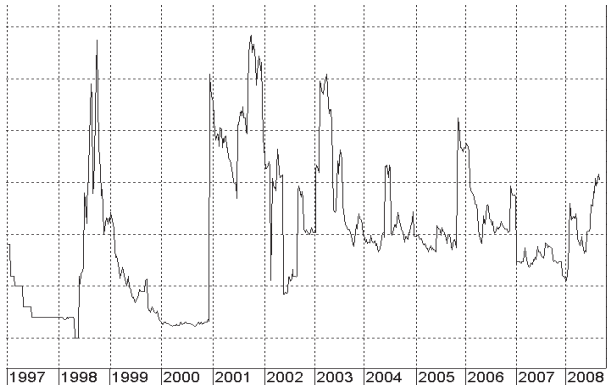
Canada: Dividend Yield



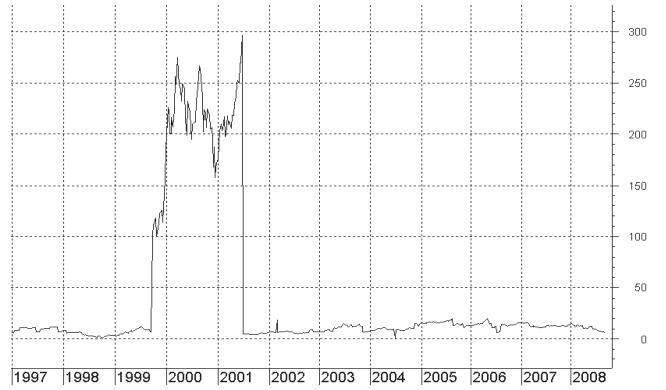
Canada: Price/Earnings Ratio



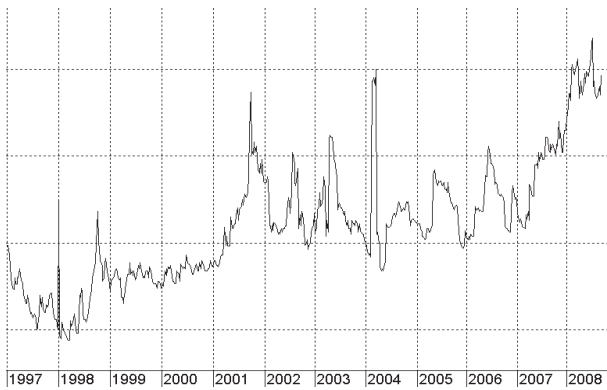
Russia: Dividend Yield



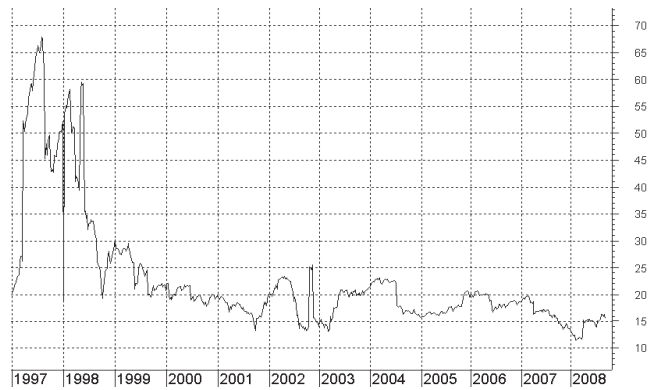
Russia: Price/Earnings Ratio



Switzerland: Dividend Yield



Switzerland: Price/Earnings Ratio



India: Dividend Yield



India: Price/Earnings Ratio



Italy: Dividend Yield



Italy: Price/Earnings Ratio



Listed Investment Trust

Warrant Analysis

Review of Speculative Warrants

Despite very weak stockmarkets over the last three months, shares in **Finsbury Worldwide Pharmaceuticals** rose 75 pence or 16.2% to 537 pence. This lifted the warrants 45¼ pence - or 126.6% - to 85 pence.

The warrants have a final exercise/expiry date of 31 July 2009 - which is just 10½ months away - when the warrants allow us to buy new shares at 464 pence.

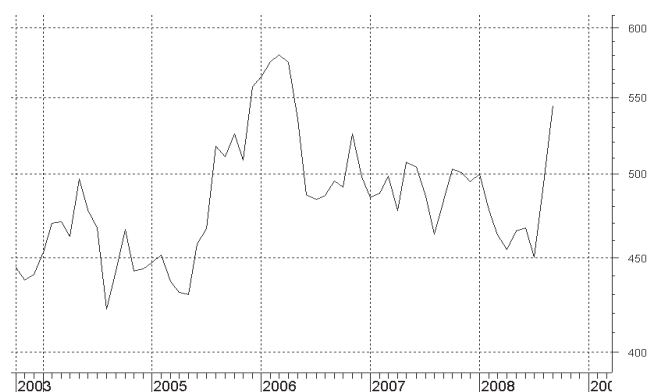
At current prices the warrants have an *intrinsic* value of 73 pence, while their *fair* value (which takes into account the discounted value of the exercise price, the lower initial capital at risk and the potential for leveraged gains) is 96.7 pence.

As a result of the increase in the share and warrant prices, the warrant leverage has dropped from an extremely high 8.5 to a still very high 5.4. So a 1% fluctuation in the share price should result in around a 5.4% fluctuation in the warrant value. So further re-rating

of Pharmaceutical share prices would be extremely favourable for this trust and especially its warrants.

This is a high risk situation, but still an attractive investment for investors seeking to leverage their portfolios.

Finsbury Worldwide Pharmaceuticals



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 Share Price appreciation of:			Break-Even Rate
									5%pa	10%pa	20%pa	
<u>GOLD & MINING</u>												
City Natural Resources	147.5p	85.0p	1-1	70.00p	67.65p	+3	0.224	2.2	+0.7	+11.2	+32.2	+5%
<u>EUROPE</u>												
Blue Planet Growth & Income	1285.0p	1000.0p	1-10	800.00p	442.33p	+81	0.331	2.5	-31.0	-20.1	-0.3	+20%
<u>UNITED KINGDOM</u>												
Midas Income & Growth	122.5p	100.0p	1-11	26.50p	33.53p	-21	0.150	3.5	+14.8	+34.9	+70.6	+2%
Perpetual Income & Growth	213.3p	218.9p	4-11	42.00p	52.66p	-20	0.121	3.6	+4.5	+24.2	+49.5	+4%
<u>FAR EASTERN</u>												
Aberdeen Asian Income	105.3p	120.0p	4-8	16.50p	21.48p	-23	0.163	3.7	-6.3	+23.5	+54.7	+6%
Aberdeen Asian Smaller Cos	269.5p	100.0p	2-2	165.50p	181.18p	-9	0.192	1.5	+9.0	+16.7	+31.6	-1%
Aberdeen New India	139.5p	100.0p	1-10	45.00p	50.14p	-10	0.200	2.7	+8.8	+23.4	+50.2	+2%
<u>TECHNOLOGY</u>												
Finsbury W/Wide Pharm	537.0p	464.0p	0-10	81.00p	96.70p	-16	0.145	5.4	+21.5	+56.1	+128.2	+2%
<u>INTERNATIONAL</u>												
Impax Environmental	118.8p	96.0p	1-9	33.25p	33.22p	+0	0.200	3.3	-0.3	+17.4	+49.6	+5%
Jupiter Green	105.8p	100.0p	2-10	17.50p	22.85p	-23	0.140	4.1	+7.4	+32.1	+68.9	+4%

World Stockmarket Capitalisations

The world's total stockmarket capitalisation dipped sharply over the quarter to the end of August 2008, down US\$8,217 billion (or 16.2%) to US\$42,500 billion. The recent strength of the US dollar - depressing the US dollar value of world stockmarkets has contributed to this steep drop in values.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	15,179	35.72	Malaysia	186	0.44
Japan	3,714	8.74	Turkey	185	0.43
United Kingdom	2,769	6.51	Austria	160	0.38
China	2,337	5.50	Greece	158	0.37
France	1,992	4.69	Chile	147	0.34
Canada	1,579	3.72	Luxembourg	146	0.34
Germany	1,482	3.49	Poland	142	0.33
Switzerland	1,179	2.77	Israel	141	0.33
Australia	983	2.31	Indonesia	129	0.30
Brazil	975	2.30	Thailand	125	0.29
India	872	2.05	Portugal	102	0.24
Russia	823	1.94	Columbia	93	0.22
Italy	790	1.86	Ireland	80	0.19
Spain	785	1.85	Morocco	76	0.18
South Korea	631	1.48	Czech Republic	72	0.17
Hong Kong	604	1.42	Nigeria	69	0.16
Taiwan	537	1.26	Egypt	66	0.16
Sweden	430	1.01	Peru	64	0.15
Netherlands	421	0.99	Philippines	58	0.14
Mexico	374	0.88	Argentina	46	0.11
South Africa	346	0.81	Hungary	33	0.08
Singapore	301	0.71	New Zealand	30	0.07
Norway	269	0.63	Jordan	29	0.07
Belgium	269	0.63	Pakistan	21	0.05
Finland	244	0.57	Iceland	17	0.04
Denmark	225	0.53	Slovenia	14	0.03
			TOTAL	\$450,717	100.00%

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday October 13, 2008.

The print version will be delivered later that week, depending upon printing and postal delivery times.

INTERNATIONAL INVESTOR is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Auckland. Subscribe online at www.stockmarket.co.nz or www.australia-stockmarket.com or email james@stockmarket.co.nz. Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.

www.stockmarket.co.nz

This page is intentionally blank.