

International Investor

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Editor and Research Director: 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	43%	Neutral	Bullish	Bearish	Bearish	+3.5%	-4.4%	-3.3%	3,238.50
Austria	38%	Bullish	Neutral	Bearish	Bearish	+4.3%	+0.9%	-16.4%	1,162.43
Belgium	33%	Neutral	Neutral	Bearish	Bearish	+10.7%	-2.5%	-9.6%	3,086.45
Canada	37%	Bearish	Bullish	Bearish	Bearish	+10.2%	+11.0%	+55.1%	10,567.53
Denmark	43%	Bearish	Bullish	Bearish	Bearish	+8.0%	+6.3%	+21.9%	924.77
Finland	31%	Bearish	Bearish	Bearish	Neutral	-23.9%	-23.9%	+54.7%	13,239.49
France	38%	Bearish	Bullish	Bearish	Bearish	+0.2%	-5.2%	+26.1%	4,098.71
Germany	29%	Neutral	Bearish	Bearish	Bearish	-5.7%	-12.9%	+18.4%	7,016.59
Ireland	44%	Bearish	Neutral	Neutral	Neutral	-3.1%	-1.3%	-6.7%	5,264.13
Italy	36%	Neutral	Neutral	Bearish	Bearish	-1.2%	-4.6%	+18.5%	31,278.00
Japan	23%	Bearish	Bearish	Bearish	Bearish	-15.1%	-21.8%	-3.0%	15,667.36
Netherlands	31%	Bearish	Neutral	Bearish	Bearish	+0.9%	-5.1%	+6.5%	946.00
New Zealand	35%	Neutral	Bearish	Neutral	Bearish	-1.6%	-13.6%	-9.7%	2,329.06
Norway	51%	Neutral	Bullish	Bearish	Neutral	+14.4%	+6.2%	+15.9%	802.48
Spain	26%	Bearish	Bearish	Bearish	Bearish	-5.8%	-12.2%	+0.9%	982.70
Sweden	37%	Bearish	Neutral	Neutral	Bearish	-13.3%	-14.1%	+32.6%	5,616.00
Switzerland	39%	Neutral	Bullish	Bearish	Bearish	+9.8%	+8.8%	+5.7%	8,119.60
Un. Kingdom	33%	Bearish	Bearish	Neutral	Bearish	+0.3%	-2.6%	-2.7%	6,363.50
USA	36%	Bearish	Bullish	Neutral	Bearish	+2.1%	+2.7%	+12.5%	1,462.93
Argentina	44%	Bearish	Bearish	Neutral	Neutral	-2.8%	-11.1%	-1.8%	18,653.41
Brazil	54%	Neutral	Bullish	Bullish	Bearish	+11.6%	-8.0%	+71.8%	16,761.25
Czech Rep.	40%	Bearish	Bearish	Bullish	Bearish	-3.6%	-12.7%	-9.7%	1,702.00
Chile	39%	Neutral	Bearish	Neutral	Bearish	-5.6%	-17.8%	-3.3%	4,950.23
China	46%	Bearish	Bullish	Bearish	Neutral	+22.7%	+19.7%	+23.3%	900.89
Greece	34%	Bearish	Bearish	Neutral	Neutral	-11.7%	-34.5%	-28.8%	3,866.95
Hong Kong	41%	Bearish	Bullish	Bearish	Bearish	+14.0%	+8.9%	+31.7%	17,425.70
Hungary	32%	Bearish	Bearish	Neutral	Bearish	-7.0%	-20.9%	-3.4%	8,344.40
India	18%	Bearish	Bearish	Bearish	Neutral	-14.4%	-24.3%	-12.5%	4,186.16
Indonesia	34%	Bearish	Bearish	Neutral	Bearish	-16.2%	-31.7%	-33.5%	494.16
Israel	57%	Neutral	Bullish	Bullish	Bearish	+6.6%	+3.9%	+30.7%	477.39
Korea	39%	Bullish	Bearish	Bullish	Bearish	-5.9%	-24.4%	-18.5%	710.00
Malaysia	34%	Bearish	Bearish	Bullish	Bearish	-11.9%	-14.9%	+15.9%	814.99
Mexico	39%	Neutral	Bearish	Neutral	Bearish	+2.7%	-7.9%	+33.1%	6,582.67
Philippines	44%	Neutral	Bearish	Bullish	Neutral	-13.4%	-34.2%	-45.1%	1,451.18
Poland	35%	Bearish	Bearish	Neutral	Neutral	+2.6%	-15.6%	+0.4%	18,795.00
Portugal	39%	Neutral	Bearish	Bearish	Neutral	-1.4%	-12.6%	+11.1%	2,833.98
Russia	41%	Bearish	Bullish	Neutral	Bearish	-3.0%	+20.8%	+105.4%	2,066.90
Singapore	47%	Bearish	Neutral	Bullish	Neutral	-3.1%	-10.6%	-3.8%	2,052.73
Sth Africa	37%	Neutral	Bearish	Neutral	Bearish	+5.8%	-18.3%	-2.0%	7,888.39
Taiwan	37%	Neutral	Bearish	Bullish	Bearish	-9.9%	-20.6%	+19.5%	7,925.20
Thailand	31%	Bearish	Bearish	Neutral	Bearish	-22.4%	-38.8%	-34.0%	311.42
Turkey	51%	Bearish	Bearish	Bullish	Bullish	-27.0%	-28.7%	+65.2%	13,789.00
Venezuela	59%	Bullish	Neutral	Bullish	Bearish	+15.1%	+20.5%	+30.8%	6,833.80

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.

Stockmarket Outlook

World stockmarkets are trapped in a *twilight zone* - where stock prices fluctuate but remain relatively unchanged and our Forecasts are Neutral to slightly Bearish (i.e. unfavourable). Stock prices are *expensive*, with fundamental valuations near historical highs. Strong global economic growth is increasing corporate profits and improving fundamental valuations. The problem here is that growth rates are likely to at least slow - failing to produce *enough* profit growth to justify the current high stock prices. The risk is that the global economy will falter - with just a small *economic contraction* being enough to *reduce corporate profits* and send stock prices into a steep decline.

If stockmarkets remain in this *twilight zone* then *eventually* they will become more attractive. Share prices will fluctuate around current price levels and the steady, long term growth in profits will slowly improve fundamental valuations. This situation has occurred in the US stockmarket over the last year where little *overall* movement in stock prices . . .



. . . has led to a *reduction* in Price/Earnings ratios . . .



The US Stockmarket and US Dollar, International Investment and Emerging Stockmarkets

Other factors will come into play in the United States. A slowdown or contraction in economic activity is likely - although US corporate profits will continue to benefit from growth in Europe and Asia. An economic slowdown, however, will put extra pressure on the US dollar, with *additional* foreign capital funding needed. The US dollar is widely considered to be over-valued - but held

up by situations such as the internet share bubble, where foreign capital came to the US to buy US technology company shares.

The eventual weakening of the US dollar will make US equities *less attractive* to foreign investors. It will also make *foreign equities* more attractive to *US investors*. The US stockmarket makes up 52% of the world's total equities, but while foreign investors have significant holdings in US equities, US investors are *significantly under-weighted* in foreign equities. A weak US dollar would need to encourage just a very tiny shift in US portfolios to generate a massive flood of capital into emerging stockmarkets. This is one of the reasons why we believe that over the next 3-4 years the emerging stockmarkets could experience the sort of capital appreciation and asset bubble that we have witnessed in internet shares over the last few years.

Summary and Recommended Investment Strategy

Our international portfolio will continue to avoid the United States, United Kingdom and European stockmarkets as we believe that stock valuations are too high in these major markets.

30-40% of our international portfolio will remain in a cash reserve (earning interest) until the environment for equity investment improves.

The areas where we shall continue to remain invested - and partially leveraged in warrants (i.e. about 15-20% of the portfolio) to maximise our *long term* returns - are the Asian and Emerging stockmarkets.

Asian stockmarkets will continue to benefit from the boom in Information Technology products. Falling prices have led to higher demand, and Asia is the major supplier of these products. The Chinese economy also continues to recover strongly, which will benefit the whole region. Asian economies and stockmarkets will also continue to benefit from the major economic and political changes resulting from the 1997-98 crisis. Benefits will accrue slowly and steadily over the medium to long term.

Emerging stockmarkets are also attractive long term investments. Fundamental valuations in emerging stockmarkets are generally better than in the larger, mature economies. Emerging markets will experience higher percentage growth rates, so offer higher investment returns. The internet will also emerge as a major force in globalisation and the formation of niche markets - which will be of significant benefit to emerging economies. Small companies in small economies will be able to access and service niche markets that were previously unavailable. Finally, as previously discussed, if just a fraction of 1% of US equity portfolios shift to emerging stockmarkets this massive capital inflow will lead to significant capital appreciation and could result in asset bubble prices.

Recommended International Investment Funds

Fund Recommendations

We are recommending that investors redeem investments in **AIB Govett Greater China Fund** and re-invest in UK unit trust **Henderson Asian Enterprises**. See Page 4 for details.

Fund News

Baillie Gifford Shin Nippon plc plans to seek shareholder and warrant holder approval to buy back its own shares. These shares have recently been trading at 10-30% *below* net asset value, so a share buy back is one of the best *investments* the trust can make. Each share re-purchased and cancelled will increase the net asset backing of the remaining shares.

Invesco Japan Discovery Trust plc's share and warrant holders have recently given the company authority to re-purchase its own shares.

Despite a sharp drop in value over recent months, Invesco Japan Discovery Trust is one of the best managed and best performing *smaller Japanese* companies funds. Share prices of small Japanese companies have fallen sharply over recent months,

with this general market weakness being responsible for the decline in the value of the fund.

Templeton Emerging Markets plc has also been a poor performer over the last year - despite a *very long term* record of successful investment in emerging stockmarkets. The director's attribute the recent poor performance to the trusts avoidance of technology, media and telecommunications stocks which "reached extreme levels". Unfortunately, a fund that seeks *value stocks* will tend to under-perform during a speculative asset bubble.

Templeton Emerging Markets has now starting re-purchasing its own shares - which are trading at a 20-25% discount to net asset value. On July 24 the trust re-purchased 1,000,000 shares (at 124.25 pence), on July 27 it bought 2,560,000 shares (at 123.5 pence) and on July 28 acquired 2,700,000 shares (at 123 pence). That leaves the issued capital at 464,643,671 shares.

A final dividend of 1.1 pence (plus Tax Credit) will be paid to shareholders (we have formally recommended the *warrants*) on September 22, ex-dividend August 14.

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	
Asia									
SELL	AIB Govett Greater China Fund	*	13/08/96	212.9p	480.4		220.28p	722.7	+50
BUY	Fleming Asia WARRANTS	FAIW	07/03/00	43.8p	141.7		31.25p	102.5	-28
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		28.0p	91.9	+85
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		213.85-227.94p	724.7	+588
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		53.03-56.88p	180.3	+70
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		221.90-235.60p	750.5	+56
BUY	Henderson Asian Enterprises	*	08/08/00	342.2p	1122.6		320.29-342.18p	1086.7	-3
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		24.25p	79.6	+5
Japan									
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-19%	164.0p	538.1	+22
HOLD	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-14%	113.0p	370.7	+31
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		71.52-76.80p	243.3	+16
Thailand									
HOLD	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		44.75-48.89p	153.6	-1
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		72.10-76.28p	243.4	+110
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		23.0p	75.5	-37
* United Kingdom based Unit Trust									

Other Shares and Warrants

Alternative investments in the UK listed investment trust shares and warrants recommended above include **Fidelity Asian Values** shares at 91 pence (-12%, i.e. 12% *below* net asset value), **Fleming Asian** shares at 112½ pence (-7%), **Schroder Asia Pacific** shares at 90¾ pence (-8%), **Templeton Emerging Markets** shares at 119½ pence (-20%), **Baillie Gifford Shin Nippon** warrants at 48½ pence, **Invesco Japan Discovery** warrants trade at 45 pence.

Fund Recommendations:

Sell AIB Govett Greater China Fund

Buy Henderson Asian Enterprises

We recommend that investors sell their investment in UK unit trust AIB Govett China Fund and re-invest in UK unit trust Henderson Asian Enterprises. This will move our investment from a fund that has under-performed to one that has consistently performed well.

Sell AIB Govett Greater China Fund

We originally recommended buying into AIB Govett Greater China Fund in August 1996 to obtain an investment in the stockmarkets of China and Taiwan. Back in 1996, very few funds invested in these stockmarkets, but this unit trust had significant investments in both China (11% of its portfolio) and Taiwan (18%) of its portfolio.

While our investment in this fund shows a moderate profit (despite the Asian crisis of 1997 and 1998) it has generally been a disappointment and under-performed over the last few years.

AIB Govett Greater China has also significantly reduced its direct exposure in the Chinese stockmarket - with these shares now making up only 3% of the portfolio. There are, therefore, few investment funds that have any significant investments in the Chinese stockmarket.

The trust's exposure to Taiwan has risen significantly to 33%. However, while Taiwanese equities were relatively uncommon in Far Eastern funds some years ago, that is no longer the situation. The other five general Far Eastern investment funds in our portfolio all have between 14% and 23% of their portfolios invested in Taiwan.

We therefore recommend that investors redeem unit holdings in AIB Govett Greater China Fund (realising a capital gain of 50% - or about 10.7% per annum compounded) and re-invest in a better managed, better performing fund.

Buy Henderson Asian Enterprises

Henderson Asian Enterprises is a UK based unit trust that rates very highly in our current *Investment Fund Survey* with a Superiority rating of +12%.

The trust holds a £109 million investment portfolio and seeks capital growth from investing in Asia (excluding Japan, but including Australia). The fund

believes that it has a “conservative approach to investment” and invests in mainly “larger, quality companies in the region”. We believe that a lot of the recovery and growth in Asia will occur in *smaller* companies and from new start up businesses - but many of those companies will be unlisted and therefore not available for investment. Among the listed companies it could be that “larger, quality companies” with the strongest balance sheets that are able to adapt will be the best investments.

In any case, Henderson Asian Enterprises has a very long track record of consistently performing well - so the Fund Manager appears to be able to pick the right shares and/or countries in which to invest.

The portfolio is currently invested in Hong Kong (20.5% of assets), Australia (20.3%), China (11.8% - which is probably the highest level of any investment fund), Korea (11.4%), Singapore (11.2%), Taiwan (10.1%), Thailand (3.2%) and Malaysia (3.0%) plus uninvested cash (8.5%). The portfolio is very well diversified with just 27.6% of the portfolio invested in the ten largest holdings.

The minimum initial investment in this unit trust is £1000 and the bid/offer spread (i.e. initial entry cost) is 6.6%. The annual management fee is 1.5%. The trust has only “Income” units. The income yield, however, is zero (or likely to be very low) but any income will be distributed in February and August each year.

Investors can purchase units direct from the Fund Manager (Henderson Investors, 3 Finsbury Avenue, London EC2M 2PA, United Kingdom) although it is quicker, easier and cheaper to buy through FasTrade (www.fastrade.co.uk) who will rebate 3% of the initial 6.6% fee (after charging their standard £15-30 commission). Investors can also purchase units via Chelsea Financial Services (New Address: St James' Hall, Moore Park Road, London SW6 2JS, United Kingdom) who will rebate 2% of investments of at least £2000.

Henderson Asian Enterprises has consistently performed well and we are looking for that superior performance from investment in quality companies to continue. Buy.

Investment Fund Survey

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)			Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth
NEW ZEALAND															
NEW ZEALAND BASED UNIT TRUSTS															
	A Jones NZ Share	Very Low	-0%	0.50	-7	0	3		BNZ Active Growth	Very Low	+2%	0.17		7	4
	AMP NZ Share	Very Low	+2%	0.54	5	4	3		BNZ Equities Discovery	Very Low	+5%	0.27		8	6
	AMP Passive NZ Share	Very Low	-3%	0.15		-5	3		BNZ NZ Blue Chip	Very Low	+0%	0.83	-3	2	4
	AMP Tracker Fund	Medium	-0%	0.59	-30	-3	3		BNZ NZ Equity Index	Medium	-1%	0.86	-19	-5	4
	ANZ Tranz Equity	Very Low	-2%	0.70	-5	1	3		BT LP New Zealand Share	Very Low	+5%	0.64		11	5
	ASB NZ Shares	Medium	-1%	0.71		-4	3		BTIS NZ Share	Very Low	+2%	0.61	8	5	5
	AXA NM NZ Leaders	Low	-1%	0.65	-14	0	3		Coronet Equity Trust	Very Low	-2%	0.32	-2	4	13
									Direct Second Fifteen	Very Low	-1%	0.24	3	1	14
									FCMI Toronto New Zealand	Very Low	-4%	0.24	-9	-5	17
									NZ Guardian NZ Equity	Low	+2%	0.73	-9	1	2

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include NZ Guardian Small Coys, NZGuardian NZGT 30, NZ Share Index Top 40, NZFM NZ Equity, NZFM Prop & Infrastruct., Nat Bank NZ Equity Gth, Royal & Sun NZ Exp Asia, Royal & Sun NZ Sharemkt, Tower New Zealand Equity, Tower Tortis New Zealand, Westpac NZ Share Index, Westpac Sel. NZ Shares, NEW ZEALAND BASED INSURANCE BONDS, CIGNA NZ Shares, Sov. Super New Zealand, NEW ZEALAND LISTED INVESTMENT TRUSTS, Mid-Cap Index, TeNZ, UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS, NZ Investment Trust.

AUSTRALIA

AUSTRALIAN BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include AMP Active Quant Share, AMP Blue Chip Trust, AMP Equity Trust, AMP Multi-Mgr Aust Share, AMP Small Companies Trust, ANZ Aust Sharemarket Trt, ANZ Australian Leaders, ANZ Div Imputation Trust, ANZ Equity Trust No 2, ANZ Equity Imputation Trt, ANZ Equity Trust No 1, AXA NM Australian Leaders, AXA NM Equities Imput'n, AXA NM Industrial Fund, AXA NM Special Situations, Advance Imputation Fund, Aust Ethical Equities, Aust Unity Aust Leaders, BT Sel Mkts Equity Imp., BT Split Trust Growth, Challenger Growth Link, Citicorp Inv Port Aust, Col First State Future Ld, Col First State Imput'n, Col First State Aust Sh., Col First State Dev. Coys, Commonwealth Imputation, Commonwealth Aust Share, Dresdner Australian Gth, HSBC Flexi-Trust Imp Gth, Hunter Hall Value Growth, Hunter Hall Enhanced Lead, IOOF Flex Trt Aust Equity, Invesco Australian Small, Invesco Australia, Invesco Imputation, JB Were Emerging Leaders, JB Were Investment, JB Were Leaders Trust, MLC Aust Tr - Aust Share, MLC Aust Trust - Index, MLMAM Equity Trust, MLMAM Growth Trust, MLMAM Imputation Trust, Macquarie S/M Aust Share, Merc Mutual Blue Chip, Merc Mutual Emerging Coys, Merc Mutual Aust Share, NAFM In Trt - Equities, NAFM Inv Trust - Div Imp, Norwich Imputation Trust, Perpetual ICSav - Indust., Perpetual Industrial, Perpetual ICSav - Aust, Perpetual ICSav - Sm Coys, Roth FA Australian Share, Roth FA Smaller Companies, Tower Aust Imputation Trt, Tyndall Aust Spec Sits, Westpac Aust Gth Share, Westpac Aust Tax Effect.

NEW ZEALAND BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include A Jones Australian Share, AMP Australian Shares, BTIS Australian Share, Col FS Australian Equity, Col FS Tasman Share Trt, Nat Bank Trans Tasman, Nat Bank Aust Equity Gth, Westpac Australasian.

NEW ZEALAND BASED INSURANCE BONDS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Royal Sun All Trans-Tas, Sov. Super Australia.

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include UNITED KINGDOM BASED UNIT TRUSTS, Friends Prov. Australian, M & G Australian, AUSTRALIAN LISTED INVESTMENT TRUSTS, Argo Investments, Australian Foundation, BT Australian Equity, Bounty Investments, Cambooya, Choiseul Plantation, Diversified United Inv., Huntley Investment Coy, MaxiLink - Capital, Wakefield Investments.

NEW ZEALAND LISTED INVESTMENT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Ozzy Tortis.

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Australian Opportunity.

GOLD & MINING

AUSTRALIAN BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include AMP Gold Trust, AMP Resources Trust, AXA NM Resources Fund, BT Sel Mkts Global Res., Col First State Glb Res., JB Were Resources, Merc Mutual Resources, Roth FA Natural Resources.

UNITED KINGDOM BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include M & G Commodity, M & G Gold & General, Mercury Gold & General, S & P Commodity Share.

AUSTRALIAN LISTED INVESTMENT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include BT Resources.

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Mercury World Mining.

EMERGING MARKETS

AUSTRALIAN BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Macquarie S/M Emerging.

NEW ZEALAND BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include ASB Emerging Markets, NZFM Global Emerging Mkt, Nat Bank Emerging Mkts.

NEW ZEALAND BASED INSURANCE BONDS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Royal Sun All E/Markets.

UNITED KINGDOM BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Aberdeen Emerging Markets, Aberdeen Frontier Markets, City of London Emerging Mkts, Framlington Emerging Markets, Gartmore Emerging Markets, Hill Samuel Global Emerg. Mkts, Invesco Global Emerging Mkts, Lazard Emerging Markets, Martin Currie Emerging Mkts, Mercury Emerging Mkts, Rothschild Emerging Markets, Royal & Sun All. Emerging Mkts, S & P Emerging Markets, Schroder Gbl Emerging Mkts, Stewart Ivory Emerging Markets.

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Aberdeen Emerging Econ., Advance Developing Mkts, Beta Global Emerging, Dresdner RCM Emerg Mkts, F & C Emerging Markets, Fleming Emerging Mkts, Govett Emerging Mkts, Murray Emerg. Economies, Schroder Emer Countries, Tea Plantations, Templeton Emerging Mkts.

LATIN AMERICA

NEW ZEALAND BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include FCMI Toronto Latin Amer., Tower Spot. Latin Amer.

UNITED KINGDOM BASED UNIT TRUSTS

Table with 7 columns: Current Advice, Investment Fund, Risk Rating, Super-iority Rating, Market Correlation, Performance(NZ\$) 36 mth, 12 mth, 3 mth. Rows include Abbey Latin America, Aberdeen Latin America, BG Latin American, Edinburgh Latin American.

(Continued on Page 6)

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
	Fleming Select Latin America	Medium	+2%	0.98	21	47	18
	NPI Latin American	Medium	-0%	0.91	12	40	16
	Old Mutual Fund Latin American	Medium	+3%	0.96	22	54	12
	Perpetual Latin America	High	-2%	0.95	-3	47	21
	S & P Latin America	High	+2%	0.97	21	47	20
	Scott Widows Latin America	Medium	+3%	0.97		48	18

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

	Aberdeen Latin American	Very High	+0%	0.92	4	48	29
	Edinburgh Inca	Very High	+6%	0.83	18	67	19
	Scudder Latin American	High	+1%	0.85	21	47	31
	Templeton Latin Amer.	High	-2%	0.84	-2	30	15

FAR EASTERN / PACIFIC (excl JAPAN)

AUSTRALIAN BASED UNIT TRUSTS

Buy	Dresdner Taipan Trust	High	+10%	0.88	35	43	10
	Dresdner Tiger Opport.	High	+1%	0.86		28	7
	Fidelity Perp. S.E. Asia	Medium	+1%	0.91	15	18	6
	HSBC Flexi-Trt Dragon Trt	Medium	-0%	0.85	13	31	16
	Norwich Asia	High	+1%	0.77		8	2

NEW ZEALAND BASED UNIT TRUSTS

Avoid	AJ Asia Pacific Share	Medium	-7%	0.70	1	18	1
Avoid	AMP Asian Shares	Low	-7%	0.64	5	1	3
	BT LP Pacific Basin	Low	-4%	0.80		14	3
	Royal & Sun Asian S/Mkt	Very Low	-6%	0.67		18	2
Avoid	Tower Spotlight Asia	Medium	-8%	0.76	-11	19	6

NEW ZEALAND BASED INSURANCE BONDS

Avoid	Royal Sun All Far East	Very Low	-7%	0.78	11	17	3
	Sovereign Far East	Very Low	-3%	0.32	-5	28	-4

UNITED KINGDOM BASED UNIT TRUSTS

	Abbey Asian Pacific	High	+3%	0.94	15	21	4
	Aberdeen Far East Emerging	Low	-4%	0.82	15	19	5
	BG Pacific	High	+6%	0.90	13	28	5
	Baring East	Medium	-1%	0.94	-0	33	9
Buy	Britannia Pacific Growth	Medium	+7%	0.89	36	28	7
	Canada Life Far East	Medium	-5%	0.89	-4	3	4
	Cazenove Pacific Portfolio	Medium	-5%	0.94	14	20	7
	City of London Emerging Asian	Medium	-3%	0.76	6	8	8
	Credit Suisse Orient	High	+5%	0.91	16	14	4
	Deutsche Asian Trader	Medium	+0%	0.93	10	29	10
	Dresdner Tiger	Medium	+0%	0.92	4	18	3
	Edinburgh Asian Small Coys	Medium	-6%	0.86	-12	2	-3
	Edinburgh Pacific	Medium	+2%	0.88	19	20	4
Buy	Exeter Pacific Growth	Medium	+8%	0.90	55	32	14
	Fidelity South East Asian	Medium	+1%	0.84	29	27	10
	Fleming Select Pacific	Low	-4%	0.93	20	29	15
	Friends Prov. Asian Growth	Medium	-5%	0.90	-5	19	6
Avoid	GRE Pacific	Medium	-7%	0.94	1	13	5
	Gartmore Pacific	High	+3%	0.88	11	23	6
	Govett Asia Pacific	Low	-6%	0.93	10	18	9
	HSBC Asian	High	+1%	0.95	3	15	5
Avoid	HSBC Pacific Index	Medium	-16%	0.64	-29	17	12
Buy	Henderson Asian Enterprise	Medium	+15%	0.90	96	60	8
	Hill Samuel Far East	Medium	+1%	0.94	16	24	5
	Lazard Pacific Growth	High	+0%	0.82	6	22	12
Avoid	Legal & General Pacific Index	Medium	-8%	0.90	4	16	13
	Legal & General Pacific Gth	High	+0%	0.97	9	22	7
	M & G South East Asian	Medium	+1%	0.96	14	22	7
	Martin Currie Asian Pacific	Medium	+2%	0.88	12	22	12
	Mercury Pacific	Medium	-1%	0.94	3	21	3
Avoid	Murray Pacific	Medium	-10%	0.91	-9	10	6
Buy	Newton Oriental	Medium	+9%	0.89	46	49	8
	Old Mutual Fund Emerging Asia	Medium	+1%	0.96	7	18	4
	Perpetual Asian Small Mkts	Medium	+3%	0.97	18	27	9
	Portfolio Asia	Medium	+4%	0.92	32	23	9
	Prudential Pacific Markets	Medium	-3%	0.88	21	8	6
Buy	Royal London Far East Gth	High	+7%	0.83	22	36	10
Buy	S & G Sth East Asian Gth	Medium	+8%	0.89	30	41	10
Buy	Schroder Pacific Growth	High	+8%	0.94	21	27	7
	Scottish Amicable Asia Pacific	Medium	-3%	0.90	19	8	7
	Scottish Mutual Far Eastern	High	-1%	0.94	7	11	8
	Scottish Widows' Sth East Asia	High	-1%	0.91	0	6	1
	Stewart Ivory Asia Pacific	Low	-0%	0.92	31	22	10

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	Aberdeen Asian Small Co	Medium	+12%	0.56	59	47	14
	Aberdeen New Dawn	Medium	+1%	0.70	16	17	15
Buy	Edinburgh Dragon Trust	High	+9%	0.84	29	32	7
Avoid	Edinburgh Java	High	-25%	0.49	-66	-22	13
Avoid	Edinburgh New Tiger	Medium	-11%	0.77	-24	-13	-9
	Fidelity Asian Values	High	+6%	0.75	14	24	6
Buy	Fleming Asia	Very High	+25%	0.81		63	5
Avoid	Govett Asian Smaller	Very High	-7%	0.73	-33	4	4
Buy	Henderson TR Pacific	Very High	+15%	0.74	15	42	2
	Invesco Asia	Very High	-1%	0.86	-6	17	15
	Pacific Assets	Very High	+3%	0.76	1	16	6
Buy	Pacific Horizons	Very High	+10%	0.80	21	38	2
Buy	Schroder Asia Pacific	Very High	+11%	0.78	30	31	10
	Scottish Oriental Sm Co	Medium	+1%	0.66	21	16	11

FAR EASTERN / PACIFIC (incl JAPAN)

AUSTRALIAN BASED UNIT TRUSTS

	BT Sel Mkts Pacific Basin	Very High	-2%	0.84	26	32	15
	Dresdner Pacific Growth	Medium	-4%	0.76	12	35	5
	Invesco Asian Growth	High	-1%	0.77	10	11	-13

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance (NZ\$)		
					36 mth	12 mth	3 mth
Avoid	BTIS Pacific Basin	Medium	-11%	0.88	1	7	4

NEW ZEALAND BASED UNIT TRUSTS

UNITED KINGDOM BASED UNIT TRUSTS

Buy	Aberdeen Asia Pacific	Low	-4%	0.87	31	17	4
	Dresdner Orient Assets	High	+12%	0.81	65	21	-5
	Equitable Far East	Medium	+0%	0.95	44	23	1
	Friends Prov. Pacific Basin	Medium	+3%	0.94	42	24	-2
Buy	Henderson Pacific Sm Coys	High	+12%	0.78	69	44	3
Avoid	Investec GF Asian Smaller	Very High	-19%	0.73	-37	-1	-2
Buy	Jupiter Far Eastern	Medium	+21%	0.87	146	41	6
	Legal & General Far East	Medium	+4%	0.91	56	34	3
Avoid	Lincoln Far East	Medium	-17%	0.81	-4	9	9
	Martin Currie Far East	Medium	+3%	0.93	32	25	2
	Royal & Sun All. Far East	Medium	+1%	0.86	56	23	-2
	Schroder Far Eastern	Medium	+5%	0.95	43	26	-1
	Scottish Life Pacific	Low	+2%	0.92	47	25	-0
	St. James's Place Far East	Medium	+1%	0.92	37	30	2
	Un Friendly Far Eastern	Medium	+6%	0.89	52	36	2

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

	F & C Pacific	Medium	+1%	0.71	27	21	-3
Avoid	Govett Asian Recovery	Very High	-1%	0.79		8	5
	Henderson Far East Inc.	Low	-20%	0.40	-13	1	20
	Martin Currie Pacific	Very High	+2%	0.79	30	27	2

HONG KONG / CHINA REGION

UNITED KINGDOM BASED UNIT TRUSTS

	Gartmore Hong Kong and China	Medium	-5%	0.86	5	37	12
Avoid	Govett Greater China Fund	Low	-13%	0.74	-12	6	10
	HSBC Hong Kong	Medium	-4%	0.85	14	34	19
	Invesco HK and China	Medium	-3%	0.85	11	48	18
	Investec GF HK & China	Medium	+3%	0.90	54	47	25
	Old Mutual Fund Hong Kong	Medium	-5%	0.92	18	44	19
	S & P China Dragon	Medium	-4%	0.82	11	54	22

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

	Fleming Chinese	Very High	-0%	0.85	19	86	21
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KOREA

UNITED KINGDOM BASED UNIT TRUSTS

	Baring Korean	Low	+6%	0.87	74	-4	13
	S & P Korea Fund	High	+6%	0.84	43	-11	2
	Schroder Seoul	Medium	+1%	0.86	33	-22	5

THAILAND

UNITED KINGDOM BASED UNIT TRUSTS

Buy	Old Mutual Fund Thailand	Medium	+13%	0.76	-28	-34	-22
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UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Avoid	Aberdeen New Thai IT	Very Low	-7%	0.33	-33	-10	10
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INDIA

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	Fleming Indian	High	+15%	0.44	93	60	-0
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JAPAN

AUSTRALIAN BASED UNIT TRUSTS

	Dresdner Japan Growth	Very Low	+4%	0.40	85	42	5
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UNITED KINGDOM BASED UNIT TRUSTS

	Abbey Japan Trust	Low	+5%	0.65	77	27	-3
	Aberdeen Japan	Very Low	+1%	0.57	64	18	-5
Buy	BG Japan	Low	+18%	0.45	134	33	-8
	Barclays Japan	Low	-1%	0.70	49	24	-7
Avoid	Baring Japan Growth	Low	-13%	0.67	10	1	-6
	Baring Japan Sunrise	Low	+3%	0.49	74	-1	-9
	Britannia Japan	Low	+4%	0.60	74	33	-4
Buy	CCS Japan	Low	+13%	0.59	115	49	-1
	Canada Life Japanese	Very Low	+5%	0.49	77	40	-1
	Cazenove Japan Portfolio	Low	+2%	0.66	60	28	-5
	Clerical Med Japan Growth	Low	+4%	0.57	53	17	-9
Buy	Deutsche Japan Growth	Low	+11%	0.60	94	50	-2
	Deutsche Japan Tracker	Low	-4%	0.72	37	21	-7
	Dresdner Japan	Medium	+3%	0.62	61	13	-9
	Edinburgh Tokyo	Low	-3%	0.58	35	29	-6
Buy	Fidelity Japan	Low	+16%	0.46	120	52	1
Buy	Fleming Select Japanese	Low	+8%	0.62	90	32	-8
Buy	Framlington Japan & General	Medium	+10%	0.67	87	33	-10
Buy	Friends Prov. Tokyo	Low	+12%	0.53	88	34	-14
	GA Japan Growth	Low	+2%	0.69		23	-9
	GRE Japan	Low	-3%	0.62	38	14	-8
	Gartmore Japan	Low	+4%	0.61	64	22	-8
	Govett Japan General	Very Low	-2%	0.55	43	21	-3
	HSBC Japan Growth						

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance(NZ\$)		
					36 mth	12 mth	3 mth
Buy	Mercury Japan	Low	+4%	0.64	60	24	-10
Buy	Murray Japan	Low	+8%	0.61	99	25	-8
	Newton Japan Growth	Low	-2%	0.60	48	11	-4
	Old Mutual Fund Japan	Low	-4%	0.64	38	15	-7
	Perpetual Japan Growth	Low	-0%	0.65	70	10	-1
	Prudential Japanese	Medium	-4%	0.75	45	18	-8
Buy	Royal London Japan Growth	Low	+7%	0.53	84	34	-11
Buy	Schroder Japan Enterprise	Medium	+19%	0.38	85	38	-12
	Schroder Tokyo	Very Low	+1%	0.61	64	25	2
	Scottish Amicable Japanese	Low	-3%	0.75	38	16	-8
	Scottish Mutual Japanese	Low	+2%	0.71	67	22	-4
	Scottish Widows' Japanese	Very Low	+3%	0.60	67	26	-5
Buy	Stewart Ivory Japan	Very Low	+12%	0.53	109	32	-8
Buy	Sun Life of Canada Japan	Low	+14%	0.52	109	44	-4

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	Fleming Japan	High	+17%	0.50	111	42	-4
Buy	GT Japan	Medium	+7%	0.48	50	20	-13
	Gartmore Select Japan	Medium	+2%	0.49	62	35	10
	Invesco Tokyo	Very High	+5%	0.57	33	16	-12
	Martin Currie Japan	Medium	+0%	0.42	52	19	0
	Perpetual Japan	High	-4%	0.39	50	-9	-0
	Schroder Japan Growth	Low	-1%	0.31	57	4	-4

JAPAN SMALLER COS

UNITED KINGDOM BASED UNIT TRUSTS

Buy	Dresdner Japan Spec Sits	Low	+15%	0.77	169	37	-12
	Edinburgh Japan Small Coys	Low	-5%	0.77	71	10	-12
	F & C Japanese Smaller Coys	Low	+6%	0.86	115	17	-14
Buy	Fidelity Japan Sp Sits	Low	+13%	0.81	160	23	-17

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance(NZ\$)		
					36 mth	12 mth	3 mth
	Friends Prov. Japan Small Coys	Very Low	+1%	0.86	90	27	-6
	HSBC Japan Small Coys	Low	+6%	0.76	141	20	-5
Avoid	Henderson Japan Smaller Coys	Very Low	-10%	0.70	50	3	-13
Buy	Invesco Japanese Small Coys	Medium	+23%	0.82	240	41	-22
	M & G Jap Small Cos	Very Low	-5%	0.66	77	18	-2
Buy	S & P Japan Growth	Low	+21%	0.57	178	46	-12
Avoid	Schroder Japan Small Coys	Very Low	-13%	0.30	40	3	3

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	B Gifford Shin Nippon	Medium	+10%	0.65	148	31	0
Buy	Baillie Gifford Japan	Very Low	+11%	0.68	142	53	-4
Buy	Fidelity Japan Values	Medium	+19%	0.68	198	26	-13
Avoid	Henderson Japan Small	Very Low	-20%	0.55	10	-8	-8
Buy	Invesco Japan	Very High	+25%	0.70	192	45	-20

TECHNOLOGY

UNITED KINGDOM BASED UNIT TRUSTS

Buy	Aberdeen Technology	Medium	+17%	0.88	417	117	13
	CF Bio-Tech	High	+9%	0.47	196	40	
	CF Technology	Medium	+1%	0.83	146	18	
Avoid	Framlington Netnet	Very High	-29%	0.92	98	3	
Buy	Henderson Global Technology	Medium	+26%	0.88	581	163	21
Buy	Societe Generale Technology	Medium	+17%	0.86	113	16	

UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS

Buy	Finsbury Technology	Very High	+26%	0.80	586	248	30
Buy	Finsbury W/wide Pharm.	Very Low	+14%	0.50	229	193	49
Buy	Henderson Technology	Medium	+29%	0.79	548	185	22
Buy	Herald Investment Trust	Medium	+20%	0.82	483	159	17
Buy	International Biotech	Very High	+22%	0.52	233	469	46

Best Managed Investment Funds

(A review of Funds that rate well in our current Investment Fund Survey. These funds are not formal Buy recommendations.)

The Technology Sector

Technology funds is a new sector in our *Investment Fund Survey*. There have been many new Technology funds launched during the first half of this year - and these will appear in our survey once there is at least one-year of historical data that we can analyse to assess their performance. In the meantime, however, there is no shortage of long established Technology funds that have performed very well relative to their sector (which has, of course, performed very well relative to non-technology shares).

Funds worthy of consideration include UK unit trust **Henderson Global Technology** as well as listed UK investment trusts **Finsbury Technology**, **Henderson Technology** and **Herald Investment Trust**.

With technology shares currently *in favour* with investors, the listed Technology funds currently trade at premiums to net asset value - so the unit trusts are probably the preferred funds at this time. Some of the listed trusts also have *performance fee* structures - which can be very expensive over the next few years as the Fund Manager takes a big share of the profits!

After strong gains by technology shares over the last three years, we remain cautious about investment in this sector which may now be over-valued. The funds discussed below, however, have all performed strongly - suggesting continued good performance relative to the technology share price index.

Henderson Global Technology is very large with assets of £1,280 million. Most of its investments are in the United States (66.8% of its portfolio) and in cash (9.4%), with smaller amounts in Japan (4.9%), United Kingdom (4.4%), France (3.0%) and other

countries (11.5%).

The annual management fee is 1.5%. The bid-offer spread (i.e. the cost of buying into these unit trusts) is 5.7% (although companies like FasTrade and Chelsea will rebate 2-3% of this fee back to investors) and the minimum initial investment is £1000.

The listed investment trusts, **Finsbury Technology**, **Henderson Technology** and **Herald Investment Trust** are also well managed technology funds.

These listed investment trusts are large funds, although smaller than the Henderson unit trust discussed above. Finsbury has a portfolio of only £139 million, Henderson has £726 million and Herald £469 million.

Finsbury has most of its portfolio invested in the United States (52.6% of assets) and the United Kingdom (28.9%), with smaller investments in Europe (9.1%), Asia (5.3%) and Japan (2.1%). The Henderson fund is also weighted towards the United States (66.0%), plus Europe (22.9) and Japan/Asia (13.0%).

In contrast to the other three technology funds, Herald Investment has most of its investments in the United Kingdom (63.6%) and a much smaller holding in the United States (16.1%). Europe (6.7%) and other countries (7.1%) plus cash (6.5%) make up the rest of the portfolio.

The Finsbury and Henderson trusts offer their Fund Managers a performance incentive in addition to a 1.0% per annum management fee:

The Finsbury performance incentive has two parts: (1) one-tenth of any increase in net assets in excess of 10% per year, and (2) a further 10% of any increase in net assets in excess of the rise in (*Continued on Page 8*)

Best Managed Funds (Continued from Page 7) the MSCI World index (but payable every five years). The 1% base fee plus incentive fees will have earned about £15-16 million for the Fund Manager over the last year - equal to about 15-16% of average net assets!

The Henderson performance incentive is similarly in two parts: (1) one-tenth of the amount by which net assets outperform the MSCI World index plus (2) a further 5% by which net assets exceed a rate of gain 5% above the London inter-bank interest rate (payable every three years). We estimate a total management fee for the last year at about £54 million - or about 10% of the trust's net asset value!

We do not believe that such incentive fees can lift the performance of a large diversified portfolio of listed equities but will simply enrich the Fund Management company - ultimately at the expense of the shareholders.

Herald Investment has the lowest annual management fee of any of the five technology funds being discussed - just 1.0% per annum.

Another disadvantage of listed Technology investment trusts at this time is that they are trading at a *premium* to net asset value. Finsbury Technology trades at a 12% premium to net asset value, Henderson Technology at a 16% premium and Herald Investment is at a 6% premium.

Technology Sector Summary

At the present time, Technology unit trusts are more attractive owing to the listed trusts trading at premiums to net asset values. Performance incentive fees on the listed trusts, Finsbury Technology and Henderson Technology, also make these two funds less attractive than the other three funds which charge a flat 1-1½% annual fee.

Our first choice for a Technology fund would be the top performing UK unit trust **Henderson Global Technology**. For investors wanting further diversification in this sector, the UK listed **Herald Investment Trust** is attractive and offers a greater exposure to UK technology companies.

Far Eastern Funds

In addition to some of the top performing Far Eastern funds that we have previously formally recommended (i.e. listed investment trusts **Fleming Asia**, **Schroder Asia Pacific** and **Fidelity Asian Values**) there are two UK unit trusts, **Henderson Asian Enterprises** and **Newton Oriental Fund**, which warrant comment.

Henderson Asian Enterprises looks so attractive that we are formally recommending investing in this fund - so see our "Buy" recommendation on Page 4 for more details.

Unlike Henderson Asian Enterprises which has a long term track record of consistently outperforming, **Newton Oriental Fund** has only performed strongly during the last six months. Its ability to continue to perform strongly is therefore less certain.

Like Henderson, the Newton fund seeks capital growth from Asian stockmarkets (excluding Japan, but

including Australia) and it also seeks to invest in larger, "blue chip" companies. Where its investment policy may differ is its "emphasis on companies that are restructuring" as well as favouring "telecom and media companies". Restructuring is an important feature of companies that will prosper in Asia, so if the fund can identify companies willing to adapt and restructure it could find itself owning a number of very successful investments.

The £45 million portfolio is mainly invested in Hong Kong (25.2% of assets), Korea (18.5%) and Taiwan (17.6%), with smaller amounts in the United States (6.6%), Malaysia (6.2%), China (5.9%), India (5.6%), Australia (4.7%), Singapore (3.6%), other countries (4.4%) and uninvested cash (1.8%). The portfolio is well diversified with the ten largest shareholdings accounting for just 34.0% of the portfolio.

Newton Oriental Fund is an OEIC (i.e. open ended investment company) which is a new simplified legal structure but very similar to the traditional unit trust. As an OEIC, only a single price is quoted, but an initial sales charge is added to this price when investors are buying into the fund. The minimum initial investment is £1000 and an initial sales fee of 4.0% is added to the quoted price when investing in the fund (3% of which will be rebated back to investors by FasTrade and 2% by Chelsea). The annual management fee is 1.5%. Only "Income" shares are available, but the income yield is expected to be zero.

Far Eastern Sector Summary

Henderson Asian Enterprises has been very well managed and is attractive enough to be a formal "Buy" recommendation to replace an existing investment that has not performed up to our expectations.

Newton Oriental Fund has performed very well over recent months - but prior to that achieved only a return close to the market average. The recent strong performance may have resulted from several *lucky* investments - or it may indicate a new level of superior management. Certainly targeting restructuring Asian companies could be a very successful strategy, but it is still too early to know whether Newton Oriental can continue its recent very strong performance.

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Next Issue

The next issue of "International Investor" will be posted in four weeks time on Tuesday September 5, 2000 and on our internet sites on Wednesday September 6.