

# International Investor

Issue No. 76

P.O. Box 34-162, Auckland

April 16, 2002.

## Inside International Investor

Stockmarkets weaken on Oil worries, but long term outlook still moderately favourable ..... 2

Investment Fund Survey ..... 4 - 7

Best Managed Funds:  
Gartmore Fledgling, Eastern European ..... 8

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
						3mths	6mths	12mths	
Australia	61%	Neutral	Bullish	Bullish	Bearish	+1.2%	+11.0%	+8.0%	3,307.70
Austria	71%	Neutral	Bullish	Neutral	Bullish	+16.4%	+17.8%	+9.6%	1,323.38
Belgium	68%	Bullish	Bullish	Neutral	Bullish	+3.4%	+0.2%	-3.2%	2,792.55
Canada	58%	Neutral	Neutral	Neutral	Bullish	+1.1%	+8.7%	-2.8%	7,730.98
Denmark	59%	Neutral	Bearish	Bullish	Bullish	-2.8%	-4.9%	-11.6%	261.98
Finland	53%	Bullish	Bearish	Bullish	Bullish	-12.4%	+4.3%	-16.2%	7,565.37
France	56%	Neutral	Neutral	Neutral	Bullish	-1.6%	+3.5%	-14.9%	2,960.73
Germany	55%	Bearish	Neutral	Neutral	Bullish	-1.9%	+8.4%	-14.7%	5,189.65
Ireland	62%	Bullish	Bearish	Bullish	Bullish	-10.1%	-6.2%	-11.6%	5,076.37
Italy	57%	Bullish	Neutral	Neutral	Bullish	+1.5%	+5.3%	-17.4%	23,468.00
Japan	51%	Bearish	Bearish	Bullish	Bullish	+5.2%	-5.3%	-23.3%	10,962.98
Netherlands	69%	Bullish	Neutral	Bullish	Bullish	+1.4%	+1.9%	-13.8%	715.60
New Zealand	47%	Bearish	Neutral	Bullish	Neutral	-0.7%	+11.1%	+10.3%	2,025.00
Norway	61%	Neutral	Bullish	Bullish	Neutral	+7.3%	+21.4%	-5.8%	678.54
Spain	59%	Neutral	Neutral	Neutral	Bullish	+1.1%	+4.4%	-13.3%	811.76
Sweden	49%	Bearish	Bearish	Bullish	Bullish	-6.2%	+8.0%	-6.3%	224.09
Switzerland	66%	Bearish	Bullish	Bullish	Bullish	+2.0%	+6.5%	-6.8%	6,593.00
Un. Kingdom	53%	Neutral	Bearish	Bullish	Bullish	-1.5%	-0.7%	-10.6%	5,161.00
USA	56%	Bearish	Bearish	Bullish	Bullish	-3.0%	+1.8%	-6.1%	1,111.01
Argentina	56%	Bullish	Neutral	Bearish	Bullish	-25.9%	-6.6%	-36.0%	1,350.64
Brazil	59%	Neutral	Bullish	Bearish	Bullish	+6.8%	+54.6%	-13.7%	13,750.89
Czech Rep.	82%	Bullish	Bullish	Bullish	Neutral	+13.2%	+33.9%	+15.6%	440.20
Chile	40%	Neutral	Neutral	Bearish	Neutral	+3.8%	+15.8%	-0.3%	5,250.32
China	44%	Bearish	Bearish	Bullish	Bullish	-2.7%	-3.0%	-15.3%	150.40
Greece	44%	Bullish	Bearish	Bullish	Neutral	-15.7%	-5.9%	-31.0%	2,203.39
Egypt	38%	Neutral	Bearish	Bearish	Bullish	-0.7%	-6.5%	-13.0%	621.59
Hong Kong	44%	Neutral	Bearish	Neutral	Bullish	-4.1%	+4.2%	-17.6%	10,710.48
Hungary	77%	Bullish	Bullish	Neutral	Bullish	+12.3%	+35.0%	+36.9%	8,714.59
India	60%	Bearish	Bullish	Bullish	Neutral	+3.3%	+16.5%	+5.6%	3,510.90
Indonesia	51%	Bearish	Bullish	Bearish	Neutral	+43.0%	+48.6%	+63.6%	539.27
Israel	57%	Bearish	Bearish	Bullish	Bullish	-20.7%	-9.6%	-18.9%	379.11
Korea	67%	Bearish	Bullish	Bullish	Neutral	+18.7%	+65.4%	+68.0%	875.69
Malaysia	65%	Bearish	Bullish	Neutral	Bullish	+10.4%	+27.0%	+33.5%	776.21
Mexico	81%	Bearish	Bullish	Bullish	Bullish	+15.7%	+33.1%	+25.3%	7,391.25
Philippines	73%	Bearish	Bullish	Bullish	Neutral	+18.7%	+39.6%	-4.9%	1,405.34
Poland	62%	Bearish	Bullish	Neutral	Bullish	-4.7%	+19.0%	-1.3%	15,049.68
Portugal	57%	Bearish	Bearish	Bullish	Bullish	-2.3%	+1.0%	-19.0%	1,983.91
Russia	61%	Neutral	Bullish	Neutral	Neutral	+26.6%	+87.6%	+109.6%	4,380.43
Singapore	73%	Neutral	Bullish	Bullish	Bullish	+3.1%	+22.5%	+8.1%	1,751.75
Sth Africa	52%	Bullish	Bullish	Bearish	Neutral	+3.2%	+6.2%	-6.7%	11,119.82
Taiwan	68%	Bearish	Bullish	Neutral	Bullish	+8.9%	+59.7%	+5.7%	6,182.59
Thailand	59%	Bearish	Bullish	Neutral	Neutral	+15.4%	+36.8%	+35.8%	379.63
Turkey	65%	Bearish	Bearish	Bullish	Bullish	-9.4%	+47.9%	+3.0%	9,663.00
Venezuela	33%	Neutral	Bullish	Bearish	Bearish	+7.5%	+0.5%	-14.6%	7,627.32

**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.

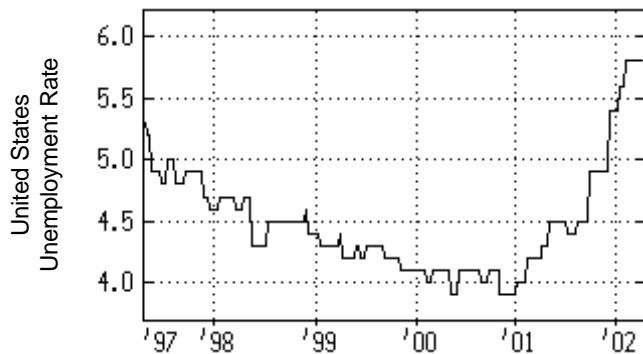
# Stockmarket Outlook

World stockmarkets consolidated over the last month as investors worry about the impact of higher oil prices on the weak global economic and stockmarket recovery. The current Middle East conflict has created a short term *risk premium* on the price of oil - which is unlikely to last or have a significant impact on the economic recovery. A greater risk lies in the US war on terrorism spreading to Iraq. That would cut oil supply and keep prices high for a longer period.

The US (and world) economy, however, is clearly in the first stages of recovery - having dived into a recession last year . . .



. . . and significantly boosting unemployment . . .



The Federal Reserve responded with lower interest rates . . .



. . . although that period of monetary easing has now ended.

The US stockmarket has suffered a Bear Market decline over the last two years, hitting a low last September from which prices have bounced back . . .



. . . however stock valuations remain high (although partly owing to the decline in corporate profitability) with Price/Earnings ratios in the high 20's . . .



. . . and Dividends Yields still less than 1½% . . .



The medium to long term outlook for the US and most other stockmarkets is moderately favourable. That is, we expect a slow economic recovery and a slow rate of recovery and appreciation in stock prices. Over the next month or two, however, stock prices may weaken back towards last September's lows.

We shall remain almost fully invested, with a small cash reserve that will allow us to add one further investment fund to our portfolio over the next few months.

# Recommended International Investment Funds

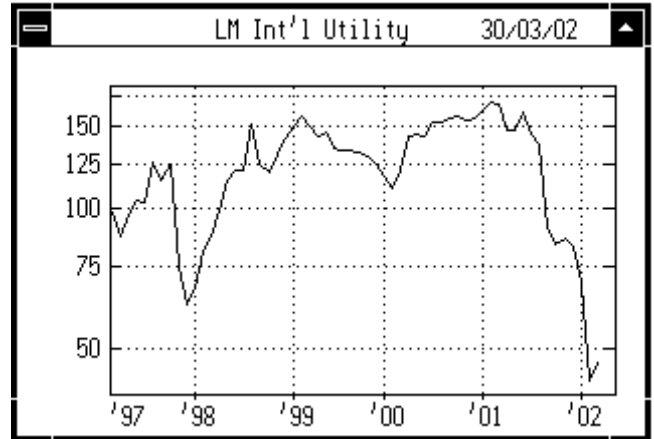
## Share Buy-Back

**Fleming European Fledging Investment Trust plc** has re-purchased a further 200,000 shares at 222 pence. This fund currently has most of its portfolio invested in Italy (11.8% of the portfolio), France (10.8%) and Germany (10.6%), with smaller investments in Switzerland (8.8%), Sweden (8.5%), Finland (7.7%) and the Netherlands (7.7%). Its investment in Fleming Frontier Euro Discovery Fund - which invests in *micro-cap* European companies - accounts for 7.1% of the portfolio. Norway (4.4%), Denmark (4.3%), Eire (4.0%), Spain (4.0%), Belgium (3.6%), other investments (2.4%) and cash (4.3%) make up the remainder of the portfolio.

## Fund Recovery?

**Legg Mason Investors International Utilities Trust plc** is showing some signs of recovery - with both its net asset value and share price rising over recent months.

The fund, however, rates poorly in our *Investment Fund Survey* after suffering a significant decline. "Hold".



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		
<b>Europe</b>									
BUY	Fleming Euro Fledgeling IT plc	FEF	15/01/02	226.5p	765.8	-15%	224p	725.5	-5
<b>United Kingdom</b>									
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	+7%	377.0p	1220.9	+5
<b>Asian Regional</b>									
BUY	JPM Fleming Asia WARRANTS	JPFW	07/03/00	43.8p	141.7		17.25p	55.9	-61
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		14.25p	46.2	-7
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		180.50-192.90p	604.6	+474
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		42.6p	137.9	+30
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		159.3p	515.9	+7
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		260.8p	844.6	-25
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		10.75p	34.8	-54
<b>Japan</b>									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-18%	109.25p	353.8	-20
BUY	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-17%	67.0p	217.0	-24
<b>Korea</b>									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		101.40-107.70p	338.6	+62
<b>Thailand</b>									
HOLD	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		48.16- 51.27p	161.0	+3
<b>International</b>									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		68.18- 72.14p	227.2	+96
HOLD	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	-32%	50.5p	163.5	-71
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-33%	124.0p	401.6	-4
BUY	Templeton E/Mkts WARRANTS	TEMA	13/07/99	40.3p	119.7		16.0p	51.8	-57

\* 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 70½ pence (-10%, i.e. 10% below net asset value), **JPMorgan Fleming Asian** shares at 92 pence (-11%), **Schroder Asia Pacific** shares at 73½ pence (-13%), **Templeton Emerging Markets** shares at 121½ pence (-15%), **Baillie Gifford Shin Nippon** warrants at 27¾ pence, **Eaglet Investment Trust** warrants at 277½ pence and **Invesco Japan Discovery** warrants which trade at 14 pence.

# Investment Fund Survey

Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance			Current Advice	Investment Fund	Risk Rating	Superiority Rating	Market Correlation	Performance		
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth
<b>INTERNATIONAL</b>															
<b>AUSTRALIAN BASED UNIT TRUSTS</b>															
	AMP Multi-Mgr Global	Medium	-4%	0.86	-10	-14	-5								
	ANZ International Markets	Medium	-5%	0.72	-22	-11	-6								
	Advance International	Medium	-4%	0.51	-9	-15	-1								
Avoid	Advance Worldwide Share	High	-7%	0.75	-27	-14	-6								
	BT International	Very High	-1%	0.82	-9	-8	0								
Avoid	Citicorp Inv Port Global	High	-11%	0.54	-31	-11	0								
	Citigroup Global Equity	Low	-2%	0.64	-11	-3									
	Commonwealth Int'l Share	High	-0%	0.67	-9	-10	-3								
	Dresdner Global	Medium	-6%	0.66	-16	-18	-5								
	Dresdner International	Very High	+4%	0.80	10	-20	-5								
	Fidelity Perp. Int'l	High	-1%	0.80	-5	-16	-4								
Avoid	HSBC Flexi-Trt Int'l Trt	Medium	-8%	0.62	-25	-13	-6								
Avoid	Invesco International	Very High	-12%	0.69	-39	-26	-5								
	JB Were International	High	-3%	0.79	-11	-15	-6								
Avoid	Lowell International	Low	-21%	0.19	-52	-36	-3								
Buy	MLC Aust - Platinum Gbl	High	+8%	0.56	24	6	8								
	MLC MKey Global Share	High	+3%	0.81	-13	-5									
Avoid	NAFM Inv Trt - Global	Medium	-7%	0.64	-21	-16	-4								
	Perpetual ICSav - Int'l	High	+1%	0.81	-1	-12	0								
Avoid	Roth FA Int'l Share	High	-19%	0.35	-51	-37	-4								
	Tyndall Aust Int'l No 1	Very High	+0%	0.82	-17	-14	-6								
Avoid	WealthLink World Link	Medium	-10%	0.41	-27	-16	-3								
Avoid	Westpac International	Low	-11%	0.51	-29	-12	-5								
<b>NEW ZEALAND BASED UNIT TRUSTS</b>															
	AMP International Share	Medium	-2%	0.86	-8	-8	-3								
	AMP Passive Int'l Share	Medium	-0%	0.80	-6	-14	-6								
	ANZ World Equity Trust	Medium	+0%	0.85	3	-7	-2								
Buy	ASB World Shares	High	+1%	0.81	-13	-8	0								
	BNZ Int'l Equity Index	Very High	+22%	0.58	2	11									
	BNZ International Equity	Low	+6%	0.74	29	3	-2								
	BT Life Int'l Share	Medium	+1%	0.87	4	-7	-1								
	BTIS International Share	Medium	-1%	0.84	-0	-6	0								
	NZ Guardian Global	Medium	-1%	0.82	-2	-8	-4								
	NZFM Global Equity Gth	Medium	-0%	0.81	3	-11	-3								
	NZFM Global Blue Chip	Very Low	+3%	0.52	26	1	1								
Avoid	NZFM Global Prop & Infra	Medium	-7%	0.65	-21	-22	-2								
Buy	NZFM Global Small Coys	High	+8%	0.69	29	0	-1								
Avoid	Nat Bank Int'l Equity	Low	-10%	0.70	-22	-15	-3								
	Royal & Sun Int'l S/Mkt	Medium	+1%	0.86	7	-6	-1								
	Tower Global Equity	Medium	+2%	0.84	-3	-7	-4								
	Tower Tortis Intern'l	Medium	+1%	0.79	1	-13	-4								
	Westpac International	Medium	-2%	0.83	-5	-12	-5								
<b>NEW ZEALAND BASED INSURANCE BONDS</b>															
	Royal Sun All Global Fd	High	+2%	0.87	2	-11	-4								
	Sov. Super Int'l Equity	Medium	+3%	0.81	8	-6	-1								
<b>UNITED KINGDOM BASED UNIT TRUSTS</b>															
	ABN AMRO Global Growth	High	-5%	0.73	-14	-26	-14								
	AXA Global - Global Growth	Medium	+2%	0.90	-12	-9									
	Abbey Global Growth	Very Low	-6%	0.00	15	-5	-7								
	Abbey Global Opportunities	Medium	-5%	0.90	-14	-8									
	Abbey International	Medium	-2%	0.88	-4	-13	-8								
	Abbey Nat'l International	Medium	-3%	0.85	-4	-15	-6								
	Aberdeen World	High	-4%	0.94	-7	-15	-5								
	Aegon Worldwide Tactical	High	-3%	0.93	-20	-6									
	Allchurches Int'l Growth	Medium	+4%	0.95	-7	-1									
	BG International	Low	+1%	0.45	13	-10	-5								
	Bank of Scotland World Gth	Medium	-0%	0.94	-13	-6									
	Barclays Worldwide	Medium	+0%	0.95	8	-9	-6								
	Baring Global Growth	High	+0%	0.89	-9	-12	-6								
	Britannic Global Growth	Medium	-3%	0.82	-12	-6									
	Canada Life International Gth	Medium	+3%	0.80	11	-11	-2								
Buy	Cavendish Worldwide	Medium	+10%	0.89	-3	-3									
	Clerical Medical UK & Overseas	Medium	-0%	0.89	-1	-10	-6								
Buy	Deutsche World Opps	High	+10%	0.79	-9	-7									
	Dresdner Global Equity	Medium	-2%	0.79	-13	-13	-7								
Buy	Exeter Global Opportunities	Very High	+10%	0.94	-16	-5									
	Fidelity International	Medium	+2%	0.93	-11	-5									
	Fidelity Managed Int'l	High	+5%	0.83	-7	-13	-5								
	First State Global Growth	Medium	+0%	0.87	-8	-3									
	Fr Prov International	Medium	-0%	0.89	-5	-14	-9								
	Framlington International	Medium	+1%	0.81	-2	-17	-8								
Buy	GAM International Growth	Low	+7%	0.61	3	3									
	Gartmore Global Utilities	Low	-4%	0.49	-5	-26	-13								
	Gartmore Global Growth	Low	-4%	0.84	-13	-7									
	Govett Global Opportunites	Medium	+1%	0.90	-11	-6									

## Investment Fund Survey Information.

**Fund Listings.** Unit trusts are listed under the country where they invest, and then sub-divided according to the country where the Fund Manager is based. For example, "Australian Funds" hold principally Australian shares and other Australian investments although these funds may be based in either the UK, NZ or Australia.

**Risk Ratings.** Most equity funds follow general stockmarket trends but some are far more volatile than others. The "Risk Rating" measures just how volatile a fund is relative to the stockmarket in the country where it invests. "Very High" and "High" risk funds will usually rise very fast during a Bull Market (i.e. during a rising stockmarket trend) but will also fall fastest in value when the stockmarket dips. "Low" and "Very Low" risk funds will experience smaller price fluctuations.

**Superiority Ratings.** The "Superiority Rating" is the most important statistic for selecting the best managed funds to buy and the worst managed funds to avoid. The "Superiority Rating" shows whether a fund's actual return was above or below its expected return based upon its volatility. For example, if the stockmarket rises 10% then a fund with a volatility of 1.5 would be expected to rise 15% (i.e. 10% x 1.5). If the fund rose 20% it would have a "Superiority Rating" of +5%. On the other hand, if the fund rose only 10% it would be given a "superiority rating" of -5%. (Actually, the "Superiority Ratings" are calculated from a statistical analysis of each fund's monthly performance over the last three years, with extra importance given to its performance over the latest twelve month period.)

Many funds that beat the stockmarket by a substantial margin during the Bull Market years of 1986-87 simply invested in very risky, volatile shares and were not really managed in a superior way. Only funds that perform better than can be expected from their volatility (or risk exposure) can be said to be benefiting from genuinely superior management.

**Current Advice.** The "Superiority Rating" measures the annual amount by which a fund's performance is above or below its expected return based upon its level of risk exposure. As a high "Superiority Rating" indicates excellent management of the fund's investment portfolio

these trusts are automatically given "Buy" ratings. A negative "Superiority Rating" shows poor investment results and the funds with the worst management record have been given an "Avoid" rating.

**Market Correlation.** The "Market Correlation" measures how closely a fund's price follows general stockmarket movements (in the country where it invests). Correlations, which statisticians call  $R^2$  ("R-squared"), vary from 0 (no correlation) to 1 (100% correlation). Most equity funds have "Market Correlations" between 0.60 and 0.95.

Investors who buy and sell funds on the basis of "market timing" should choose funds with high market correlations. The performance of these funds will closely reflect general stockmarket movements. Other investors may wish to minimise the impact of general stockmarket fluctuations and buy funds with lower market correlations.

### How to Maximise Profits from this Investment Fund Survey.

First decide whether you want to invest in a fund that holds New Zealand, Australian, International, United Kingdom, European, Japanese or Gold & Mining shares, then turn to the appropriate section.

If you expect the stockmarket to rise strongly (in the country where the fund invests) the "High" and "Very High" risk funds with high superiority ratings and high market correlations will be your choice.

If uncertain about the general stockmarket trend then "Medium", "Low", or even "Very Low", risk funds with the highest superiority ratings will be the best investments.

Most NZ based and Australian based unit trusts are sold through sharebrokers and other commission sales organisations. UK based trusts are not sold through NZ agents but may be bought and sold (by telephone or by post) directly from the management organisations, through Chelsea Financial Services who rebate 2% of the initial sales charge or through UK internet broker FasTrade ([www.fastrade.co.uk](http://www.fastrade.co.uk)) who rebate 3%. Addresses and telephone numbers may be found in the unit trust section of leading UK newspapers (available at major public libraries), on the Financial Times internet site ([www.ft.com](http://www.ft.com)) or from "International Investor". Prices can also be found at the TrustNet web site ([www.trustnet.com](http://www.trustnet.com)).



Current Advice	InvestmentFund	Risk Rating	Superi- ority Rating	Market Correl- ation	Performance			Current Advice	InvestmentFund	Risk Rating	Superi- ority Rating	Market Correl- ation	Performance							
					36 mth	12 mth	3 mth						36 mth	12 mth	3 mth					
	Barclays FTSE 100	Medium	-1%	0.80	-9	-9	-3	Avoid	Enhanced Zero Trust	Very Low	-55%	0.00	-98	-91						
	Baring UK Growth	Medium	+1%	0.63	-6	-13	-6	Avoid	Exeter Selective Assets	Very Low	-18%	0.01	-42	-50						
	Britannic UK General	Medium	-3%	0.74	-13	-13	-6	Buy	F & C Income Growth	Medium	+10%	0.55	37	7						
	Cazenove UK Equity	Medium	-1%	0.68	-5	-12	-7	Buy	Fidelity Special Values	Medium	+28%	0.27	148	8						
	Clerical Medical UK Growth	High	-3%	0.79	-11	-4	-4		Finsbury Growth	Low	+0%	0.52	-1	-12						
	Credit Suisse Growth	Medium	+5%	0.55	13	-11	-7		Fleming Claverhouse	High	+2%	0.81	-4	-14						
	Deutsche UK Blue Chip	Medium	+2%	0.79	-4	-13	-6		Gartmore Growth Opps	Very High	-4%	0.49	-20	-7						
	Deutsche UK Equity	Low	+3%	0.64	7	-9	-3	Buy	Glasgow Income Trust	Low	+9%	0.29	22	2						
	Deutsche UK Growth	Medium	+5%	0.67	10	-10	-6		Govett Strategic Inv.	High	+5%	0.48	5	-21						
	Deutsche UK Index	Medium	-1%	0.80	-10	-11	-6		Invesco Convertible	Very Low	+4%	0.22	13	-12						
	Direct Line FTSE 100 Tracker	Low	-3%	0.93	-12	-6	-6		Life Offices Opport.	Very Low	-3%	0.02	6	-14						
	Dresdner UK Growth	High	+4%	0.55	-2	-21	-9		London & St Lawrence	Very Low	-1%	0.26	-6	-12						
	Dresdner UK Index	Medium	+0%	0.80	-5	-11	-6	Buy	Lowland Investment Co	Low	+17%	0.27	67	2						
Buy	Exeter Capital Growth	Medium	+9%	0.47	18	-19	-9	Buy	Merchants Trust	Very High	+10%	0.56	10	8						
Buy	Fidelity Special Situations	Low	+18%	0.37	90	3	0	Buy	Murray Income Trust	High	+12%	0.63	26	1						
	Fidelity UK Growth	Medium	+4%	0.71	7	-8	-5	Buy	Perpetual Income & Gth	Medium	+10%	0.37	32	11						
	First State British All Cos	Medium	-4%	0.79	-13	-7	-7		Schroder Income & Grwth	Very Low	+6%	0.32	31	9						
	Fr Prov Equity	Medium	-2%	0.75	-9	-14	-8		Schroder UK Growth	Medium	-5%	0.53	-16	-19						
	Fr Prov UK Growth	Medium	-6%	0.78	-14	-8	-8		Shires Investment Trust	Medium	-2%	0.36	-20	-25						
	Fr Prov UK Index Tracking	Medium	-1%	0.80	-11	-7	-7	Buy	Temple Bar Inv. Trust	Medium	+8%	0.50	15	-3						
Buy	Framlington UK Growth	Low	+7%	0.61	20	-9	-8		Tribune Trust Indexed	Low	-1%	0.68	-4	-9						
Buy	GAM UK Diversified	Very Low	+19%	0.20	1	-4	-4		Undervalued Assets	Low	-3%	0.18	-6	-14						
	Gartmore UK Growth	High	+1%	0.72	-4	-14	-6	Buy	Value & Income Trust	Very Low	+8%	0.20	40	4						
	Gartmore UK Index	Medium	+0%	0.79	-5	-11	-6		<b>UNITED KINGDOM BASED INVESTMENT TRUSTS - SPLIT CAPITAL</b>											
	Govett FTSE 250 Index	Medium	+6%	0.50	14	-4	-3	Avoid	BFS Income & Growth	Very Low	-66%	0.02	-97	-95						
	Govett UK Blue Chip	Medium	-1%	0.79	-13	-9	-9		BFS Small Companies	Very Low	+1%	0.04	-3	-13						
	Govett UK Enhanced Opps	Very High	-3%	0.77	-25	-6	-6	Avoid	Broadgate	Very Low	-100%	0.01	-88	-41						
	HSBC FTSE 100 Index	Medium	-2%	0.85	-10	-12	-6	Avoid	City of Oxford Grd Inc	Low	-21%	0.04	-66	-33						
	HSBC FTSE 250 Index	Medium	+3%	0.46	-5	-3	-3	Buy	Danae - Capital	Very High	+19%	0.74	-24	-25						
	Hargreaves Investment	Low	-0%	0.30	9	-33	-5	Buy	Derby Trust - Capital	Medium	+10%	0.41	22	-6						
	Hargreaves Warrant	Very High	+6%	0.38	15	-27	-3	Buy	Dresdner RCM Income Gth	Very Low	-2%	0.07	-18	-23						
	Henderson UK Capital Growth	Medium	-0%	0.73	-9	-6	-6		Edinburgh Income & Val.	Very Low	+7%	0.09	2	2						
	Hill Samuel British	Medium	-2%	0.80	-10	-8	-4	Buy	Fleming I & G (2006)	Very High	-26%	0.11	-75	-20						
	Hill Samuel Capital	Medium	+0%	0.79	-5	-10	-5	Avoid	Framlington Second Dual	Medium	-43%	0.07	-75	-45						
	Jupiter Environmental	Medium	-3%	0.47	-15	-4	-4	Avoid	Framlington I & C - Cap	High	+4%	0.39	-3	-21						
	Jupiter UK Growth	Medium	+2%	0.59	3	-17	-8	Buy	Gartmore SNT	Very High	+23%	0.34	-82	-55						
	Jupiter UK Special Situations	Medium	+2%	0.32	2	-22	-8	Buy	Gartmore High Income	Very Low	-32%	0.00	-55	-45						
Buy	Jupiter Undervalued Assets	Very High	+18%	0.51	2	-2	-2	Avoid	Geared Income	Very Low	-94%	0.01	-96	-75						
	L & G (A & L) Capital Growth	Medium	+1%	0.69	-10	-6	-6	Avoid	Govett Enhanced Income	Very High	-32%	0.10	-80	-58						
	L & G (A & L) UK 100 Index	Medium	-1%	0.82	-11	-6	-6	Buy	Henderson High Income	High	+25%	0.32	-2	-8						
	L & G Equity	Medium	-2%	0.75	-8	-11	-6	Buy	Henderson Geared I & G	Very Low	-4%	0.26	-8	-15						
	L & G UK Index	Medium	-1%	0.74	-4	-11	-5	Avoid	I & S Optimum Income	Very Low	-8%	0.13	-28	-36						
	L & G UK Recovery	Medium	-1%	0.68	-5	-11	-6	Buy	Invesco Recovery 2005	Very Low	+8%	0.07	32	-17						
	L & G UK Stockmarket	Medium	-1%	0.83	-9	-11	-5	Buy	Invesco Geared Opps	Very Low	+6%	0.14	20	-13						
	Legg Mason UK Growth	High	+2%	0.84	-12	-6	-6	Avoid	Investors Capital	Very High	-10%	0.25	-98	-98						
	Lincoln Growth	Medium	-3%	0.68	-12	-13	-6	Avoid	Jersey Phoenix	Very High	-21%	0.27	-71	-62						
Buy	M & G Blue Chip	Medium	-3%	0.81	-16	-9	-9	Buy	Jos Holdings - Capital	Very High	+17%	0.41	37	-22						
	M & G British Opportunities	Medium	+11%	0.44	-14	-6	-6	Avoid	Jove Investment - Cap	Very High	-32%	0.15	-89	-86						
	M & G Capital	Medium	-6%	0.61	-21	-14	-7	Buy	Jupiter Split Trust Cap	Very High	+44%	0.29	89	-6						
	M & G Index Tracker	Medium	+0%	0.86	-12	-7	-7	Buy	Jupiter Enhanced	Very Low	-3%	0.05	-28	-7						
	M & G Recovery	Medium	+3%	0.64	-1	-13	-7	Avoid	Jupiter Dividend & Gth	Very Low	-8%	0.00	-54	-35						
	M & G UK Growth	Medium	-6%	0.70	-18	-12	-12	Avoid	Leveraged Income Fund	Very Low	-68%	0.01	-95	-93						
	MGM Special Situations	Medium	+3%	0.67	7	-10	-7	Buy	M & G Equity Trust - Cap	High	-2%	0.18	-36	-24						
	MGM UK Growth	Medium	+2%	0.76	4	-10	-6	Buy	M & G High Income - Cap	Very High	+7%	0.12	-14	-13						
	Marlborough UK Growth	Very Low	+0%	0.27	10	-9	-4	Buy	M & G Recovery - Cap	Very High	+17%	0.33	8	-30						
	Martin Currie UK Growth	Medium	+3%	0.66	8	-3	-3	Avoid	Martin Currie I & G (c)	Very High	-7%	0.19	-70	-69						
	NatWest UK Tracker	Medium	-1%	0.84	-10	-12	-6	Avoid	Monthly High Income	Very Low	-24%	0.08	-60	-54						
	Old Mutual UK All Share Mirror	Medium	+0%	0.80	-5	-11	-7	Avoid	New Fulcrum	Medium	-14%	0.11	-54	-50						
Avoid	Old Mutual UK Growth	Low	-8%	0.62	-13	-8	-8	Avoid	Premier High Income	Very Low	-29%	0.02	-46	-33						
	Pearl Equity Trust	Medium	-1%	0.66	-11	-11	-5	Avoid	Quarterly High Income	Very Low	-104%	0.02	-99	-69						
	Pearl Growth	Medium	+0%	0.63	-8	-11	-5	Buy	Rights & Issues	Medium	+20%	0.32	1	-4						
	Prudential UK Growth	Medium	+0%	0.77	-6	-12	-7	Avoid	Second Scottish Nat'l	Very High	-24%	0.14	-75	-64						
	Rothschild FA Prt UK	Medium	+0%	0.55	-13	-7	-7	Avoid	St David's Inv Trust	Very High	-63%	0.04	-97	-78						
	Rothschild FA UK Major Coys	High	-5%	0.72	-14	-8	-8	Avoid	Yeoman II - Cap	Medium	-39%	0.06	-84	-85						
	Royal & Sun All. Equity Trusts	Medium	+2%	0.73	1	-8	-5		<b>UNITED KINGDOM SMALLER COS</b>											
	Royal & Sun FTSE All Share	Low	-3%	0.73	-11	-6	-6		<b>UNITED KINGDOM BASED UNIT TRUSTS</b>											
	Royal & Sun FTSE 100 Tracker	Medium	-2%	0.72	-12	-6	-6	Buy	ABN AMRO UK Growth	Medium	+12%	0.64	70	-13						
	Royal London UK Growth	Medium	+1%	0.75	-5	-14	-7		AXA UK - UK Smaller	Medium	-1%	0.95	-18	-10						
	Sanwa UK Growth	Medium	+4%	0.46	11	-14	-8		Abbey Nat'l Smaller Cos	High	+0%	0.79	17	-21						
	Schroder UK Enterprise	Medium	+2%	0.66	4	-7	-4	Buy	Aberdeen UK Emerging	Medium	+5%	0.71	22	-21						
Buy	Schroder UK Equity	Medium	+6%	0.81	16	-9	-6		Aberforth UK Small Coys	Very Low	+20%	0.80	9	1						
	Schroder UK Mid 250	Medium	+10%	0.57	2	0	0	Buy	Artemis UK Smaller Coys	Medium	+10%	0.93	-7	-3						
	Scot Amic Equity Trust	Medium	+2%	0.76	-2	-11	-7	Buy	BG British Smaller Coys	Low	-1%	0.74	16	-12						
	Scot Life UK Equity	Medium	+1%	0.78	-5	-12	-6		BG UK Smaller Companies	Low	-0%	0.82	9	-11						
	Scot Mutual UK Equity	Medium	-1%	0.71	-5	-14	-6	Buy	BWD UK Smaller Coys	High	+15%	0.64	76	-11						
	Scot Wid. Equity	Medium	-1%	0.71	-6	-7	-1	Buy	Baring UK Small Coys	High	+12%	0.72	61	-14						
	Scot Wid. UK Index	Medium	-2%	0.76	-10	-14	-7	Buy	Britannic Smaller Companies	Medium	+3%	0.77	18	-15						
	Scot Wid. UK Spec Sits	Medium	+0%	0.57	-6	-10	-4		Canada Life UK Smaller Coys	High	+4%	0.75	26	-14						
	Soc Gen UK Growth	High	+6%	0.58	7	-12	-8		Cavendish Opportunities	Medium	+6%	0.81	39	-10						
	Solus UK Growth	High	+2%	0.85	-12	-7	-7	Buy	Cazenove UK Smaller Coys	High	+6%	0.80	41	-14						
Buy	Solus UK Special Situations	Very High	+7%	0.69	-22	-8	-8		Clerical Medical UK Smaller	Medium	-9%	0.91	-19	-4						
	Sovereign FTSE 100	Low	-2%	0.75	-11	-13	-7	Avoid	Credit Suisse Smaller Coys	High	-2%	0.73	7	-29						
	Sovereign UK Growth	Medium	+1%	0.68	-2	-14	-7		Deutsche Genesis	High	-8%	0.88	-25	-7						
Buy	Sovereign UK Growth	Medium	+1%	0.68	-2	-14	-7		Dresdner UK Mid-Cap	Very High	+3%	0.67	11	-20						
	St James's UK & Gen Prog.	Low	+10%	0.48	45	-5	-4	Avoid	Dresdner UK Smaller Companies	Very High	-2%	0.58	4	-33						
	CS-SLCAM UK Growth	Low	+5%	0.46	9	4	5		Edinburgh UK Smaller Coys	Very High	+6%	0.69	15	-40						
	Tilney UK Equity	Medium	+0%	0.64	-6	-10	-7	Avoid	First State British Small Cos	Medium	+5%	0.91	-7	-5						
	<b>UNITED KINGDOM BASED LISTED INVESTMENT TRUSTS</b>													Buy	Framlington Capital	Medium	+6%	0.76	32	-11
Buy	3i Group	Very High	+21%	0.49	35	-34	-15		Gartmore UK & Irish Small Cos	Very High	+16%	0.76	-25	-12						
	3i UK Select	Medium	-1%	0.49	-10	-5	-5	Buy	Gartmore UK Small Coys	High	-2%	0.72	4	-26						
Avoid	Aberdeen Convertible	Very Low	-25%	0.00	-65	-60	-49		Govett UK Smaller Companies	Medium	-3%	0.73	-4	-14						
	Albany	Medium	+5%	0.35	9	-2	-2	Buy	Hill Samuel UK Smaller Coys	Medium	+1%	0.75	22	-10						
Buy	Aurora Invest Trust	High	+13%	0.22	30	-21	-9		Invesco Perp UK Small Coys	High	+4%	0.77	29	-16						
	British American IT	Medium	-1%	0.37	-8	-14	-10		Jupiter UK Small Cos	Medium	+3%	0.81	-23	-6						
	City Merchants High Yld	Very Low	-3%	0.06	-1	-4	-9	Buy	L & G UK Small Coys	Medium	+5%	0.83	29	-13						
	City of London	Medium	+3%	0.69	-1	1	-2	Buy	Lazard UK Small Coy	Low	+9%	0.86	50	1						
Buy	Deutsche Equity Income	High	+8%	0.63	-9	-8	-8		M & G Smaller Companies	Very High	+1%	0.80	8	-28						
	Dresdner RCM 2nd Endow.	Very Low	-3%	0.01	1	-21	-19													
Buy	Dunedin Income Growth	Very High	+7%	0.62	8	-5	-3													
	Edinburgh UK Tracker	Medium	+1%	0.72	-4	-12	-7													



# Best Managed Funds

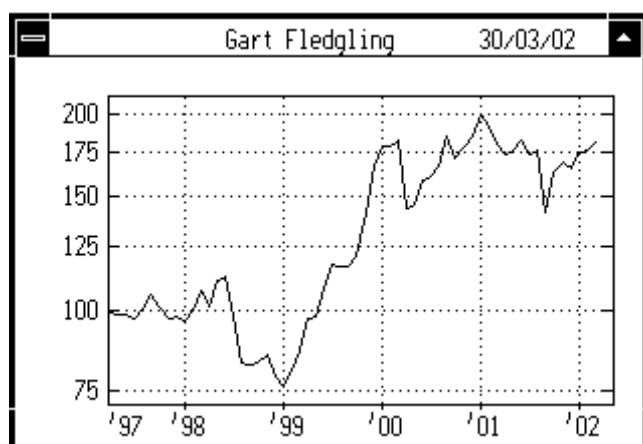
**Gartmore Fledgling Trust plc** (code GMF) is a £61.5 million trust that follows a “Hybrid investment policy that combines indexation” and active management. The fund is mainly an *index fund* which mirrors the FT Fledgling Index of very small UK companies.

FT Fledgling Index, however, is re-balanced each December, when large capitalisation companies are promoted to the FTSE All-Share Index while smaller capitalisation stocks from the All-Share index are moved down to the Fledgling Index. This re-balancing typically changes about 20-30% of the shares in the FT Fledgling Index. Attempting to follow the FT Fledgling Index therefore generates a significant annual turnover of shares in the Gartmore Fledgling portfolio. In addition, these smaller companies tend to have wide bid-offer spreads, so there are substantial trading costs involved. These costs, of course, tend to depress the trust's long term performance.

In an attempt to offset these trading costs, Gartmore Fledgling Trust follows two strategies designed to improve its performance. Firstly, it will avoid companies that are “unlikely to remain solvent” over the next year (i.e. companies about to fail). Secondly, it will *over-weight* its portfolio in shares with *insider buying* (i.e. where directors have been buying shares). So typically 90-95% of the portfolio is *indexed* to match the FT Fledgling Index (i.e. diversified over about 480 companies) and 5-10% is used to buy additional shares where *insiders* are buying.

Historically the FT Fledgling Index has outperformed the larger companies listed on the UK stockmarket. These very small shares currently trade at valuations 25-50% *lower* than larger UK companies, so continue to offer better *value* and should continue to yield higher long term returns.

The annual management fee is a low 0.8%. Gartmore Fledgling Trust shares currently trade at a 15% discount to net asset value, offer an income yield of about 3% and are actively traded with a small bid-offer spread of around 1½-2%.



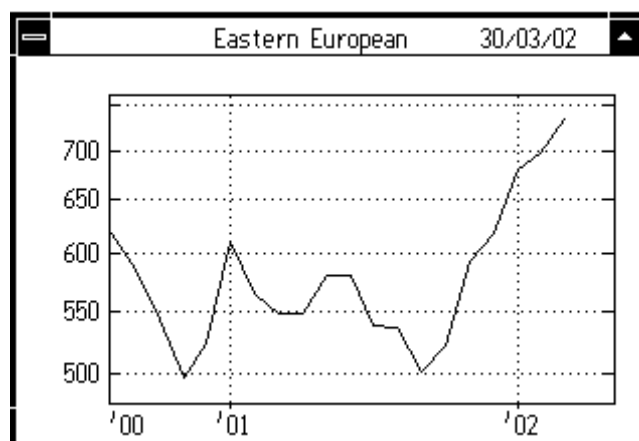
**Eastern European Trust plc** (code EST) has a £69.9 million portfolio invested in Eastern European countries and countries of the former Soviet Union.

The portfolio is currently invested in Russia (34% of assets), Hungary (27%), Poland (10%), Czech Republic (7%), Turkey (5%), Croatia (5%) and other countries (12%). The portfolio is well diversified, with the ten largest shareholdings making up 51.7% of the portfolio.

The Russian and Eastern European stockmarkets declined significantly in value during 1997-98, then recovered very strongly in 1999 to early 2000. These stockmarkets have again started to appreciate in value over the last six months. Eastern European Trust's performance has closely matched the fluctuations in these stockmarkets.

Eastern European Trust shares trade at a 20% discount to net asset value and are actively traded at a moderate bid-offer spread of 2-3%.

Russia and Eastern European stockmarkets clearly involve significant risks - but this is a good investment trust for investors seeking a small exposure to these markets.



## Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday May 14, 2002 (and delivered in most areas on Wednesday 15).

Subscribers who have updated their account online with an e-mail address will also receive the Electronic version in their e-mail Tuesday morning.

INTERNATIONAL INVESTOR is published 12 times per year by Securities Research Company Limited, P.O. Box 34-162, Auckland. (66 Stanaway Street. Telephone 64-9-4199 427 Facsimile 64-9-4199 428 Internet: [www.stockmarket.co.nz](http://www.stockmarket.co.nz) or [www.australia-stockmarket.com](http://www.australia-stockmarket.com) Email: [james@stockmarket.co.nz](mailto:james@stockmarket.co.nz)). Subscription Rate NZ\$180 (including GST) per year.

Readers are advised that they should not assume that every recommendation made in the future will be profitable or equal the performance of recommendations made in the past. The entire contents are copyright. Reproduction in whole or part is strictly forbidden.