

# 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 _____	75%	Bullish	Bullish	Bullish	Neutral	+2.7%	+7.8%	+13.0%	5,404.52
Austria _____	45%	Bearish	Bullish	Neutral	Bearish	-0.8%	+1.8%	+10.0%	2,567.72
Belgium _____	76%	Bullish	Bullish	Bullish	Bearish	+0.9%	+13.1%	+24.8%	3,171.51
Canada _____	63%	Neutral	Bullish	Neutral	Bearish	+5.2%	+8.7%	+11.9%	14,838.90
Denmark _____	61%	Bearish	Bullish	Bullish	Bearish	+1.3%	+23.4%	+43.7%	733.40
Finland _____	67%	Neutral	Bullish	Neutral	Neutral	+2.3%	+9.2%	+32.3%	7,767.46
France _____	66%	Neutral	Bullish	Neutral	Bearish	+3.0%	+11.3%	+24.3%	3,512.78
Germany _____	54%	Bearish	Bullish	Neutral	Bearish	+4.9%	+8.4%	+24.9%	9,987.19
Ireland _____	58%	Bearish	Bullish	Neutral	Neutral	-2.5%	+13.7%	+29.9%	5,012.40
Italy _____	59%	Bearish	Bullish	Neutral	Bearish	+5.6%	+21.8%	+38.1%	23,675.56
Japan _____	54%	Bearish	Bullish	Bullish	Bearish	-0.6%	-1.1%	+11.3%	15,077.24
Netherlands _____	64%	Bullish	Bullish	Neutral	Bearish	+2.4%	+6.3%	+20.9%	413.26
New Zealand _____	42%	Neutral	Bullish	Bearish	Bearish	+0.3%	+4.8%	+12.4%	1,511.98
Norway _____	55%	Neutral	Bullish	Neutral	Bearish	+13.4%	+22.6%	+28.0%	691.41
Spain _____	61%	Neutral	Bullish	Neutral	Bearish	+7.0%	+17.8%	+40.4%	1,132.31
Sweden _____	71%	Bullish	Bullish	Bullish	Bearish	+2.6%	+12.0%	+21.1%	720.86
Switzerland _____	51%	Bearish	Bullish	Bullish	Bearish	+1.5%	+7.2%	+16.5%	8,659.69
Un. Kingdom _____	47%	Bearish	Bullish	Bearish	Bearish	+2.7%	+7.6%	+15.5%	6,858.21
USA _____	70%	Bullish	Bullish	Bullish	Bearish	+3.8%	+8.0%	+18.6%	1,949.44
Argentina _____	50%	Bearish	Bullish	Bearish	Bullish	+30.3%	+13.8%	+49.3%	7,913.87
Brazil _____	67%	Bullish	Bullish	Bearish	Bullish	+19.6%	+7.9%	-2.4%	53,128.66
Czech Rep. _____	62%	Bullish	Bullish	Neutral	Bearish	+1.3%	+5.9%	+4.1%	1,036.45
Chile _____	48%	Bearish	Bullish	Neutral	Neutral	+8.7%	+0.7%	-14.0%	19,200.27
China _____	55%	Bullish	Bearish	Neutral	Bullish	-3.4%	-11.8%	-9.9%	2,029.96
Greece _____	67%	Bullish	Bullish	Neutral	Bearish	-4.4%	+10.3%	+36.6%	1,305.16
Egypt _____	64%	Bearish	Bullish	Bullish	Neutral	+4.0%	+29.2%	+64.0%	8,498.65
Hong Kong _____	58%	Bullish	Neutral	Bullish	Neutral	+1.4%	-3.3%	+6.5%	22,951.00
Hungary _____	66%	Bullish	Bullish	Bullish	Bearish	+12.9%	+2.0%	-1.9%	19,065.33
India _____	54%	Bullish	Bearish	Bullish	Bullish	-54.0%	-51.9%	-51.7%	9,715.82
Indonesia _____	46%	Bearish	Neutral	Neutral	Neutral	+2.3%	+19.0%	-15.5%	4,937.18
Israel _____	66%	Bearish	Bullish	Bullish	Bullish	-0.9%	+4.6%	+19.8%	1,259.84
Korea _____	64%	Bullish	Bullish	Bullish	Neutral	+5.7%	+4.6%	+13.8%	1,995.48
Malaysia _____	59%	Bullish	Bullish	Neutral	Bearish	+3.1%	+2.6%	+1.0%	1,862.70
Mexico _____	58%	Bullish	Bullish	Neutral	Bearish	+12.2%	+2.0%	+5.0%	42,778.26
Philippines _____	67%	Bearish	Bullish	Bullish	Neutral	+5.9%	+13.4%	-2.3%	6,762.62
Poland _____	67%	Bullish	Bullish	Bullish	Bearish	+3.4%	+2.7%	+18.0%	53,233.18
Portugal _____	55%	Bearish	Bullish	Neutral	Bearish	+2.1%	+17.5%	+27.5%	3,124.50
Russia _____	40%	Bullish	Bullish	Bearish	Bearish	+17.4%	-2.4%	+3.1%	1,484.94
Singapore _____	72%	Bullish	Bullish	Neutral	Bullish	+6.6%	+5.7%	+3.4%	3,299.43
Sth Africa _____	56%	Neutral	Bullish	Bearish	Bearish	+5.9%	+9.1%	+15.2%	49,933.99
Taiwan _____	66%	Bearish	Bullish	Bullish	Bullish	+5.8%	+7.9%	+11.7%	9,134.46
Thailand _____	73%	Bullish	Bullish	Bullish	Bullish	+6.8%	+6.2%	-9.6%	1,458.02
Turkey _____	49%	Neutral	Bullish	Bearish	Bearish	+35.1%	+6.6%	-7.6%	80,397.55
Venezuela _____	34%	Bearish	Bearish	Neutral	Neutral	-20.4%	-15.9%	+168.7%	2,184.50

**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

While the US Federal Reserve *may* allow interest rates to rise slowly in the future as the economy recovers, the **European Central Bank** has stated that “We will keep [interest] rates close to zero for an extremely long period”.

The ECB will cut its deposit rate (i.e. the interest rate it pays banks) from zero to *minus* 0.1% - effectively charging banks for leaving money with the ECB and not lending it to customers.

The ECB will also provide up to Euro 400 billion (US\$545 billion) at “current ultra-low interest rates” until 2018 to commercial banks - equal to 7% of amounts that commercial banks lend to companies - to encourage lending to the business sector.

In an important long term change, the ECB will also encourage a more active bond market, allowing more companies to borrow directly from investors. This would offer many advantages over the current system of bank deposits and lending (i.e. where banks lend other peoples deposits, but bear all of the credit risks).

Firstly, it avoids the current problem where a central bank provides liquidity to commercial banks, but the commercial banks refuse to increase corporate lending. In the future, a central bank could provide liquidity *directly* to the bond markets (i.e. subscribing to bond issues from companies, or buying corporate bonds on the secondary market). This would ensure that liquidity reaches the real economy.

Secondly, it removes risk from the banking sector, transferring that risk *directly* to lenders. If corporates default on loans, those losses fall directly on investors. This does not endanger the banking system (i.e. so important core functions like clearing payments remains secure). This would also *reduce* lending operations going through banks, providing cost benefits to both the corporate borrowers and the lenders (and downsizing the banking sector and bank profits).

A continued low interest rate environment - with modest economic growth - remains favourable for stockmarket investment.

## 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	Indo	
Aberdeen Asian Sm Coy	£380	10	28.2	0.3	14.1	3.1	20.5			0.7	10.8	13.4	5.6	2.0	13.2	Indo 7.4
Baring Korea	£115	Nil	43.8	3.7						96.3						
First State Indian Sub-Cont	£220	Nil	52.7	2.0											93.7	Sri Lanka 3.2
Henderson China Opps	£366	Nil	45.2	0.8	87.9								6.3			US 5.0
HSBC Asian Fund	£33	Nil	39.6	6.4	18.0		2.0	11.8	24.3	6.7	7.9		11.3			Indo 4.2
Hend Asian Pacific Cap	£199	Nil	27.8	0.8	8.9	20.5		10.2	15.2	7.0	2.0	2.7	18.3	9.2		Indo 2.1
Scottish Oriental Sm Coys	£270	8	25.0	15.0	8.7		3.5	13.8	4.2	16.2	3.2	1.0	15.2	21.1		Indo 2.0
				Cash USA UK Europe Japan Other												
Aberforth Small Cos Trust	£1169	3	25.8				100.0									
Baillie Gifford Shin Nippon	£128	18	22.3	6.8					93.2							
Fidelity European Values	£762	7	38.3				100.0									
Fidelity Japan Values plc	£107	19	25.1	5.4					94.6							
Herald Investment Trust	£651	4	18.8	5.6	19.4	66.4	3.7			4.9						
JPMorgan Euro Small Coys	£490	19	20.6	2.5			97.5									
Invesco Perp Japan Small	£43	Nil	35.1	5.8					94.2							
Private Equity Investor plc	£44	Nil	-	8.9	91.1											
				Cash Brazil HK/ China India Mexico Turkey Korea S.Africa Thail'd Taiwan												
Aberdeen E/Markets	£2300	Nil	30.6	1.5	14.2	17.1	13.3	7.4	5.3	5.9	6.8	5.0	4.5			

**Fidelity European Values plc** has 60% of its investments in three countries: France (24% of the portfolio), Switzerland (20%) and Germany (16%). It has smaller holdings in Belgium (8%), Norway (6%), Denmark (5%), Finland (5%), UK (4%), Spain (3%), Sweden (3%), Netherlands (2%), Italy (2%) and others (2%).

**JPMorgan European Smaller Companies** has its largest investments in Italy (16% of the portfolio), Sweden (14%), France (14%), Germany (13%), Switzerland (10%), Netherlands (9%), Spain (6%), Portugal (4%), Greece (3%), Belgium (3%), Denmark (2%), Norway (2%) and others (3%).

# Recommended International Investment Funds

## Tender Offer

**Private Equity Investor plc** has completed its £8.5 million off-market tender offer at net asset value. The tender price was set at 218.5455 pence per share and 20.80% of shares were repurchased under the “basic entitlement”.

97.1% of investors tendered shares, but the 2.9%

shortfall allowed the company to acquire 0.81% of excess shares tendered. So an investor tendering 100% of their shares will have had 21.44% bought back.

The issued capital is now 14,805,508 shares.

Your Editor intends to re-invest the cash from this tender on-market. With the shares currently quoted at 185-194 pence, the shares (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	
<b>Europe</b>									
BUY	Fidelity European Values plc	FEV	13/05/03	46.4p	129.1	-7%	160.05p	316.6	+145
BUY	JPM European Smaller Cos	JESC	15/01/02	226.5p	765.8	-12%	1146.5p	2268.1	+196
<b>United Kingdom</b>									
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-7%	1123.5p	2222.6	+113
<b>Asian Regional</b>									
BUY	Aberdeen Asian Small Coys	AAS	09/09/03	89.2p	247.8	-1%	907.0p	1794.3	+624
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		87.49p	173.1	+63
BUY	Henderson Asia Pac Capital	*	08/08/00	342.2p	1122.6		693.4p	1371.7	+22
BUY	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-5%	810.25p	1602.9	+385
<b>China</b>									
BUY	Henderson China Opportunities	*	09/07/07	548.9p	1410.4		700.3p	1385.4	-2
<b>India</b>									
HOLD	First State Indian Sub-Cont.	*	13/12/10	209.2p	442.0		262.79p	519.9	+18
<b>Japan</b>									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	+6%	314.13p	621.4	+41
BUY	Fidelity Japan Values plc	FJV	10/01/06	126.0p	322.7	-12%	70.38p	139.2	-57
HOLD	Invesco Perp Japan Small Coys	*	13/07/99	61.3p	182.3	-99%	64.88p	128.3	-30
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		261.5-277.0p	532.6	+154
<b>International</b>									
HOLD	Aberdeen Emerging Markets	*	13/08/91	61.7p	184.0		542.13p	1072.5	+483
BUY	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-15%	687.5p	1360.0	+66
BUY	Private Equity Investor plc	PEQ	11/12/01	117.9p	404.5	-17%	189.5p	374.9	-7

\* United Kingdom based Unit Trust

The average Gains/Losses of all current investments from initial recommendation is +138.4%. 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 16 current and 48 closed out) is +11.9%.

## Other Shares

An alternative investment to those recommended above includes **Aberdeen Asian Smaller Companies Trust** 2019 convertible notes at 114 pence.

“Clean” unit prices are: Henderson Asia Pacific Capital 745.9 pence, Henderson China Opportunities 97.82 pence, First State Indian Sub-Continent 127.66 pence, Invesco Perpetual Japanese Smaller Companies 192.24 pence and Aberdeen Emerging Markets 577.69 pence.

## Recommended Funds

*(Continued from Page 3)*

can be repurchased on-market at 194 pence. For an investor who held 1000 shares, 214 shares would have been acquired in the tender for £467.69. Re-invested on-market that would buy 241 shares. That lifts an investor's holding 2.7% to 1027 shares with no additional cash outlay.

This figure is less than the 4.5% we estimated last month, mainly owing to a 5.7% lower net asset value in the tender compared with the company's original estimate.

### Share Splits

**Fidelity European Values plc** has split each original share into ten new shares. This increases our shareholding ten-fold, but at one-tenth the value per share, so the total value remains unchanged.

In our portfolio we have reduced our original purchase price from 463.5 pence (1291.1 NZ cents) to 46.35 pence (129.11 NZ cents) to reflect this split.

**JPMorgan European Smaller Companies plc** is also proposing to split each existing share into five new shares.

### Fund Report

**JPMorgan European Smaller Companies plc** performed well in the year to 31 March 2014. Net assets increased 40.6%, outperforming the 32.8% rise in its benchmark index. The discount narrowed from 13.0% to 11.3%, so the share price (and dividends) rose 43.6%.

An interim dividend of 6.0 pence was paid in January and a final dividend of 8.5 pence will be paid on 15 July (ex-dividend 4 June). That annual dividend of 14.5 pence offers a yield of 1.3%.

The Fund Manager notes that European smaller companies “trade at price/book value multiples

comparable to large companies” which is “towards the top end of the range” of historical values. While they are “not cheap”, they are “not yet expensive”, especially as the Manager believes “we are on the cusp of an earnings recovery”. European company earnings are about “30% below the 2007 peak, so the scope for an earnings recovery is substantial”.

Under EU directives, a listed investment trust (along with private equity funds, hedge funds and real estate funds) is an AIF or “alternative investment fund” (i.e. “alternative” to a UCITS or “undertakings for collective investments in transferable securities”, the EU directive which regulates unit trusts and OEICs - open ended investment companies). An AIF is required to appoint a Fund Manager registered as an AIFM (Alternative Investment Fund Manager). JPMorgan European Smaller Companies' existing manager, **JPMorgan Asset Management** is regulated under MiFID (Markets in Financial Instruments Directive) so “cannot act in the capacity of AIFM”. The trust will therefore appoint **JPMorgan Funds** as its AIFM who will “delegate the portfolio management” back to **JPMorgan Asset Management** and the existing fund management personnel. We mention this just to show that the world has gone completely mad, with politicians ineffectively over-regulating investment markets.

### Invesco Perpetual Japan “cleaner” units

**Charles Stanley Direct** has transferred our **Invesco Japanese Smaller Companies** investment into the new class of share.

The prices we looked up last month must have been inaccurate as every 1000 “Z” units were transferred into 1537.81399 “Y” units.

# *Listed Investment Trust*

## *Warrant Analysis*

### **Review of Existing Warrants**

**Henderson International Income** subscription shares (code HINS) have a final exercise/expiry date of 31 August 2014 and can be exercised 30 days prior to that date.

The exercise price of 100 pence allows investors to acquire one ordinary share which currently trades at 115-116 pence. The fully diluted net asset value is 117.9 pence.

The ordinary share price values these subscription shares at 15-16 pence, yet they are quoted at just 11½-13½ pence.

At the expiry date the company *may* appoint a trustee to exercise these subscription shares, sell the ordinary shares and distribute the net proceeds to investors. The risk here is that if the company does not do this, then investors can lose all of the value in the subscription

shares not exercised.

Alternatively, investors could sell the subscription shares on-market over the next two months. At current prices that would realise 11½ pence (up 51% on our initial purchase price in September 2012).

The third alternative is to exercise the subscription shares, paying 100 cents to buy the ordinary shares (which could be held as an investment or sold on-market). That provides a net value of 15-16 pence per subscription share, but requires some additional capital and involves the potential for market fluctuations in the share price.

Exercising the subscription shares and then selling the ordinary shares on market should realise around 15 pence in value (subject to market fluctuations) - or a gain of about 96% over a little less than two years.

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	Share Price	Warrant Return(%p.a.) from 5%pa	Share Price appreciation of: 10%pa	Break-Even Rate 20%pa
<b><u>INTERNATIONAL</u></b>												
Henderson International Inc	115.5p	100.0p	0-2	12.50p	15.72p	-21	0.200	7.3	+418.3	+615.1%	+1158.7	-15%
JPMorgan Emerging Markets	558.8p	543.0p	0-1	19.00p	21.14p	-10	0.180	24.0	-46.7	+109.4%	+1820.4	+7%
<b><u>LATIN AMERICA</u></b>												
Aberdeen Latin American	79.8p	120.0p	1-6	4.50p	0.55p	+717	0.203	14.5	-100.0	-100.0	-100.0	+35%
<b><u>UNITED KINGDOM</u></b>												
Artemis Alpha	294.0p	345.0p	3-6	44.75p	20.56p	+118	0.165	6.3	-50.8	+11.5	+55.9	+8%



# World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	4.8	18.3
Austria	1.9	24.3
Belgium	4.5	24.1
Canada	2.4	32.6
Denmark	0.8	26.5
Finland	2.4	37.5
France	3.2	26.0
Germany	1.3	19.3
Ireland	1.6	67.6
Italy	2.1	82.0
Japan	1.1	14.2
Netherlands	2.8	21.4
New Zealand	3.4	20.8
Norway	2.5	17.0
Spain	2.6	21.4
Sweden	3.4	15.4
Switzerland	1.8	20.5
Un. Kingdom	2.4	17.8
USA	2.1	17.6

Country	Dividend Yield	Price/Earn. Ratio
Argentina	0.0	29.9
Brazil	3.4	15.8
Czech Rep.	5.7	10.8
Chile	1.4	17.0
China	2.5	9.0
Greece	2.9	NE
Egypt	2.0	27.3
Hong Kong	2.9	12.3
Hungary	3.1	10.9
India	1.4	7.2
Indonesia	1.9	19.3
Israel	0.8	56.7
Korea	1.5	13.1
Malaysia	3.1	16.3
Mexico	1.9	22.1
Philippines	1.1	19.4
Poland	3.3	16.8
Portugal	2.1	NE
Russia	2.5	8.1
Singapore	3.8	14.0

United States Dividend Yield



United Kingdom Dividend Yield



Japan Dividend Yield



Canada Dividend Yield



**France Dividend Yield**



**China Dividend Yield**



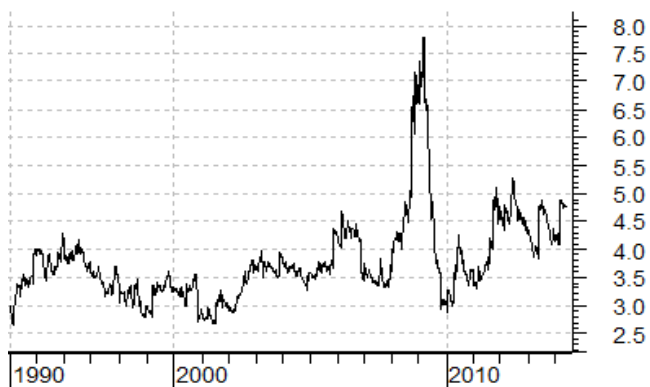
**Switzerland Dividend Yield**



**Brazil Dividend Yield**



**Australia Dividend Yield**



**South Korea Dividend Yield**



**Germany Dividend Yield**



**India Dividend Yield**



# World Stockmarket Capitalisations

The world's total stockmarket capitalisation rose US\$6017 billion - or 10.0% - over the three months to the end of April 2014 to US\$60,303 billion.

The United States share of the total continues to climb, up from 36.6% to 37.2%.

Country	Market Capitalisation (US\$ Billions)	Percentage of Total	Country	Market Capitalisation (US\$ Billions)	Percentage of Total
United States	24,678	37.21	Israel	214	0.32
Japan	4,215	6.36	Turkey	211	0.32
China	3,775	5.69	Colombia	205	0.31
Hong Kong	2,951	4.45	Poland	204	0.31
United Kingdom	2,894	4.36	Qatar	201	0.30
India	2,461	3.71	Ireland	186	0.28
Canada	2,201	3.32	Austria	123	0.19
France	2,044	3.08	Portugal	93	0.14
Germany	1,959	2.95	Greece	90	0.14
Switzerland	1,622	2.45	Peru	77	0.12
Australia	1,451	2.19	Luxembourg	76	0.11
Nordic Exchanges <sup>2</sup>	1,357	2.05	New Zealand	76	0.11
South Korea	1,258	1.90	Egypt	68	0.10
Spain	1,181	1.78	Morocco	58	0.09
Brazil	1,057	1.59	Czech Republic	56	0.08
South Africa	994	1.50	Argentina	50	0.08
Belgium	934	1.41	Vietnam	48	0.07
Taiwan	831	1.25	Romania	43	0.06
Singapore	792	1.19	Oman	37	0.06
Netherland <sup>1</sup>	744	1.12	Jordan	26	0.04
Italy	695	1.05	Kazakhstan	24	0.04
Russia	633	0.95	Sri Lanka	20	0.03
Saudi Arabia	521	0.79	Hungary	18	0.03
Malaysia	519	0.78	Mauritius	9	0.01
Mexico	498	0.75	Bulgaria	8	0.01
Indonesia	415	0.63	Slovenia	8	0.01
Thailand	395	0.60	Malta	4	0.01
Norway	284	0.43	Cyprus	2	0.00
Chile	256	0.39	Bermuda	2	0.00
Philippines	245	0.37			
UAE	223	0.34			
			TOTAL	\$66,320	100.00%

## Next Issue:

The next issue of *International Investor* will be emailed in five weeks time on Monday July 14, 2014.

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

### Notes:

1. Estimated split of EuroNext data between France, Netherlands, Belgium and Portugal.
2. Mainly Denmark, Sweden and Finland.

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