

International Investor

Issue No. 306

www.stockmarket.co.nz

June 7, 2021

Inside International Investor

Dividend Yields at historical lows	2	World Stockmarket Valuations	4, 5
Templeton Emerging Markets plans 5 for 1 share split	3	World Stockmarket Capitalisations	6

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	79%	Neutral	Bullish	Bullish	Bullish	+9.7%	+14.9%	+35.6%	7,287.92
Austria	56%	Bearish	Bullish	Neutral	Bearish	+16.8%	+33.2%	+52.8%	3,523.88
Belgium	49%	Bearish	Bullish	Neutral	Bearish	+10.8%	+10.1%	+24.4%	4,087.28
Canada	62%	Bearish	Bullish	Bullish	Bearish	+14.0%	+20.9%	+40.3%	20,029.19
Denmark	52%	Bearish	Bullish	Neutral	Neutral	+18.6%	+16.2%	+39.2%	1,585.77
Finland	67%	Neutral	Bullish	Neutral	Neutral	+14.5%	+16.6%	+38.3%	12,415.59
France	51%	Bearish	Bullish	Neutral	Bearish	+14.1%	+15.6%	+34.4%	5,008.07
Germany	62%	Neutral	Bullish	Neutral	Neutral	+15.2%	+18.5%	+31.6%	15,692.90
Ireland	60%	Bearish	Bullish	Neutral	Neutral	+10.8%	+10.6%	+40.2%	8,273.70
Italy	63%	Bearish	Bullish	Bullish	Bearish	+14.7%	+16.8%	+37.2%	28,020.70
Japan	46%	Bearish	Bullish	Neutral	Bearish	-0.7%	+3.0%	+26.7%	28,941.52
Netherlands	56%	Bearish	Bullish	Neutral	Neutral	+12.5%	+17.4%	+35.5%	720.18
New Zealand	55%	Bearish	Bullish	Bullish	Bearish	+4.1%	+7.8%	+35.3%	1,901.51
Norway	76%	Neutral	Bullish	Bullish	Bullish	+10.7%	+28.3%	+47.0%	1,223.25
Spain	55%	Neutral	Bullish	Neutral	Bearish	+11.1%	+9.2%	+25.0%	902.72
Sweden	64%	Neutral	Bullish	Bullish	Neutral	+17.0%	+25.0%	+52.8%	1,669.19
Switzerland	52%	Bearish	Bullish	Neutral	Bearish	+12.9%	+10.7%	+21.5%	11,570.68
Un. Kingdom	60%	Neutral	Bullish	Bullish	Bearish	+9.2%	+13.8%	+22.0%	7,069.04
USA	61%	Bearish	Bullish	Bullish	Bearish	+10.1%	+14.3%	+32.4%	4,229.89
Argentina	51%	Bearish	Bullish	Bullish	Bearish	+33.4%	+4.1%	+6.5%	66,190.06
Brazil	63%	Bullish	Bullish	Bullish	Bearish	+26.8%	+16.4%	+34.7%	130,125.80
Czech Rep.	65%	Neutral	Bullish	Bullish	Bearish	+16.7%	+26.6%	+38.8%	1,178.61
Chile	42%	Neutral	Bearish	Bullish	Bearish	-8.6%	+5.3%	+12.4%	21,281.70
China	50%	Bearish	Bullish	Neutral	Bearish	+4.2%	+6.5%	+35.7%	3,591.85
Greece	68%	Bullish	Bullish	Neutral	Neutral	+11.6%	+15.3%	+42.2%	901.60
Egypt	51%	Bullish	Bearish	Bullish	Neutral	-11.2%	-8.8%	-2.0%	10,054.81
Hong Kong	64%	Bearish	Bullish	Bullish	Neutral	-0.5%	+7.7%	+16.6%	28,918.10
Hungary	68%	Bullish	Bullish	Bullish	Bearish	+21.1%	+28.3%	+36.2%	48,282.14
India	68%	Bearish	Bullish	Bullish	Bearish	+3.8%	+17.0%	+57.5%	52,100.05
Indonesia	60%	Bearish	Bullish	Bullish	Bullish	-2.3%	+3.3%	+19.6%	6,065.17
Israel	66%	Bearish	Bullish	Bullish	Neutral	+12.1%	+17.8%	+32.3%	1,750.92
Korea	60%	Bearish	Bullish	Bullish	Bearish	+8.6%	+15.6%	+60.5%	3,240.08
Malaysia	49%	Bullish	Bearish	Bullish	Bearish	-2.6%	-4.3%	+4.9%	1,578.45
Mexico	64%	Neutral	Bullish	Bullish	Bearish	+16.5%	+14.8%	+40.3%	50,484.36
Philippines	65%	Bearish	Bullish	Bullish	Neutral	+0.7%	-3.9%	+9.8%	6,796.34
Poland	57%	Bearish	Bullish	Bullish	Bearish	+21.9%	+21.6%	+39.2%	66,877.19
Portugal	42%	Neutral	Bullish	Neutral	Bearish	+12.1%	+8.7%	+24.3%	3,766.59
Russia	68%	Bullish	Bullish	Neutral	Bearish	+16.2%	+23.6%	+20.8%	1,647.06
Singapore	61%	Neutral	Bullish	Bullish	Neutral	+6.0%	+11.4%	+20.5%	3,151.04
Sth Africa	64%	Neutral	Bullish	Bullish	Bearish	+13.5%	+29.0%	+55.2%	67,825.00
Taiwan	58%	Bearish	Bullish	Bullish	Bearish	+9.2%	+23.8%	+60.3%	17,147.41
Thailand	55%	Bearish	Bullish	Bullish	Bearish	+2.3%	+7.6%	+13.4%	1,611.53
Turkey	34%	Bullish	Bearish	Bearish	Bearish	-19.2%	-3.1%	+1.8%	143,293.00
Venezuela	68%	Bullish	Bullish	Bearish	Bullish	+26.2%	+22.9%	-4.0%	5,095,250

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

We believe that something as simple as “average Dividend Yields” is a good indication of current stockmarket valuations . . . and a good *forecaster* of *future stockmarket returns* over the longer term (i.e. one to five years).

In March 2020, average Dividend Yields rose to historically high levels in just about *every* stockmarket (see the charts on Pages 4 and 5) *correctly indicating that stockmarkets were cheap and an important buying opportunity*.

Over recent months average Dividend Yields have fallen to historically low levels in just about *every* stockmarket. Does this mean stockmarkets are expensive and should be sold?

Yes . . . and maybe no.

Just two factors determine Dividend Yields: The level of dividends and the level of share prices.

Companies like to maintain dividends, whenever possible, to provide a consistent income to shareholders. Average Dividends will decline in an economic downturn, but usually much less than corporate profits or share prices. So dividends are *relatively* stable.

On the other hand, share prices are *very* volatile.

So *most* of the fluctuation in average Dividend Yields is a result of *fluctuations in share prices* (with just a small amount from fluctuations in dividends).

Therefore dividend yields are *high* when share prices are *low*, and dividend yields are *low* when share prices are *high*. It sounds too simple but it works.

It also ties in with the investor emotional cycle. When share prices are high, investors are overly optimistic and, with the expectation of capital appreciation and high growth rates, happy to accept a low current dividend yield.

When share prices are low, investors are overly pessimistic and a high dividend yield is no compensation for expected capital losses and falling profits (and falling future dividends).

The current situation is a little different (remembering, of course, that Sir John Templeton said “The four most dangerous words in investing are: *This time it's different.*”).

In response to Covid-19 *most* companies cut their dividends to preserve cash for an “unprecedented” situation. This can be seen from the charts. Dividend Yields spiked to highs and then fell back as dividends were cut. Dividend Yields have since trended lower as share prices trended higher over the last year.

So the historically low Dividend Yield does reflect high share prices . . . and that is a reason for caution.

Companies, however, may reinstate dividends to more normal levels and there is a *chance* that *may* lift average Dividend Yields in the months immediately ahead, improving this indicator to *not quite so bad levels*.

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	7.2	
Aberdeen Std Asian	£524	13	34.1	0.8	7.3		6.8	11.7	7.6	9.9	9.7	4.7	2.4	16.1			
India Capital Growth	£135	Nil	45.2	1.1										98.9			
Scottish Oriental Sm Coys	£329	9	30.6	8.7	5.0		1.0	6.0	2.4	2.9	1.4	10.2	11.5	39.4		Indo 16.3	
				Cash	USA	UK	Europe	Japan	Canada	Aust	Russia	China	Sth Afr	Sweden	Brazil		
Aberforth Small Cos Trust	£1509	5	25.6			100.0											
Baillie Gifford Shin Nippon	£780	8	26.3		0.8			99.2									
Fidelity Japan Trust plc	£307	25	42.0	0.0				100.0									
Herald Investment Trust	£1668	Nil	16.9	6.4	22.9	49.8	10.4	10.5									
iShares Oil & Gas Exp	£162	Nil	64.9	0.5	58.7			2.1	19.1	8.8	7.7	5.9			1.7		
iShares S&P500 Utilities	£75	Nil	62.8		100.0												
VanEck Gold Miners	£501	Nil	63.4		19.7				43.7	13.6		3.6	4.1		7.3		
VanEck Junior Gold Miners	£407	Nil	38.7		4.5				48.6	15.5	0.9	1.0	8.5		4.2		
				Cash	Nth Amer	Lat Am	Global	Euro	Asia	Africa	Aust						
CQS Natural Resources	£129	12	44.3	0.0	25.2	24.2	10.9	6.9	6.8	13.2	12.9						
				Cash	US	UK	China/HK	Korea	Taiwan	Brazil	India	Russia	Sth Afr	Thai			
Templeton Emerging Mkts	£2622	4	60.2	0.0			30.3	22.7	16.5	6.0	6.2	6.0	4.2	1.4			

Recommended International Investment Funds

Fund Report

Templeton Emerging Markets plc lifted net assets 54.5% over the year to 31 March 2021, outperforming its benchmark index which rose 42.8%. That, of course, is off the Covid-19 panic selling lows.

A final dividend of 14.0 pence will be paid on 15 July (ex-dividend 17 June), maintaining the annual dividend at 19.0 pence. A 10.0 pence dividend was also paid in January to distribute a refund of tax paid several years earlier.

In January the trust borrowed £100 million (in Sterling) on a five year loan at a fixed rate of 2.089%. It also has a three year (undrawn) revolving credit facility of £120 million which can be drawn in Sterling, US Dollars or Chinese Renminbi. This facility costs 0.35-0.40% on undrawn balances and 1.125% over the Inter-Bank Offer Rate on borrowings.

The trust is proposing some changes to its investment policy. This would allow (1) total borrowing to increase from 10% of assets to a maximum of 20% (although actual borrowings are currently just 4%, or only 0.5% net of cash), (2) increase the maximum investment in any one holding from 10% to 12% (at the time of

purchase) and (3) invest up to 10% of the portfolio in unlisted investments, with individual unlisted holdings limited to 2%.

The trust also plans to split every existing share into five new shares. This is expected to improve liquidity by lowering the share price from 1040 pence to 208 pence (for a greater number of shares). This share split is expected on 23 July.

Share Repurchases and Sales

Aberforth Smaller Companies Trust plc made one on-market purchase over the last four weeks of 50,000 shares for £775,297.

Aberdeen Standard Asia Focus repurchased a total of 75,000 shares for £920,900 in five trades.

Scottish Oriental Smaller Companies made five on-market purchases, acquiring 210,974 shares for £2,115,074.

Ballie Gifford Shin Nippon continued to issue and sell new shares at a premium to net asset value. Over the last four weeks it sold 1,150,000 new shares, raising £2,604,375 in cash.

Fidelity Japan Trust repurchased 120,000 shares on-market, in five trades, returning £254,328 to investors.

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		
	United States								
HOLD	iShares S&P500 Utilities	IUSU	13/08/18	422.3p	819.4		504.75p	990.5	+21
	United Kingdom								
BUY	Aberforth Smaller Cos Trt plc	ASL	15/07/03	375.5p	1042.0	-10%	1556.0p	3053.4	+193
	Gold & Commodities								
BUY	VanEck V. Gold Miners	GDGB	14/01/19	1731.0p	3253.8		2903.0p	5696.6	+75
BUY	VanEck V. Junior Gold Miners	GJGB	14/01/19	2011.0p	3780.1		3230.0p	6338.3	+68
BUY	CQS Natural Resources G&I	CYN	11/01/21	136.8p	256.1	-2%	178.25p	349.8	+37
	Asian Regional								
HOLD	Aberdeen Std Asia Focus	AAS	09/09/03	89.2p	247.8	-13%	1275.0p	2502.0	+910
HOLD	Scot Oriental Smaller Coy	SST	11/11/03	121.9p	330.5	-12%	1057.5p	2075.2	+528
	India								
HOLD	India Capital Growth plc	IGC	07/11/16	80.5p	137.6	-13%	104.5p	205.1	+49
	Japan								
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	31.2p	88.1	+3%	228.5p	448.4	+409
HOLD	Fidelity Japan Trust plc	FJV	10/01/06	126.0p	322.7	-8%	213.5p	419.0	+30
	International								
HOLD	Herald Investment Trust	HRI	12/10/04	310.8p	820.1	-12%	2195.0p	4307.3	+425
BUY	iShares Oil & Gas Exp & Prod	SPOG	08/04/19	1287.0p	2491.8		1152.25p	2261.1	-9
BUY	Templeton Emerging Markets	TEM	11/01/21	996.0p	1865.2	-5%	1040.0p	2040.8	+9

* United Kingdom based Unit Trust

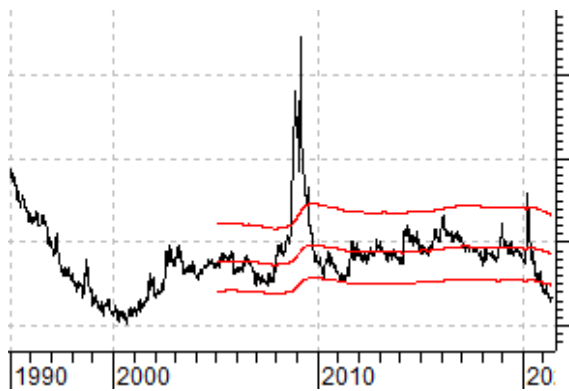
The average Gains/Losses of all current investments from initial recommendation is +211.1%. This is equal to an average annual rate of +21.4%, based upon the length of time each position has been held. The average annual rate of gain of ALL recommendations (both the 13 current and 59 closed out) is +13.8%.

World Stockmarket Valuations

Country	Dividend Yield	Price/Earn. Ratio
Australia	2.8	32.4
Austria	1.8	16.1
Belgium	1.9	29.0
Canada	2.5	23.2
Denmark	1.3	27.8
Finland	2.6	41.6
France	2.0	45.1
Germany	2.3	19.0
Ireland	1.2	41.7
Italy	2.2	18.2
Japan	2.0	21.6
Netherlands	1.2	29.9
New Zealand	2.1	42.1
Norway	2.9	37.3
Spain	2.8	34.2
Sweden	1.8	13.1
Switzerland	2.5	22.5
Un. Kingdom	2.8	27.6
USA	1.3	32.5
Argentina	0.0	NE
Brazil	2.9	12.4
Czech Rep.	3.5	16.9

Country	Dividend Yield	Price/Earn. Ratio
Chile	2.8	18.7
China	1.4	19.7
Greece	2.9	NE
Egypt	2.3	7.6
Hong Kong	2.2	17.9
Hungary	1.8	11.3
India	0.9	37.0
Indonesia	2.2	25.8
Israel	0.8	29.8
Korea	1.4	20.0
Malaysia	3.1	20.4
Mexico	2.3	17.9
Philippines	1.4	28.4
Poland	1.2	24.1
Portugal	3.2	40.4
Russia	5.2	12.0
Singapore	3.1	26.0
Sth Africa	1.9	17.6
Taiwan	2.3	20.4
Thailand	2.4	25.1
Turkey	3.2	9.1

United States Dividend Yields



United Kingdom Dividend Yields



Japan Dividend Yields



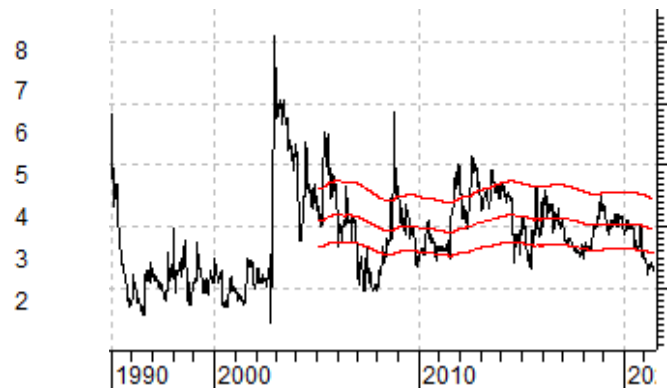
Canada Dividend Yields



France Dividend Yields



China Dividend Yields



Switzerland Dividend Yields



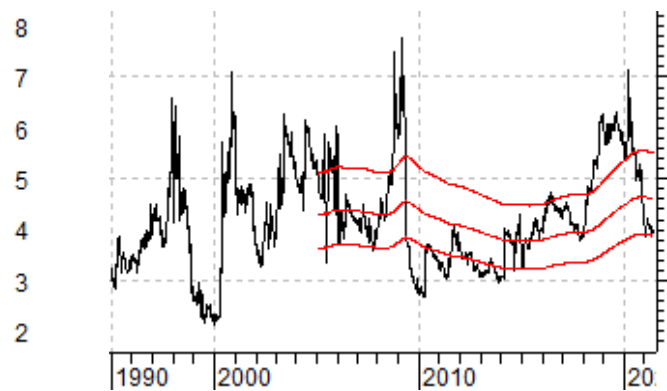
Taiwan Dividend Yields



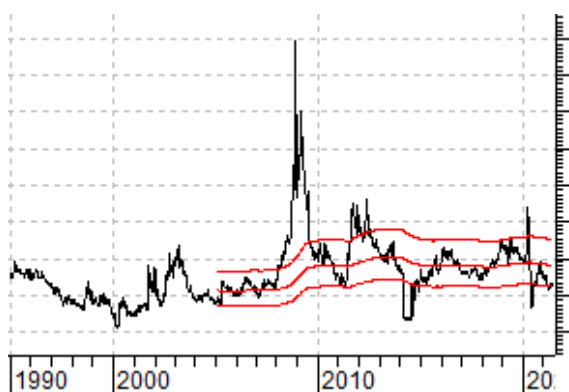
Australia Dividend Yields



South Korea Dividend Yields



Germany Dividend Yields



India Dividend Yields

