

International Investor

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NZ Fair Dividend Rate values 2

Investment Fund Survey: 4 - 8

International, United States, United Kingdom,
Europe and Germany

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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 _____	77%	Neutral	Bullish	Bullish	Bullish	+11.1%	+13.9%	+14.7%	5,036.50
Austria _____	46%	Bearish	Bullish	Bearish	Bearish	+12.4%	+14.1%	+12.6%	2,903.20
Belgium _____	53%	Bearish	Bullish	Bearish	Neutral	+17.3%	+7.9%	+8.1%	2,722.23
Canada _____	58%	Bearish	Bullish	Bullish	Bearish	+11.3%	+19.8%	+22.4%	14,208.40
Denmark _____	56%	Bearish	Bullish	Bullish	Bearish	+13.4%	+17.7%	+28.0%	470.97
Finland _____	44%	Neutral	Bullish	Bearish	Bearish	+8.8%	+8.2%	+10.2%	7,571.21
France _____	51%	Bearish	Bullish	Bearish	Bearish	+17.5%	+13.0%	+10.1%	2,982.09
Germany _____	50%	Bearish	Bullish	Neutral	Bearish	+16.6%	+19.2%	+23.9%	7,217.02
Ireland _____	50%	Bearish	Bullish	Bearish	Bullish	+15.9%	+13.6%	-4.5%	2,965.12
Italy _____	47%	Bearish	Bullish	Bearish	Bearish	+21.7%	+12.4%	+4.8%	23,093.60
Japan _____	31%	Bearish	Bearish	Neutral	Bearish	-9.2%	-1.6%	-4.2%	9,768.08
Netherlands _____	52%	Bearish	Bullish	Neutral	Bearish	+15.5%	+13.3%	+10.6%	366.94
New Zealand _____	52%	Neutral	Neutral	Bullish	Bearish	+2.3%	+2.0%	+4.5%	1,346.58
Norway _____	65%	Bearish	Bullish	Bullish	Neutral	+15.7%	+26.3%	+29.5%	417.90
Spain _____	56%	Bullish	Bullish	Bearish	Neutral	+28.5%	+5.0%	+1.6%	1,114.83
Sweden _____	47%	Bearish	Bullish	Bearish	Bearish	+11.1%	+15.7%	+28.7%	368.61
Switzerland _____	55%	Neutral	Bullish	Bullish	Bearish	+6.1%	+7.8%	+10.3%	6,457.93
Un. Kingdom _____	57%	Bearish	Bullish	Bullish	Bearish	+6.7%	+9.9%	+11.9%	6,055.75
USA _____	60%	Bearish	Bullish	Bullish	Bearish	+4.5%	+14.0%	+11.2%	1,328.17
Argentina _____	73%	Bearish	Bullish	Bullish	Bullish	-4.5%	+22.8%	+27.6%	11,889.50
Brazil _____	41%	Neutral	Bullish	Bearish	Neutral	+5.3%	+4.2%	+8.2%	68,718.00
Czech Rep. _____	78%	Bullish	Bullish	Bullish	Bullish	+15.4%	+16.2%	+14.0%	1,270.90
Chile _____	43%	Bearish	Bullish	Bearish	Neutral	+2.0%	+4.5%	+40.6%	22,356.30
China _____	60%	Bearish	Bullish	Neutral	Neutral	+7.3%	+23.9%	+27.4%	325.38
Greece _____	45%	Bearish	Bearish	Neutral	Bullish	+23.5%	+4.1%	-17.5%	1,531.12
Egypt _____	42%	Bullish	Bearish	Bearish	Bullish	-26.8%	-24.7%	-30.4%	5,425.98
Hong Kong _____	63%	Bearish	Bullish	Bullish	Bearish	+3.0%	+6.2%	+9.6%	24,396.10
Hungary _____	44%	Bearish	Bullish	Bearish	Bullish	+29.7%	+13.3%	+5.5%	24,432.50
India _____	38%	Bearish	Bullish	Bearish	Neutral	+1.6%	-3.8%	+8.9%	19,451.40
Indonesia _____	64%	Bearish	Bullish	Neutral	Bullish	+7.4%	+8.8%	+37.1%	3,741.81
Israel _____	35%	Bearish	Bullish	Bearish	Bearish	+0.7%	+12.6%	+13.5%	1,202.16
Korea _____	56%	Bearish	Bullish	Neutral	Neutral	+5.9%	+16.2%	+27.4%	2,127.97
Malaysia _____	47%	Bearish	Bullish	Bearish	Bearish	+0.6%	+8.3%	+23.0%	1,557.49
Mexico _____	48%	Bearish	Bullish	Neutral	Bearish	+1.3%	+15.1%	+14.9%	37,471.70
Philippines _____	73%	Bearish	Bullish	Bullish	Bullish	+3.9%	+1.4%	+35.7%	4,241.01
Poland _____	59%	Bearish	Bullish	Bearish	Bullish	+17.3%	+14.8%	+20.7%	49,986.10
Portugal _____	58%	Bullish	Bullish	Bearish	Bearish	+19.4%	+7.6%	+7.8%	2,845.74
Russia _____	59%	Bearish	Bullish	Bullish	Bearish	+35.1%	+43.7%	+31.9%	2,990.32
Singapore _____	74%	Bearish	Bullish	Bullish	Bullish	+0.6%	+5.0%	+18.5%	3,187.31
Sth Africa _____	46%	Bearish	Bullish	Bearish	Bearish	+5.0%	+14.0%	+22.2%	32,806.30
Taiwan _____	58%	Bearish	Bullish	Neutral	Neutral	+2.5%	+15.1%	+19.5%	8,894.54
Thailand _____	71%	Bearish	Bullish	Bullish	Neutral	+5.4%	+12.5%	+47.0%	1,082.69
Turkey _____	36%	Bearish	Bullish	Bearish	Bearish	+2.8%	-5.5%	+13.3%	68,093.30
Venezuela _____	60%	Neutral	Bullish	Bullish	Neutral	+7.1%	+6.1%	+17.1%	70,366.00

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

A lot of people - you know the one's we mean - believe that US (and world) stock prices have been artificially inflated by money supply growth created by the US Federal Reserve.

They will warn that when the current program of *quantitative easing* ends at the end of June 2011 that stock prices will collapse. In fact, they are probably telling you to sell now as stock prices will collapse any day, *anticipating* the July collapse.

But - before rushing to your broker's website to hit the "Sell ALL my shares NOW" button - you should remember this: Stockmarkets were widely expected to collapse again in June 2009 (after that "Dead cat bounce") but moved higher for the rest of the year. Having weakened in mid-2010, stockmarkets were again widely expected to collapse before the end of September 2010. When *QE2* was announced in November 2010, it was widely believed that markets had *anticipated* this (by rising during September and October) and would fall.

After the very large 1973/74 stockmarket decline people were predicting an endless downwards spiral of economic collapse. After the 1987 stockmarket crash, people predicted *another* stockmarket crash and after the 2008/9 market decline people were predicting another (but worse) Great Depression.

Even if you bought the S&P500 Index at its 1973 peak (i.e. at the very worst time) of 120.24 (and suffering a 48.2% loss during the 1973/74 market decline), your capital would have grown over 11-fold to 1328.17 today - despite suffering in every stockmarket decline of the last 38 years. In fact, that is just the *capital* return. Re-investing dividends would have seen that initial investment grow about 35-fold in value.

If you invested at the bottom of the 1974 decline, then your capital has grown 21-fold and with dividends re-invested the portfolio is ahead 67-fold. Increasing your money 67-fold in the stockmarket in half a lifetime can make anyone rich!

So step out of the stockmarket and into cash . . . and there is a significant risk of being left far behind. Moving into cash should only be attempted when there is a high probability of success . . . although most investors seeking to time the market do exactly the opposite, selling out near the bottom and buying in near the top!

Our expectation is that Central Banks will not turn off the monetary taps and pull out the plug at the end of July. At worst, money supply would be reduced slowly. And one only needs to look at Japan to find a valid reason why tighter monetary conditions should not get in the way of rebuilding and growth!

Remain fully invested.

New Zealand's "Fair Dividend" Rate Tax

For New Zealand resident taxpayers, all international investments are subject to this tax, which assesses an "income" equal to 5% of the capital value of the investments held at the start of each tax year. Actual income distributions are not taxable.

For calculating income payable for the year ended 31st March 2011, investors need to have valued their portfolio at the start of the year. Market values of our recommended investments for that tax year were published in our April 12, 2010 (Issue No. 172) newsletter. If required, copies of that newsletter can be downloaded from our website.

For the coming tax year (i.e. to 31 March 2012) NZ investors can use the following table to calculate the market value of their international investments:

Fund	Market Value 1/4/2011
Fidelity European Values	£12.00
JPM Fleming European Small Coys	£9.30
Aberforth Smaller Companies	£6.61½
Aberdeen Asian Smaller Companies	£6.14½
Gartmore Pacific Growth Fund	£4.548
HSBC Asian Fund	£1.021
Henderson Aisa Pacific Capital	£6.928
Scottish Oriental Smaller Coys	£5.705
Gartmore China Opportunities	£7.5272
First State Indian Sub-Cont.	£2.0526
Baillie Gifford Shin Nippon	£1.58
Fidelity Japan Values	£0.54625
Fidelity Japan Values subscription	£0.1225
Invesco Perp Japan Smaller Coys	£0.5027
Baring Korea	£2.815
Aberdeen Emerging Markets	£5.196
Herald Investment Trust	£5.19
Private Equity Investor	£1.75

These prices can be converted from Pounds Sterling to NZ dollar at the exchange rate of 0.4737.

Recommended International Investment Funds

Fund Reports

Aberdeen Asian Smaller Companies Investment Trust plc lifted net assets 14.2% over the six months to 31 January 2011, slightly under-performing two benchmark indices which rose 14.3% and 17.5%. The share price rose 22.1%.

The Fund Manager views "China's shrinking trade surplus" as a positive sign of the transition "from an export-oriented to a domestic demand-oriented economy" and favourable for "other Asian emerging economies which are "beneficiaries of Chinese domestic demand growth". Corporate profits are forecast to rise around 10% in 2011 and "valuations are reasonable at 14 times prospective earnings".

Scottish Oriental Smaller Companies Trust plc reports a 6.0% growth in net assets over the six months to 28 February 2011. Two benchmark indices rose 5.0% and 6.9%. The share price rose 11.7%. During the period Asian smaller companies under-performed larger companies.

The Fund Manager believes Asian companies are

attractive owing to "the region's promising economic growth prospects compared with those of the developed world", high savings rates and the "evolution of economies driven by domestic consumption rather than exports".

Fidelity Japanese Values plc lifted net assets per share 23.2% over the year to 31 December 2010, outperforming the 4.6% rise in its benchmark index! The share price rose 18.0%. The directors report that "most companies in our portfolio have little direct exposure" to the earthquake and tsunami.

Share Repurchases

Fidelity European Values plc repurchased 508,889 shares on-market over the last four weeks, returning £6,055,870 to investors. Repurchasing these shares at a discount adds over £1.0 million (2.1 pence per share) to net asset value of the remaining shares.

JPMorgan European Smaller Companies Trust plc repurchased 355,000 shares in two transactions for a total cost of £3.3 million. That would add about £0.6 million (1.3 per share) to the net asset value of the remaining shares.

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	-13%	1238.0p	2591.0	+101
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-14%	950.0p	1988.3	+160
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-14%	657.0p	1375.1	+32
Asian Regional									
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-3%	621.5p	1300.8	+425
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		462.17p	967.3	+818
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		104.1p	217.9	+105
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		711.0p	1488.1	+33
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-6%	589.0p	1232.7	+273
China									
BUY	Gartmore China Opportunities	*	09/07/07	548.9p	1410.4		767.41p	1606.1	+14
India									
BUY	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		208.16p	435.7	-1
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-8%	147.75p	309.2	-30
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-16%	52.5p	109.9	-66
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		45.47p	95.2	-48
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		285.4-302.2p	614.9	+194
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		531.01p	1111.4	+504
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-15%	528.0p	1105.1	+35
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-22%	175.0p	366.3	-13

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +149.0%. This is equal to an average annual rate of +14.2%, 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 47 closed out) is +12.7%.

Other Shares and Warrants

An alternative investment to those recommended above includes **Fidelity Japanese Values** subscription shares (i.e. warrants) at 10¼ pence.

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
Buy	Unicorn UK Smaller Coys	VeryLow	+9%	0.68	27	43	18
UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS							
	Aberforth Smaller Coys	Medium	+3%	0.82	3	26	13
Avoid	Active Capital Trust	High	-45%	0.25	-82	-52	-16
Buy	Blackrock Smaller Coys	High	+20%	0.78	49	75	17
Avoid	Chelverton Growth Trust	VeryLow	-12%	0.06	-43	30	17
Buy	Dunedin Smaller Coys IT	Medium	+7%	0.79	3	33	6
Buy	Gartmore Fledgling Indx	High	+11%	0.75	29	28	9
	Henderson Opportunities	High	+3%	0.74	-12	39	22
Buy	Henderson Smaller Cos	VeryHigh	+14%	0.82	8	45	16
	Invesco Perp UK Smaller	Medium	+4%	0.74	3	28	12
Buy	JPM Smaller Coys	High	+7%	0.84	8	45	10
Buy	Montanaro UK Small Coys	Low	+13%	0.67	28	55	7
Buy	SVM UK Emerging Fund	VeryLow	-3%	0.13	-22	28	8
Buy	Schroder UK Mid & Small	Medium	+8%	0.67	17	35	15
	Shires Smaller Coys	High	-2%	0.55	-24	39	11
Buy	StdLife UK Small Coys	VeryLow	+22%	0.55	58	63	9
	The Mercantile IT plc	Medium	+5%	0.79	16	11	

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth
EUROPE							
AUSTRALIAN BASED UNIT TRUSTS							
	BT Europe Growth	Medium	+3%	0.78	-6	7	9
Buy	Platinum Europe	Medium	+14%	0.70	31	16	8
UNITED KINGDOM BASED UNIT TRUSTS							
	AXA Framlington European	Medium	+5%	0.88	-4	10	10
	Aberdeen European Growth	Medium	+4%	0.88		8	10
	Aegion European	High	-1%	0.90	-24	8	11
	Allianz RCM Cont European	Medium	+4%	0.76		6	9
	Artemis European Growth	High	+0%	0.86	-24	11	12
Buy	BGEurope	Medium	+9%	0.89	6	12	9
Buy	Baring Euro Sel.	Medium	+12%	0.84	15	17	8
	Baring European Growth	High	+2%	0.85	-15	7	11
Buy	Blackrock Cont'l Europe	Medium	+10%	0.81	20	13	16
Buy	Blackrock European Dynamic	Medium	+16%	0.78	34	20	14
	CF Canlife European	High	+2%	0.87	-11	10	11
	CISEuropean	High	+2%	0.91	-12	0	13

Netherlands



Denmark



Finland



Norway



Belgium



Ireland



