

# International Investor

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## Inside 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	66%	Bullish	Bullish	Bullish	Neutral	+5.1%	-10.1%	+4.6%	5,104.58
Austria	63%	Bearish	Bullish	Bullish	Neutral	+3.3%	-0.7%	+21.3%	2,497.23
Belgium	60%	Neutral	Bullish	Neutral	Neutral	+3.8%	+5.1%	+16.2%	2,731.09
Canada	60%	Bullish	Bullish	Bullish	Bearish	+1.4%	-1.4%	-1.8%	12,820.92
Denmark	53%	Bearish	Bullish	Neutral	Neutral	+4.7%	+1.3%	+14.3%	552.83
Finland	69%	Bullish	Bullish	Neutral	Neutral	+9.7%	+6.9%	+24.8%	6,667.11
France	65%	Neutral	Bullish	Neutral	Bearish	+4.6%	+7.1%	+19.7%	3,061.16
Germany	61%	Neutral	Bullish	Neutral	Bearish	-0.1%	+5.0%	+17.9%	8,275.67
Ireland	72%	Bearish	Bullish	Bullish	Neutral	+5.8%	+11.9%	+33.2%	4,225.38
Italy	71%	Neutral	Bullish	Bullish	Neutral	+1.9%	+6.5%	+9.7%	18,099.69
Japan	64%	Neutral	Bullish	Bullish	Bearish	+5.9%	+9.3%	+23.3%	13,860.81
Netherlands	62%	Bearish	Bullish	Bullish	Bullish	+4.9%	+6.7%	+13.0%	371.04
New Zealand	58%	Bullish	Bullish	Neutral	Bearish	+2.7%	-0.8%	+14.7%	1,465.41
Norway	56%	Bullish	Bullish	Bearish	Bearish	-0.5%	-1.8%	+4.7%	549.74
Spain	68%	Bearish	Bullish	Bullish	Neutral	+5.0%	+1.9%	+13.1%	876.82
Sweden	65%	Bullish	Bullish	Neutral	Neutral	+4.3%	+2.5%	+21.2%	620.61
Switzerland	49%	Bearish	Bullish	Neutral	Bearish	+1.9%	+4.2%	+22.4%	7,950.78
Un. Kingdom	71%	Neutral	Bullish	Bullish	Bearish	+2.6%	+5.7%	+10.3%	6,547.33
USA	56%	Bearish	Bullish	Bullish	Bearish	+0.7%	+6.7%	+15.1%	1,655.17
Argentina	67%	Bearish	Bullish	Bullish	Bullish	+12.7%	+11.9%	+49.1%	4,181.58
Brazil	50%	Bullish	Neutral	Bearish	Neutral	-3.8%	-22.3%	-19.0%	53,749.42
Czech Rep.	60%	Bullish	Bearish	Neutral	Neutral	-2.2%	-8.9%	-4.2%	947.37
Chile	37%	Neutral	Bearish	Neutral	Neutral	-9.3%	-21.5%	-13.6%	18,691.57
China	47%	Bullish	Bullish	Bearish	Bullish	-3.0%	-5.2%	+17.8%	2,139.99
Greece	56%	Bearish	Bullish	Bullish	Neutral	-5.1%	-0.1%	+39.2%	939.34
Egypt	28%	Neutral	Bearish	Bearish	Bullish	+3.3%	-5.8%	-17.8%	5,169.89
Hong Kong	55%	Neutral	Bullish	Neutral	Bearish	+5.0%	-2.0%	+14.3%	22,621.22
Hungary	30%	Neutral	Bearish	Bearish	Bearish	-9.7%	-4.5%	-3.7%	18,015.16
India	40%	Bullish	Bearish	Bearish	Bullish	-13.3%	-18.4%	-7.7%	19,270.06
Indonesia	32%	Neutral	Bearish	Bearish	Neutral	-29.0%	-30.0%	-18.7%	4,072.35
Israel	47%	Bearish	Neutral	Bullish	Neutral	-2.1%	-0.3%	+19.5%	1,082.06
Korea	43%	Bearish	Neutral	Neutral	Bearish	+4.0%	-2.9%	+4.8%	1,955.31
Malaysia	40%	Neutral	Bearish	Neutral	Bearish	-9.8%	-2.8%	-0.8%	1,723.80
Mexico	28%	Bearish	Bearish	Neutral	Bearish	-3.8%	-13.7%	-1.8%	39,915.06
Philippines	36%	Bearish	Bearish	Bullish	Neutral	-15.0%	-19.8%	+7.6%	5,974.62
Poland	47%	Bullish	Neutral	Bearish	Neutral	-4.3%	-2.9%	+8.2%	46,717.04
Portugal	72%	Neutral	Bullish	Bullish	Neutral	+0.8%	+3.7%	+20.9%	2,556.78
Russia	54%	Bullish	Bearish	Neutral	Bearish	+2.1%	-11.9%	-7.7%	1,421.45
Singapore	43%	Bullish	Bearish	Bullish	Neutral	-6.2%	-9.3%	-1.8%	3,048.35
Sth Africa	56%	Bullish	Bullish	Neutral	Bearish	+4.5%	-4.5%	-2.1%	42,837.71
Taiwan	62%	Bearish	Bullish	Bullish	Bullish	+0.7%	+1.7%	+9.7%	8,164.20
Thailand	39%	Bullish	Bearish	Neutral	Neutral	-16.5%	-21.4%	+3.4%	1,336.25
Turkey	25%	Bullish	Bearish	Bearish	Neutral	-21.6%	-29.5%	-13.2%	67,232.44
Venezuela	47%	Bearish	Bullish	Bearish	Bearish	+76.1%	+131.4%	+237.4%	1,430,324.00

**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

Current share valuations are one of the best and most reliable guides to future stockmarket returns. So how do valuations (see Pages 4 and 5) look today?

In larger, developed markets like the United States and the United Kingdom, shares trade near their historical average Dividend Yields - indicating perhaps “fair” value. An economic recovery, lifting both profits and dividends, would be needed to lift share prices further in the future.

In Japan, Dividend Yields are near historical highs - indicating that share prices *may* be undervalued. An alternative explanation may be structural changes, with companies lifting historically low dividend payments to shareholders. Such a structural change to focus upon “shareholder returns” would also be favourable for future stockmarket returns, with more focus on dividends and profits, and even some much needed industrial rationalisation and restructuring!

China's Dividend Yields are near historical highs (and China shares are even starting to be considered an “emerging markets income investment”). Dividend Yields in India and Brazil are also near historical highs. This all indicates good value.

Commodity based Australia and Canada also have Dividend Yields near historical highs. The commodity boom may be slowing, but shares are not expensive and offer attractive yields. If capital investment in new projects slows, then more cashflow from operations should be available for distribution to shareholders via higher dividends.

Investment returns come from dividends and capital appreciations, with about half of average real (i.e. after inflation) long term returns coming from dividends. Medium to high Yields suggest the dividend part of investors' returns will be higher than normal. High Yields also indicate under-valuation, so the capital appreciation part of future returns could also be above average. Overall stockmarkets appear reasonably attractive for investment. Remain fully invested in the recommended international funds.

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## Recommended Funds

### Geographic Portfolio Spread

Fund Name	Size (Mil)	Leverage (%debt)	Top 10 Hldgs (%)	Portfolio invested in (%):												
				Cash	HK	Aust	Malay	Taiwan	Korea	Sing.	Thail'd	Phil.	China	India		
Aberdeen Asian Sm Coy	£371	Nil	29.7	3.5	14.7	3.1	21.7			0.7	11.5	12.8	6.1	0.5	10.1	Indo 7.4
Baring Korea	£156	Nil	49.1	4.0					96.0							
First State Indian Sub-Cont	£184	Nil	51.0	5.9											90.2	Sri Lanka 3.3
Henderson China Opps	£394	Nil	45.6	1.4	91.0								4.8			US 2.8
HSBC Asian Fund	£36	Nil	29.5	7.7	18.5		2.7	10.5	26.1	5.9	5.8		16.1			Indo 4.8
Hend Asian Pacific Cap	£206	Nil	30.0	2.1	14.4	18.1	1.8	11.4	15.0	5.5	2.8	2.3	19.4	6.0		
Scottish Oriental Sm Coys	£265	Nil	18.3	1.9	11.1		7.5	11.5	10.5	16.3	9.6	3.8	17.6	1.5		Indo 5.2
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£1059	7	23.9				100.0									
Baillie Gifford Shin Nippon	£107	7	25.8	0.6												99.4
Fidelity European Values	£753	12	36.3	3.2				96.8								
Fidelity Japan Values plc	£110	21	24.6	3.0					99.0							
Herald Investment Trust	£621	9	20.9	10.3	22.7	58.6	3.4		5.0							
JPMorgan Euro Small Coys	£446	22	25.5	4.5				95.5								
Invesco Perp Japan Small	£48	Nil	37.2	3.9					96.1							
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	£3400	Nil	31.3	3.3	14.9	17.2	12.9	7.7	5.1	5.6	6.1	5.4	4.4			

**Fidelity European Values plc** has 53.5% of its investments in three countries: Switzerland (19.4% of the portfolio), Germany (17.7%) and France (16.4%). It has smaller holdings in Denmark (5.7%), Netherlands (5.4%), Finland (5.3%), Belgium (5.2%), Norway (5.1%), Sweden (5.0%), United Kingdom (5.0%), Spain (3.0%), Italy (1.7%), Turkey (1.1%) and others (1.6%).

**JPMorgan European Smaller Companies** has its largest investments in Netherlands (17.8% of the portfolio), France (14.1%), Sweden (11.1%), Switzerland (10.3%), Germany (10.0%), Italy (9.5%), Denmark (7.8%), Greece (4.9%), Norway (3.7%) and Spain (3.2%), with smaller holdings in Ireland, Finland, Belgium and Austria.

# Recommended International Investment Funds

## Fund Repurchases and Sales

**JPMorgan European Smaller Companies Trust plc** repurchased 350,000 shares in one on-market transaction at around a 10% discount to net assets, returning £3.45 million to investors.

**Baillie Gifford Shin Nippon plc** issued and sold 375,000 shares on-market at 295 pence (i.e. a small premium to net assets), raising £1.1 million.

**Herald Investment Trust plc** has repurchased 135,000 shares on-market at around an 18% discount to net assets. This returns £807,000 of cash to investors while increasing the net asset value of the remaining shares by around £177,000.

## Aberdeen Asian Smaller Companies Trust Convertible Notes

**Aberdeen Asian Smaller Companies Trust convertible notes** have held up better than the ordinary shares in the recent market weakness. Six months ago, one could have switched from the ordinary shares to the convertible notes (i.e. sold the ordinary shares and bought 8.3 times as many convertible notes) at no net cost. In 2019, the notes can either be redeemed at 100 pence in cash, or 8.3 notes can be converted into one ordinary share. Since March (after first rising higher) the ordinary shares are down 16.4% while the notes are down 6.5%, supported by this 100 pence capital guarantee which provides a capital protection for 86% of their current market value of 116 pence. The current price, however, is a 9.7% premium to their conversion value into ordinary shares.

Switching from the ordinary shares to the convertible notes offered only benefits and made perfect sense in March. We obtained a (partial) capital guarantee, a higher annual income yield and with no loss of capital growth. Today there are positives and negatives. The notes offer a capital guarantee if Asian stockmarkets decline (which we do not expect, but it is always nice to have that protection) and a higher current income yield. The future capital appreciation is a little less than the ordinary shares, owing to their current 9.7% premium to conversion value.

We continue to favour the convertible notes over the ordinary shares. The higher annual income should exceed the capital conversion premium - so the total return should be higher from the notes. That still gives us the 100 pence cash redemption capital protection - lowering our risk and protecting our capital if everything goes wrong with the world!

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	
<b>Europe</b>									
BUY	Fidelity European Values plc	FEV	13/05/03	463.5p	1291.1	-9%	1453.0p	2837.9	+120
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-9%	993.5p	1940.4	+153
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-6%	969.0p	1892.6	+82
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-2%	878.0p	1714.8	+592
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		88.23p	172.3	+62
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		698.4p	1364.1	+22
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-2%	772.5p	1508.8	+357
<b>China</b>									
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		698.3p	1363.9	-3
<b>India</b>									
HOLD	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		190.22p	371.5	-16
<b>Japan</b>									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+1%	284.5p	555.7	+26
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	70.0p	136.7	-58
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3		63.18p	123.4	-32
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		254.6-269.5p	511.8	+144
<b>International</b>									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		522.20p	1019.9	+454
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-18%	604.5p	1180.7	+44
BUY	Private Equity Investor plc	PEQ	11/12/01	117.9p	404.5	-22%	176.0p	343.7	-15

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +120.7%. This is equal to an average annual rate of +10.0%, 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 +11.6%.

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust 2019 convertible notes** at 116 pence.

“Clean” unit prices are: Henderson Asia Pacific Capital 745.8 pence, Henderson China Opportunities 96.17 pence, Invesco Perpetual Japanese Smaller Companies 287.34 pence and Aberdeen Emerging Markets 554.57 pence.

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# World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.6	21.7
Austria	2.2	17.0
Belgium	2.9	20.9
Canada	3.0	20.5
Denmark	1.6	24.3
Finland	3.6	NE
France	3.3	19.9
Germany	3.1	14.6
Ireland	1.6	NE
Italy	3.3	63.1
Japan	1.9	23.9
Netherlands	2.3	25.1
New Zealand	4.9	18.6
Norway	4.1	13.9
Spain	1.4	63.8
Sweden	3.5	15.8
Switzerland	2.0	21.7
Un. Kingdom	3.5	18.7
USA	1.9	20.3
Argentina	0.2	84.0
Brazil	3.8	17.8
Czech Rep.	7.2	9.3

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.6	20.1
China	2.7	10.9
Greece	1.6	NE
Egypt	3.2	16.6
Hong Kong	2.7	11.3
Hungary	3.4	10.4
India	1.8	15.3
Indonesia	2.8	17.0
Israel	0.9	48.7
Korea	1.1	14.2
Malaysia	3.2	16.7
Mexico	1.5	19.6
Philippines	2.0	17.7
Poland	3.3	11.5
Portugal	3.1	28.2
Russia	4.4	5.4
Singapore	3.7	12.6
Sth Africa	3.1	16.6
Taiwan	2.7	22.8
Thailand	3.5	15.7
Turkey	3.0	9.6

United States Dividend Yield



United Kingdom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



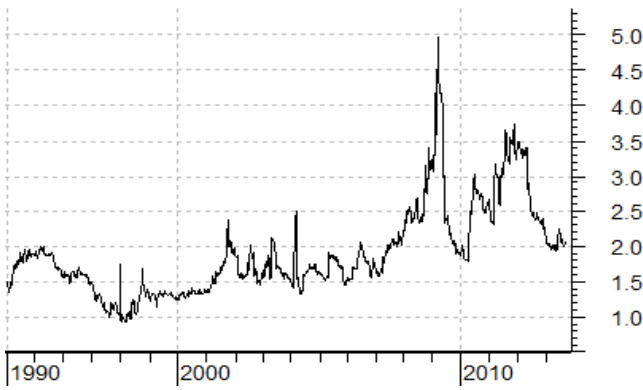
**France Dividend Yield**



**China Dividend Yield**



**Switzerland Dividend Yield**



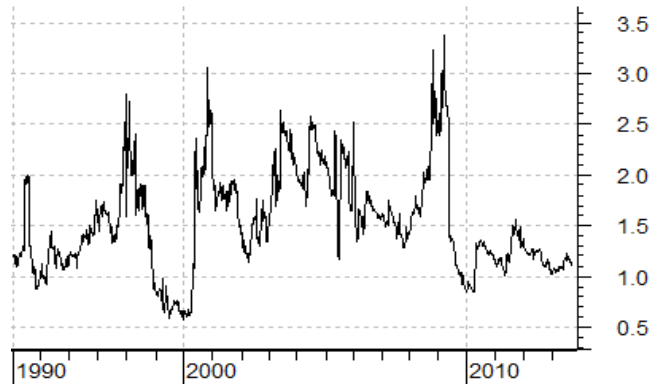
**Brazil Dividend Yield**



**Australia Dividend Yield**



**South Korea Dividend Yield**



**Germany Dividend Yield**



**India Dividend Yield**



# *Listed Investment Trust*

## *Warrant Analysis*

**Henderson International Income** shares (code HINT) remained steady at 114.375 pence (down just 0.1%) over the last quarter. The warrants (code HINS), to buy shares at 100 pence on 31 August 2014, were 4.4% lower at 16¼ pence.

These warrants offer a high 5.6 times leverage, with a low *Break-Even Rate* of just 2%, so remain an attractive 11-month “call option” over a trust holding large company shares.

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 Break-Even Rate
<b><u>GOLD &amp; MINING</u></b>												
BlackRock New Energy	40.0p	59.0p	0-10	0.25p	0.06p	+348	0.200	30.0	-100.0	-100.0	-100.0	+60%
<b><u>INTERNATIONAL</u></b>												
Henderson International Inc	114.4p	100.0p	0-11	16.25p	17.62p	-8	0.200	5.6	+22.8	+58.8	+132.3	+2%
JPMorgan Emerging Markets	563.0p	543.0p	0-10	51.00p	60.72p	-16	0.243	6.4	-17.7	+37.6	+158.1	+7%
<b><u>LATIN AMERICA</u></b>												
Aberdeen Latin American	85.9p	120.0p	2-3	7.50p	2.30p	+226	0.204	8.6	-100.0	-100.0	+10.7	+19%
<b><u>UNITED KINGDOM</u></b>												
Artemis Alpha	275.0p	345.0p	4-3	43.00p	20.54p	+109	0.181	5.4	-100.0	+11.1	+51.6	+8%
Henderson Opportunities	712.5p	936.0p	0-5	1.01p	7.38p	-86	0.336	16.1	-100.0	-100.0	-100.0	+108%
<b><u>FAR EASTERN</u></b>												
JPMorgan Asian	204.1p	203.0p	0-6	12.50p	16.20p	-23	0.269	8.2	-75.7	-21.3	+171.8	+11%
JPMorgan Indian	312.5p	291.0p	0-3	18.00p	29.81p	-40	0.277	8.6	+292.5	+577.1	+1513.1	-4%

# World Stockmarket Capitalisations

The world's total stockmarket capitalisation slipped US\$228 billion - or 0.4% - over the three months to the end of July 2013 to US\$60,079 billion.

The United States capitalisation rose 6.3%, lifting its global share from 34.29% to 36.57%. China was down 3.9% and India down 16.6%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States .....	21,970	36.57	Philippines .....	233	0.39
Japan .....	4,470	7.44	Colombia .....	221	0.37
China .....	3,566	5.94	Israel .....	176	0.29
United Kingdom <sup>1</sup> .....	3,424	5.70	Ireland .....	125	0.21
Hong Kong .....	2,773	4.62	Austria .....	107	0.18
India .....	2,033	3.38	Poland .....	104	0.17
France <sup>2</sup> .....	2,024	3.37	UAE .....	100	0.17
Canada .....	2,002	3.33	Peru .....	79	0.13
Germany .....	1,625	2.70	Portugal <sup>2</sup> .....	79	0.13
Switzerland .....	1,391	2.32	Luxembourg .....	62	0.10
Australia .....	1,276	2.12	New Zealand .....	61	0.10
South Korea .....	1,105	1.84	Greece .....	61	0.10
Nordic Exchanges <sup>3</sup> .....	1,085	1.81	Egypt .....	51	0.08
Brazil .....	1,008	1.68	Morocco .....	49	0.08
Spain .....	946	1.57	Argentina .....	37	0.06
South Africa .....	826	1.37	Oman .....	35	0.06
Taiwan .....	825	1.37	Czech Republic .....	28	0.05
Netherlands <sup>2</sup> .....	775	1.29	Jordan .....	26	0.04
Singapore .....	759	1.26	Hungary .....	20	0.03
Russia .....	709	1.18	Sri Lanka .....	18	0.03
Mexico .....	508	0.85	Romania .....	16	0.03
Malaysia .....	482	0.80	Mauritius .....	8	0.01
Italy <sup>1</sup> .....	466	0.78	Bulgaria .....	7	0.01
Indonesia .....	446	0.74	Slovenia .....	7	0.01
Saudi Arabia .....	417	0.69	Slovakia .....	5	0.01
Thailand .....	399	0.66	Malta .....	4	0.01
Belgium <sup>2</sup> .....	299	0.50	Cyprus .....	2	0.00
Chile .....	273	0.45	Bermuda .....	2	0.00
Norway .....	241	0.40			
Turkey .....	233	0.39			
			TOTAL .....	\$60,079	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 October 14, 2013.

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

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