

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	68%	Bullish	Bullish	Neutral	Neutral	+5.8%	+17.2%	+9.7%	4,555.85
Austria	64%	Bearish	Bullish	Bullish	Neutral	+10.8%	+26.4%	+21.3%	2,325.79
Belgium	64%	Neutral	Bullish	Bullish	Neutral	+1.2%	+19.2%	+12.7%	2,424.09
Canada	49%	Neutral	Neutral	Neutral	Bearish	-2.1%	+9.6%	+3.5%	12,159.59
Denmark	75%	Bearish	Bullish	Bullish	Neutral	+1.2%	+20.3%	+26.4%	498.57
Finland	75%	Bullish	Bullish	Bullish	Neutral	+7.1%	+19.9%	+5.5%	5,832.53
France	74%	Bullish	Bullish	Bullish	Neutral	+3.9%	+21.6%	+11.4%	2,706.29
Germany	71%	Neutral	Bullish	Bullish	Bearish	+5.1%	+26.7%	+21.3%	7,517.80
Ireland	76%	Bearish	Bullish	Bullish	Bullish	+3.5%	+13.5%	+18.0%	3,347.77
Italy	70%	Neutral	Bullish	Bullish	Neutral	-1.4%	+18.8%	-1.4%	16,571.80
Japan	64%	Neutral	Bullish	Bullish	Neutral	+1.9%	+8.6%	+5.1%	9,527.39
Netherlands	70%	Neutral	Bullish	Bullish	Neutral	+2.4%	+21.3%	+8.7%	342.61
New Zealand	66%	Bullish	Bullish	Neutral	Bearish	+12.4%	+21.5%	+25.6%	1,380.52
Norway	56%	Bullish	Bullish	Neutral	Neutral	-0.0%	+22.7%	+18.2%	410.24
Spain	67%	Bullish	Bullish	Bullish	Bullish	+0.3%	+22.9%	-11.7%	792.40
Sweden	68%	Bullish	Bullish	Bullish	Neutral	+2.0%	+19.2%	+15.4%	341.15
Switzerland	64%	Bearish	Bullish	Bullish	Bearish	+7.1%	+21.2%	+18.1%	6,925.25
Un. Kingdom	67%	Bullish	Bullish	Bullish	Neutral	+2.3%	+12.8%	+9.5%	5,914.40
USA	58%	Bearish	Bullish	Bullish	Bearish	-1.4%	+7.0%	+13.0%	1,418.07
Argentina	43%	Bearish	Bearish	Bearish	Bullish	+0.9%	-2.1%	-15.4%	8,608.64
Brazil	55%	Bullish	Bearish	Neutral	Bullish	-2.0%	+4.6%	-12.6%	58,487.32
Czech Rep.	75%	Bullish	Bullish	Bullish	Neutral	+0.9%	+17.1%	+10.8%	993.52
Chile	43%	Neutral	Bearish	Neutral	Neutral	-0.1%	+3.1%	+7.7%	20,322.68
China	45%	Bullish	Bearish	Bearish	Bullish	+1.6%	-0.2%	+1.4%	222.85
Greece	67%	Bearish	Bullish	Neutral	Bullish	+22.3%	+76.3%	+20.2%	840.73
Egypt	30%	Neutral	Bearish	Bearish	Bullish	-13.2%	+6.1%	+19.4%	4,838.51
Hong Kong	65%	Neutral	Bullish	Neutral	Neutral	+12.2%	+20.1%	+19.8%	22,191.17
Hungary	44%	Neutral	Bearish	Bullish	Bearish	-1.2%	+12.5%	+7.7%	17,785.06
India	72%	Bearish	Bullish	Neutral	Bullish	+11.5%	+18.3%	+14.2%	19,424.10
Indonesia	46%	Bearish	Bearish	Bullish	Bearish	+3.0%	+9.4%	+7.3%	4,290.80
Israel	70%	Bearish	Bullish	Bullish	Neutral	+13.7%	+9.4%	+9.5%	1,085.23
Korea	45%	Bearish	Neutral	Bullish	Neutral	+6.0%	+15.8%	+10.5%	1,957.45
Malaysia	42%	Neutral	Neutral	Bearish	Bearish	+1.4%	+7.3%	+14.2%	1,617.77
Mexico	42%	Bearish	Bullish	Bearish	Bearish	+8.0%	+24.3%	+21.4%	42,797.67
Philippines	81%	Bearish	Bullish	Bullish	Bullish	+13.1%	+22.7%	+43.2%	5,794.20
Poland	77%	Bullish	Bullish	Neutral	Neutral	+7.5%	+27.3%	+24.7%	45,538.45
Portugal	92%	Bullish	Bullish	Bullish	Bullish	+4.6%	+22.4%	+0.6%	2,254.32
Russia	49%	Bullish	Neutral	Bearish	Neutral	+2.6%	+19.0%	+8.8%	2,122.53
Singapore	74%	Bullish	Bullish	Bullish	Neutral	+4.4%	+19.3%	+22.0%	3,107.11
Sth Africa	68%	Bullish	Bullish	Bullish	Bearish	+1.0%	+10.1%	+9.9%	38,195.89
Taiwan	52%	Neutral	Bullish	Bullish	Bearish	+5.1%	+12.4%	+15.2%	7,642.26
Thailand	61%	Bearish	Bullish	Bullish	Bearish	+8.8%	+22.5%	+30.0%	1,334.95
Turkey	69%	Bearish	Bullish	Bullish	Bearish	+12.7%	+36.1%	+45.7%	76,242.19
Venezuela	50%	Bearish	Bullish	Bearish	Bearish	+46.5%	+76.6%	+264.8%	424,768.00

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

Economic growth forecasts for 2013 have tended to be revised *downwards* during 2012, but generally remain positive. A *slow* economic recovery can be good for the stockmarket.

Rapid growth and contraction - a boom bust cycle - is clearly unfavourable for the economy *and* stockmarket. A *strong* recovery and *rapid* growth can draw liquidity out of financial markets and into the real economy. This tightening of liquidity and a flood of new equity issues (i.e. to raise cash from investors for new investment in plant, machinery and buildings) can depress share prices.

A slow recovery and slow economic growth can encourage Central Banks to continue to provide liquidity and keep interest rates low. This situation *can* lead to the inflation of financial asset prices (i.e. a stockmarket boom). At this time, Central Banks would not have a problem with that situation. It would help provide funding for companies - which banks still appear reluctant to offer.

Once underway, financial asset inflation can become self perpetuating and, in due course, lead to other problems. Although with stockmarkets still depressed (i.e. relative to historical levels and relative to historical valuations) that should not be a problem in the near future.

We recommend remaining fully invested in the recommended international investment funds.

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 Coy	£325	12	32.2	2.8	15.7	1.5	20.5			10.4	15.1	5.1	11.1	Indo 8.8	
Baring Korea	£180	Nil	44.1	3.8							96.2				
First State Indian Sub-Cont	£236	Nil	46.4	2.8									96.0	Sri Lanka 1.0	
Henderson China Opps	£483	Nil	43.6	1.3	89.4							3.5		US 5.9	
HSBC Asian Fund	£37	Nil	32.3	3.3	18.5		2.7	10.5	26.1	5.9	5.8	16.1		Indo 4.8	
Hend Asian Pacific Cap	£207	Nil	35.2	2.5	22.7		4.1	3.9	22.6		5.3	1.0	23.1	2.8	Indo 6.0, US 5.2
Scottish Oriental Sm Coys	£242	9	19.1	9.0	10.0		8.0	12.0	11.0	15.0	8.0	3.0	15.0	1.0	Indo 5.0
				Cash	USA	UK	Europe	Japan	Other						
Aberforth Small Cos Trust	£808	9	27.0			100.0									
Baillie Gifford Shin Nippon	£70	14	31.2	1.5									98.5		
Fidelity European Small Co	£659	Nil	38.2	3.0			97.0								
Fidelity Japan Values plc	£72	21	27.8	5.3									94.7		
Herald Investment Trust	£542	10	25.8	7.0	19.0	66.0	3.0		5.0						
JPMorgan Euro Small Coys	£351	15	25.2	6.0			94.0								
Invesco Perp Japan Small	£30	Nil	31.3	4.6					95.4						
Private Equity Investor plc	£51	Nil	-	18	82.0										
				Cash	Brazil	HK/	China	India	Mexico	Turkey	Korea	S.Africa	Thail'd	Taiwan	
Aberdeen E/Markets	£3500	Nil	33.5	2.4	16.6	16.1	12.1	7.9	5.7	5.5	5.1	5.0	4.6		

Fidelity European Values plc has 52% of its investments in three countries: France (20% of the portfolio), Switzerland (18%) and Germany (14%). It has smaller holdings in Netherlands (6%), Italy (6%), Belgium (6%), Denmark (6%), Sweden (5%), Norway (4%), UK (3%), Finland (2%), Spain (2%), Luxembourg (2%), Turkey (1%), Czech Republic (1%) and Portugal (1%).

JPMorgan European Smaller Companies has its largest investments in Germany (19% of the portfolio), Italy (14%), Switzerland (11%), Netherlands (10%), France (10%), Norway (8%), Denmark (6%), Belgium (4%), Spain (3%), Sweden (3%), Austria (2%), Ireland (2%) and Finland (2%).

Recommended International Investment Funds

Fund Reports

JPMorgan European Smaller Companies Trust plc's net assets *declined* by 4.4% over the six months to 30 September 2012, although that was slightly better than its benchmark index which was *down* 5.0%.

A 6.0 pence interim dividend will be paid on 16 January 2013 (ex-dividend 21 December).

The Directors believe "the prospects for European small cap equities are more encouraging than they have been for some time" while the Fund Manager states "So much cheap liquidity combined with attractive valuations makes us confident that, despite expected volatility, the underlying trend for equity markets should remain positive over the coming months".

Share Repurchases and Issues

Fidelity European Values plc made two on-market share purchases, acquiring 77,020 shares for £925,529.

JPMorgan European Smaller Companies Trust plc repurchased 95,000 shares for £657,500.

Aberdeen Asian Smaller Companies Investment Trust plc has continued to sell shares on-market (from its holding of "Treasury" shares) at a 5-6% premium to net asset value. Over the last four weeks it made eight transactions, selling 300,000 shares to raise £2.6 million.

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	-11%	1245.0p	2396.5	+86
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-15%	709.5p	1365.7	+78
United Kingdom									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-13%	674.0p	1297.4	+25
Asian Regional									
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	+5%	877.0p	1688.2	+581
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		88.35p	170.1	+60
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		659.0p	1268.5	+13
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	+2%	737.0p	1418.7	+329
China									
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		612.87p	1179.7	-16
India									
BUY	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		213.43p	410.8	-7
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-7%	182.5p	351.3	-20
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-16%	50.75p	97.7	-70
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		44.7p	86.0	-53
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		260.4-275.7p	516.0	+146
International									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		554.84p	1068.0	+481
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-19%	503.5p	969.2	+18
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-20%	179.5p	345.5	-18

* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +102.1%. This is equal to an average annual rate of +9.0%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 16 current and 48 closed out) is +11.2%.

Other Shares and Warrants

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust** 2019 convertible notes at 113 pence and **Fidelity Japanese Values** subscription shares (i.e. warrants) at 0.82 pence.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.4	15.2
Austria	2.4	24.0
Belgium	2.9	44.7
Canada	2.8	17.5
Denmark	1.5	23.8
Finland	5.0	22.0
France	3.9	13.7
Germany	3.3	14.9
Ireland	2.1	17.2
Italy	4.0	NA
Japan	2.3	22.6
Netherlands	3.1	18.7
New Zealand	4.9	19.8
Norway	3.8	14.3
Spain	3.9	12.5
Sweden	3.7	17.1
Switzerland	2.2	19.0
Un. Kingdom	3.6	11.6
USA	1.9	16.9
Argentina	1.3	14.3
Brazil	3.7	11.3
Czech Rep.	5.3	12.9

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.7	19.9
China	2.7	10.4
Greece	1.8	NA
Egypt	3.5	15.5
Hong Kong	2.6	10.4
Hungary	2.8	13.7
India	1.3	17.0
Indonesia	2.3	17.2
Israel	0.9	48.8
Korea	1.1	13.6
Malaysia	3.2	16.8
Mexico	1.3	23.7
Philippines	1.8	20.8
Poland	5.2	8.9
Portugal	5.9	17.5
Russia	3.6	4.9
Singapore	3.5	12.7
Sth Africa	3.4	14.8
Taiwan	3.4	20.3
Thailand	2.8	18.1
Turkey	2.0	14.3

United States Dividend Yield



United Kingdom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



France Dividend Yield



China Dividend Yield



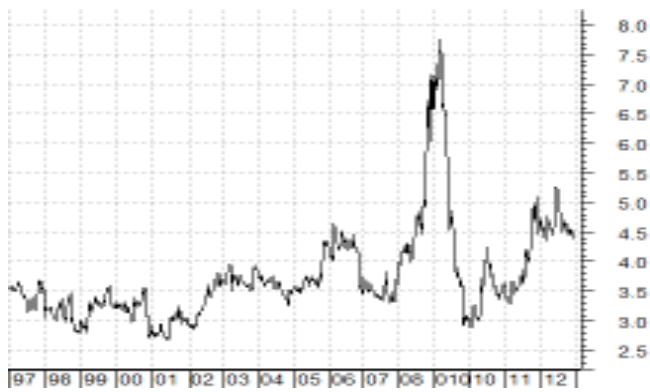
Switzerland Dividend Yield



Brazil Dividend Yield



Australia Dividend Yield



South Korea Dividend Yield



Germany Dividend Yield



India Dividend Yield



Listed Investment Trust Warrant Analysis

Review of Existing Warrants

Aberdeen Asian Income shares rose 3.1% to 210¼ pence over the last three months, with the warrants (code AAIW) 12.2% higher at 83 pence.

These warrants continue to offer a high 2.3 times leverage and low *Break-Even* rate of -8%. This remains an attractive leveraged investment in Asian stockmarkets.

The final exercise/expiry date is just five and a half months away on 31 May 2013 but the warrants remain an attractive leveraged investment in Asian equities. “Hold”.

Aberdeen Asian Income



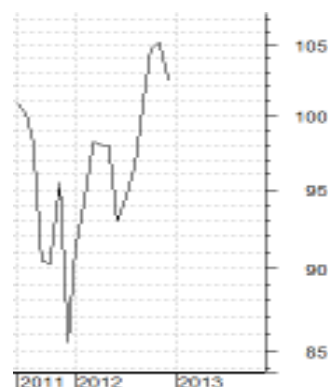
Henderson International Income shares (code HINT) rose just 1¾ pence (1.7%) and the warrant/subscription shares (HINS) rose 2¼ pence (29.5%) since we reviewed these securities three months ago.

This movement largely reflects an improvement in the warrants, which we calculated were 37% *undervalued* in September. The warrants are still 19% under-valued!

This situation offers very high 5.7 times leverage, with around 20 months until the final exercise/expiry date. So any increase in the value of international shares over that period should result in a very large increase in the value of the warrants.

The warrants are quoted at 9¼-10½ pence (i.e. investors would have to pay 10½ pence to purchase these warrant/subscription shares), but that spread has narrowed slightly to 13½% from 18% previously. These warrants are effectively a 20 month “call” option on international stockmarkets - and would increase significantly in value if stockmarkets rise over that period.

Henderson International Income



“Fastrade” Upgrades and Re-brands to “Charles Stanley Direct”

Many subscribers to this newsletter use **Fastrade** (www.fastrade.co.uk) to trade both listed investment trusts and unlisted funds, and to hold these securities in the broker's nominee account.

Fastrade has been the online stockbroking service of **Charles Stanley & Company**, but now that online service has been completed redesigned and rebranded as *Charles Stanley Direct*. Existing *Fastrade* customers will be automatically transferred to the new service during December and January.

Warrant	Current Share Price	Warrant Exercise Prices	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Warrant Share Price 5%pa	Warrant Share Price 10%pa	Warrant Share Price 20%pa	Return(%p.a.) from appreciation of:	Break-Even Rate
<u>GOLD & MINING</u>													
BlackRock New Energy	32.1p	50.0p	0-0	0.28p	0.00p	+999	0.209	99.9	-100.0	-100.0	-100.0	+99.9%	
BlackRock New Energy	32.1p	59.0p	1-7	0.28p	0.04p	+536	0.209	18.6	-100.0	-100.0	-100.0	+47%	
<u>INTERNATIONAL</u>													
Henderson International Income	102.8p	100.0p	1-8	9.88p	12.26p	-19	0.200	5.7	+9.3	+54.7	+128.7	+4%	
JPMorgan Emerging Markets	576.5p	543.0p	1-7	80.50p	94.06p	-14	0.264	4.3	-0.5	+33.6	+92.2	+5%	
<u>LATIN AMERICAN</u>													
Aberdeen Latin American	101.5p	120.0p	3-0	8.50p	6.60p	+29	0.177	6.5	-100.0	+21.1	+86.8	+8%	
JPMorgan Brazil	82.4p	100.0p	0-6	6.38p	0.66p	+861	0.213	24.3	-100.0	-100.0	-100.0	+67%	
<u>UNITED KINGDOM</u>													
Artemis Alpha	287.5p	345.0p	5-0	55.50p	37.41p	+48	0.213	3.9	-16.9	+16.3	+46.2	+7%	
Henderson Opportunities	470.3p	936.0p	1-2	2.60p	2.27p	+15	0.331	10.8	-100.0	-100.0	-100.0	+85%	
Perpetual Income & Growth	288.0p	218.9p	0-8	58.00p	69.81p	-17	0.121	4.1	+57.7	+86.7	+148.1	-6%	
<u>FAR EASTERN</u>													
Aberdeen Asian Income	210.3p	120.0p	0-5	83.00p	90.50p	-8	0.176	2.3	+36.8	+51.8	+83.3	-8%	
Fidelity Asian Values	189.5p	191.0p	0-5	4.89p	12.77p	-62	0.272	9.3	-82.0	+75.1%	+1035.3	+8%	
JPMorgan Asian	198.8p	203.0p	1-3	14.00p	25.23p	-45	0.300	4.8	-34.5	+37.8	+161.8	+7%	
<u>JAPAN</u>													
Fidelity Japan Values	50.8p	55.0p	0-2	0.82p	0.81p	+2	0.271	26.0	-100.0	-100.0	-100.0	+77%	
<u>HONG KONG/CHINA</u>													
JPMorgan Chinese	138.6p	168.0p	0-5	2.75p	2.85p	-3	0.313	13.4	-100.0	-100.0	-100.0	+65%	
<u>THAILAND</u>													
Aberdeen New Thai	387.0p	200.0p	0-1	186.50p	187.08p	-0	0.263	2.1	+14.2	+25.7	+50.1	-2%	
<u>INDIA</u>													
JPMorgan Indian	377.5p	291.0p	1-0	80.00p	99.10p	-19	0.311	3.3	+31.7	+55.3	+102.5	-2%	

World Stockmarket Capitalisations

The world's total stockmarket capitalisation jumped 4.5% in the three months to the end of October 2012 - up US\$2,341 billion to US\$53,952 billion.

European stockmarkets performed especially well: Italy was up 19.8%, Spain 12.7%, Austria 12.9%, Germany 12.5%, Norway 9.0%, Ireland 8.2%, France 8.0% and Switzerland up 7.3%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	18,151	33.64	Belgium ²	252	0.47
Japan	3,482	6.45	Colombia	250	0.46
China	3,412	6.32	Norway	242	0.45
United Kingdom ¹	3,005	5.57	Philippines	223	0.41
Hong Kong	2,633	4.88	Israel	161	0.30
India	2,381	4.41	Poland	156	0.29
Canada	2,044	3.79	Ireland	105	0.19
France ²	1,706	3.16	Peru	97	0.18
Germany	1,392	2.59	Austria	96	0.18
Australia	1,348	2.50	Portugal ²	67	0.12
Switzerland	1,176	2.18	Luxembourg	66	0.12
Brazil	1,162	2.15	Egypt	65	0.12
South Korea	1,114	2.06	New Zealand	53	0.10
Spain	964	1.79	Morocco	52	0.10
Nordic Exchanges ³	933	1.73	Greece	39	0.06
South Africa	835	1.55	Czech Republic	38	0.07
Russia	767	1.42	Argentina	29	0.05
Singapore	741	1.37	Jordan	27	0.05
Taiwan	729	1.35	Hungary	22	0.04
Netherlands ²	653	1.21	Sri Lanka	16	0.03
Italy ¹	521	0.97	Romania	15	0.03
Mexico	496	0.92	Mauritius	7	0.01
Malaysia	467	0.87	Bulgaria	6	0.01
Indonesia	429	0.80	Slovenia	6	0.01
Saudi Arabia	367	0.68	Slovakia	5	0.01
Thailand	357	0.66	Malta	4	0.01
Chile	308	0.57	Cyprus	2	0.00
Turkey	278	0.52			
			TOTAL	\$53,952	100.00%

Notes:

1. Estimated split of LSE data between United Kingdom and Italy.
2. Estimated split of EuroNext data between France, Netherlands, Belgium and Portugal.
3. Mainly Denmark, Sweden and Finland.

Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday January 14, 2013.

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

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