

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
						3mths	6mths	12mths	
Australia	57%	Bullish	Bullish	Neutral	Bearish	+5.1%	+10.6%	+6.7%	3,295.70
Austria	75%	Bullish	Bullish	Bullish	Bullish	+11.4%	+20.1%	+15.2%	1,285.26
Belgium	73%	Bullish	Neutral	Bullish	Bullish	+6.5%	+7.2%	+2.7%	2,665.13
Canada	51%	Neutral	Bearish	Bullish	Neutral	-2.2%	+0.9%	-8.8%	7,478.57
Denmark	57%	Neutral	Bearish	Bullish	Bullish	-2.1%	-0.9%	-10.4%	249.86
Finland	44%	Bullish	Bearish	Neutral	Bullish	-29.5%	-29.3%	-37.9%	5,822.87
France	52%	Bullish	Bearish	Neutral	Bullish	-4.2%	-4.9%	-14.6%	2,695.11
Germany	53%	Neutral	Bearish	Bullish	Bullish	-7.2%	-6.0%	-17.3%	4,610.18
Ireland	66%	Bullish	Neutral	Bullish	Bullish	+11.2%	-3.0%	-10.2%	5,146.23
Italy	51%	Bullish	Bearish	Neutral	Bullish	-4.6%	-5.1%	-15.4%	20,886.00
Japan	58%	Bearish	Bullish	Bullish	Bullish	-0.6%	+6.9%	-17.2%	11,438.53
Netherlands	57%	Bullish	Bearish	Bullish	Bullish	-4.2%	-2.2%	-15.3%	645.30
New Zealand	49%	Bearish	Bullish	Neutral	Neutral	+9.1%	+14.1%	+8.7%	1,998.28
Norway	51%	Neutral	Bearish	Bullish	Neutral	-2.3%	+7.0%	-9.7%	597.01
Spain	60%	Neutral	Neutral	Bullish	Bullish	+0.2%	-3.7%	-6.8%	775.40
Sweden	36%	Bearish	Bearish	Neutral	Bullish	-16.0%	-16.8%	-17.3%	190.14
Switzerland	58%	Bearish	Neutral	Bullish	Bullish	+3.5%	+3.3%	-4.7%	6,250.91
Un. Kingdom	53%	Bullish	Bearish	Bullish	Bullish	-4.5%	-4.8%	-12.5%	4,920.40
USA	46%	Neutral	Bearish	Bullish	Bullish	-11.7%	-11.3%	-18.8%	1,027.53
Argentina	45%	Neutral	Neutral	Bearish	Bullish	-22.8%	-42.6%	-42.9%	1,455.38
Brazil	46%	Bullish	Bearish	Neutral	Bullish	-21.6%	-17.8%	-28.5%	12,282.51
Czech Rep.	68%	Bullish	Bullish	Neutral	Neutral	+15.1%	+30.8%	+31.8%	453.90
Chile	31%	Neutral	Bearish	Bearish	Neutral	-6.6%	-5.8%	-14.0%	5,100.84
China	43%	Bearish	Bearish	Bullish	Neutral	-9.3%	-18.8%	-35.4%	139.78
Greece	51%	Bullish	Bearish	Neutral	Neutral	+1.2%	-10.0%	-14.0%	2,295.93
Egypt	39%	Neutral	Bearish	Bearish	Bullish	+0.1%	-4.8%	-17.3%	624.39
Hong Kong	60%	Bearish	Neutral	Bullish	Bullish	+0.5%	-4.6%	-18.3%	11,284.71
Hungary	65%	Bullish	Bullish	Neutral	Bullish	+4.2%	+19.3%	+32.5%	7,977.90
India	41%	Bearish	Bearish	Bullish	Neutral	-12.5%	-8.6%	-11.7%	3,217.76
Indonesia	58%	Bearish	Bullish	Neutral	Neutral	+22.1%	+59.1%	+63.2%	514.03
Israel	55%	Bearish	Bearish	Bullish	Bullish	-11.7%	-19.3%	-19.0%	377.04
Korea	57%	Bearish	Bullish	Bullish	Neutral	+3.2%	+16.7%	+34.0%	795.16
Malaysia	60%	Bearish	Bullish	Neutral	Bullish	+1.0%	+14.1%	+31.2%	755.21
Mexico	58%	Bearish	Neutral	Bullish	Bullish	-11.2%	+5.3%	-6.2%	6,857.42
Philippines	50%	Bearish	Bearish	Bullish	Neutral	-10.4%	+15.6%	-9.0%	1,274.87
Poland	64%	Bearish	Bullish	Neutral	Bullish	+3.7%	+11.0%	+2.8%	15,558.81
Portugal	50%	Bearish	Bearish	Bullish	Bullish	+1.0%	-1.4%	-4.5%	1,895.40
Russia	55%	Bearish	Bullish	Neutral	Neutral	+21.3%	+76.2%	+94.9%	5,000.18
Singapore	51%	Neutral	Neutral	Neutral	Bullish	-6.8%	+3.7%	-2.4%	1,652.45
Sth Africa	51%	Bullish	Bullish	Bearish	Neutral	+17.2%	+22.5%	-2.7%	11,082.01
Taiwan	52%	Bearish	Neutral	Bullish	Neutral	-7.6%	+2.0%	+3.5%	5,433.02
Thailand	60%	Bearish	Bullish	Neutral	Neutral	+9.0%	+41.6%	+41.9%	417.33
Turkey	64%	Bearish	Bearish	Bullish	Bullish	-17.7%	-32.2%	-44.0%	8,640.48
Venezuela	33%	Bullish	Neutral	Bearish	Neutral	-11.0%	-22.6%	-39.0%	7,437.09

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.

Recommended International Investment Funds

Dividend

Legg Mason International Utilities Trust plc has declared a quarterly dividend of 2.1 pence (plus Tax Credits), payable 14 June.

Geographic Portfolio Spread

Fleming Fledgeling European Investment Trust plc is currently invested in Italy (11.5% of the portfolio), France (10.3%), Germany (10.1%), Switzerland (9.1%), Sweden (8.2%), Finland (7.5%), Denmark (5.1%), Netherlands (4.6%), Spain (4.6%), Norway (4.5%), Belgium (4.0%), Eire (3.9%), Greece (3.5%), Austria (1.6%), other European funds (6.9%) and cash (3.9%).

Most of our Asian funds are investing more aggressively than three months ago (see Page two).

HSBC Asian Fund has reduced its investments in Australia to nil (from 15.8% three months ago) to invest its holdings in HK (up to 25.4% from 18.2%) and Taiwan (up to 21.1% from 15.8%).

Henderson Pacific Capital has also reduced its defensive Australian investments (down to 13.9% from 25.5% previously) but has also reduced its holdings in Hong Kong (down to 10.5% from 17.6%). The fund has invested 7.5% in China (previously nil), doubled its holdings in Malaysia (to 5.9% from 2.4%) and Thailand (to 3.1% from 1.8%), while adding to positions in Taiwan (17.6%, up from 14.6%) and Korea (now 24.4% from 21.1%).

JP Morgan Fleming Asia has sold all of its Indian investments (previously 7% of the portfolio) and reduced its holdings in Hong Kong (to 22.6% from 26.0%) and Taiwan (17.9%, down from 21.0%). Investments in Malaysia have tripled (to 9.5% from just 3.0%), while the portfolio has been over-weighted in Korea (now a very high 32.9%, up from 24.0%).

Baillie Gifford Shin Nippon has increased leverage (net of its cash holding) to 21% (from 15%) to increase its investments in smaller Japanese shares.

Current Advice	Investment Fund	EPIC Code	Initial Recommendation			Disc to Net Assets	Recent Price		Gain or Loss %
			--- Date ---	Offer Price	Prem/Foreign NZ Cents		Bid-Offer or Last Sale	NZ Cents	
Europe									
BUY	Fleming Euro Fledgeling IT plc	FEF	15/01/02	226.5p	765.8	-16%	232.5p	693.1	-9
United Kingdom									
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	+3%	367.0p	1094.1	-6
Asia Regional									
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		15.5p	46.2	-7
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		171.53-183.18p	528.7	+402
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		41.71-41.71p	124.3	+17
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		162.9p	485.6	+1
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		261.9p	780.7	-30
BUY	JPM Fleming Asia WARRANTS	JPFW	07/03/00	43.8p	141.7		18.5p	55.2	-61
BUY	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		12.5p	37.3	-51
Japan									
BUY	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-16%	128.5p	383.1	-13
BUY	Invesco Japan Discovery Trust	IJD	13/07/99	95.5p	284.0	-16%	75.5p	225.1	-21
Korea									
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		101.50-108.00p	312.3	+49
Thailand									
HOLD	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		53.63-57.31p	165.4	+6
International									
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		66.87-70.76p	205.1	+77
HOLD	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	+31%	47.5p	141.6	-75
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-36%	117.5p	350.3	-17
BUY	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7		13.0p	38.8	-68

* 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 68¼ pence (-10%, i.e. 10% below net asset value), **JPMorgan Fleming Asian** shares at 94¾ pence (-9%), **Schroder Asia Pacific** shares at 77 pence (-11%), **Templeton Emerging Markets** shares at 119½ pence (-15%), **Baillie Gifford Shin Nippon** warrants at 29 pence, **Eaglet Investment Trust** warrants at 269½ pence and **Invesco Japan Discovery** warrants which trade at 16½ pence.

The “Dow Dividend” Portfolio

Our “Dow Dividend” Portfolio

Our “Dow Dividend” portfolio was started with US\$10,000 (NZ\$23,450) in January 2002 when the Dow Jones Industrial Index was 9987.53 and the S&P 500 Index was 1145.60.

The portfolio currently consists of:

105 shares in SBC Communications (SBC)	\$3,471
65 shares in JP Morgan Chase (JPM)	\$2,190
64 shares in ExxonMobil (XOM)	\$2,523
24 shares in International Paper (IP)	\$1,027
Cash balance	<u>\$110</u>
Total Value	\$9,321

Over the last three months we have collected quarterly dividends from all four companies. 27 cents per share (US\$28.35) from SBC Communications, 34 cents (US\$22.10) from JP Morgan Chase, 23 cents (US\$14.72) from ExxonMobile and 25 cents (US\$6.00) from International Paper. After 15% non-resident withholding tax was deducted, that raised our cash holding by US\$60.49, from US\$50 to US\$110.

The Dow Jones Index is currently 9,589.67 and the S&P 500 Index is 1027.53.

No changes will be made to our “Dow Dividend” Portfolio until the next annual review in December 2002.

Current Data

Investors can find the current ten highest yielding Dow stocks by visiting a site such as **Dogs of the Dow** (www.dogsofthedow.com/doggishy1.htm). The five *lowest priced* shares are also identified as “Small Dogs”.

If the stock with the *highest yield* is also the *lowest*

priced stock, remove it from this list. Then select the four *lowest priced* “small dogs”:

Company	Price	Yield	“Small Dog”
Eastman Kodak	US\$31.05	5.80%	Yes
Philip Morris	\$55.93	4.15%	No
JP Morgan Chase	\$33.69	4.04%	Yes
General Motors	\$58.35	3.43%	No
SBC Communications	\$33.06	3.27%	Yes
DuPont	\$44.30	3.16%	No
Caterpillar	\$50.62	2.77%	No
Merck	\$52.68	2.66%	No
General Electric	\$30.20	2.38%	Yes
International Paper	\$42.81	2.34%	Yes

The *highest yielding* stock is Eastman Kodak while the *lowest priced* is General Electric, so make no change to the list. Then invest in the four lowest priced stocks, which are labelled as “Small Dogs”.

While we are not making any changes to our portfolio, investors starting a “Dow Dividend” portfolio *now* should invest as follows:

Company	Price	Percent
General Electric	\$30.20	40%
Eastman Kodak	\$31.05	30%
SBC Communications	\$33.06	20%
JP Morgan Chase	\$33.69	10%

As you can see, the decline in General Electric's share price would now lead to the inclusion of this depressed stock in the portfolio. Furthermore, Eastman Kodak is no longer the *highest yielding* stock and the *lowest priced* stock, so now also qualifies for inclusion.

Listed Investment Trust Warrant Analysis

Review of Speculative Warrants

Pacific Horizon Investment Trust warrants which we discussed in February will probably expire worthless at the end of this month. Although the share price has risen 12.2% to 52¾ pence it remains slightly *below* the exercise price of 56 pence. As we pointed out in February, these warrants offered “extremely high leverage, but are also extremely risky”.

As this was an interesting situation we bought a very large number of warrants for our portfolio but - at just ¾ pence - that was still a very, very small dollar value investment!

Other speculative - but not so extremely risky - warrants that we have recently identified have generally performed quite well.

Perpetual Income & Growth warrants were informally recommended in December 2000 at 35¾ pence and have since risen 61% to 57½ pence. These warrants continue to trade at a large 29% discount to fair value, have a zero break-even rate, over four years to their final exercise date and offer 1.9 times leverage. Any appreciation in the share price will therefore yield approximately *twice* the rate of appreciation in the warrant value.

Schroder Income & Growth warrants have risen 39% to 64½ pence over the last six months. These warrants also offer high leverage and a zero break-even rate, so will benefit from any increase in UK share prices over the next 1½ years.

Gartmore European warrants have been less successful, falling 11% in value to 126½ pence. These warrants also offer higher leverage over the next 19 months. The 5% decline in the share price multiplied by the 2.3 times warrant leverage has led to the decline in these warrants since we purchased them six months ago. But if European stockmarkets recover, these warrants will appreciate in value at more than twice the rate of gain.

We added **F & C Income & Growth** warrants to this informal list in March and they have advanced 6% to 36 pence. The discount on these warrants has increased to 16%, while the leverage is high at 3.2% - which combines to offer very high leverage over the 13 months until their final exercise. For example, if the share price rises just 5% the warrants will increase 24% in value. If the shares rise 20%, the warrants will appreciate 80%.

TR European Warrants

Another security that offers very high leverage over the short term are **TR European** warrants. These warrants, however, have several unattractive features, so are not as attractive as previously selected warrants (i.e. Gartmore European warrants look much better).

TR European is a £332 million trust that invests in European stockmarkets. The portfolio is slightly leveraged with 5% of the portfolio funded from debt.

The trust favours smaller European stockmarkets and invests in smaller and medium sized companies. The largest investments are in the Netherlands (21.6% of the portfolio), Germany (11.0%), Spain (10.6%), Switzerland (9.5%), France (8.1%), Finland (7.4%), Eire (6.0%), Denmark (5.6%), other markets (18.8%) and cash. The portfolio is well diversified, with the ten largest holdings making up just 34.4% of the portfolio.

This trust has rated poorly in our *Investment Fund Survey* recently to earn a *Superiority Rating* of -8% and

has a *Very High Risk Rating*.

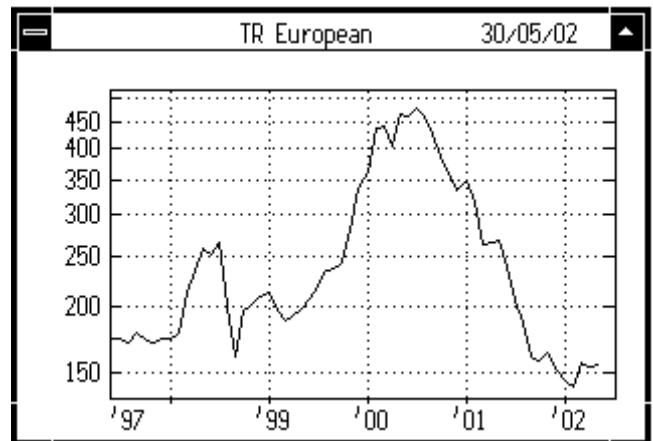
The shares trade at 151½ pence, which is a 17% discount to net asset value. At 12½ pence the warrants (to buy shares in October 2003 at 166 pence) trade at a 40% discount to their fair value! The break-even rate is relatively high at 13%.

TR European warrants are quoted at 11-14 pence, which is a very high 27% spread.

Summary: TR European is a volatile investment trust and the warrants offer very high leverage (i.e. are 4.3 times more volatile than the shares). If European stockmarkets rally strongly over the next 16 months then these warrants could soar in value.

There are, however, several negative factors: (1) the trust has under-performed recently, (2) the break-even rate is 13% (so a *moderate* recovery could leave them worthless, or offer only a small gain) and (3) the spread is very wide (so speculators need to pay 14 pence to buy, while the 27% cost of the spread offsets potential profits).

Owing to the high spread and high break-even rate, we do not believe TR European warrants are attractive as a speculative investment at this time.



Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued (%)	Share Volatility	Warrant Leverage	Warrant Return (% p.a.) from Share Price appreciation of:	Break-Even Rate		
									5% p.a.	10% p.a.	20% p.a.	
INDIA												
Fleming Indian	57.5p	100.0p	1-8	2.75p	57.50p	-95	9.990	1.0	-100.0	-100.0	-100.0	+42%

UNITED KINGDOM

Aberforth Smaller Coys	388.0p	100.0p	0-9	289.00p	291.06p	-1	0.259	1.3	+6.3	+13.0	+26.6	+0%
Dartmoor	3.5p	118.0p	0-1	3.75p	1.57p	+140	9.900	1.3	-100.0	-100.0	-100.0	+999%
Eaglet Investment Trust	367.0p	100.0p	0-4	269.50p	268.37p	+0	0.285	1.4	+4.0	+10.8	+24.6	+2%
Edinburgh Smaller Coys	78.0p	100.0p	6-3	29.00p	28.59p	+1	0.378	1.9	-22.7	+5.9	+29.2	+8%
F & C Income Growth	138.0p	100.0p	1-1	36.00p	42.68p	-16	0.191	3.2	+24.1	+42.9	+80.2	-1%
Fidelity Special Values	310.5p	100.0p	1-7	203.00p	216.85p	-6	0.232	1.4	+9.8	+17.2	+31.8	-2%
Perpetual Income & Gth	162.3p	100.0p	4-2	57.50p	80.43p	-29	0.240	1.9	+13.9	+24.1	+41.9	-1%
Schroder Income & Grwth	166.0p	100.0p	1-6	64.50p	72.06p	-10	0.177	2.3	+14.1	+26.3	+49.8	-1%
Schroder UK Growth	97.3p	100.0p	0-2	1.00p	2.84p	-65	0.237	21.4	-100.0	-100.0	-100.0	+25%
Taverners Trust	91.5p	100.0p	8-2	23.00p	91.50p	-75	9.990	1.0	+5.7	+19.6	+37.3	+4%

Warrant	Current Share Price	Warrant Exercise Price	Years & Months to Expiry	Current Warrant Price	Black-Scholes Value	Warrant Over/Under Valued(%)	Share Volatility	Warrant Leverage	Warrant Share Price	Return(%p.a.) from appreciation of:	Break-Even Rate	
									5%p.a.	10%p.a.	20%p.a.	
<u>UNITED STATES</u>												
F & C US Smaller Coys	225.0p	100.0p	0-5	125.00p	126.71p	-1	0.222	1.8	+9.1	+18.4	+37.6	+0%
<u>LATIN AMERICA</u>												
Aberdeen Latin American	56.5p	100.0p	7-4	10.75p	23.67p	-55	0.484	1.6	-100.0	+3.3	+38.2	+10%
<u>EMERGING MARKETS</u>												
Abtrust Emerging Econ.	80.0p	100.0p	5-7	8.00p	30.80p	-74	0.423	1.8	-7.9	+31.1	+62.8	+6%
F & C Emerging Markets	64.5p	102.0p	0-9	1.25p	2.90p	-57	0.499	5.7	-100.0	-100.0	-100.0	+87%
Schroder Emer Countries	61.5p	100.0p	4-3	6.25p	13.21p	-53	0.393	2.5	-100.0	-100.0	+48.4	+14%
Templeton Emerging Mkts	119.5p	133.0p	2-3	13.00p	26.22p	-50	0.381	2.9	-79.6	+6.8	+77.2	+9%
<u>TECHNOLOGY</u>												
Herald Investment Trust	243.5p	100.0p	0-10	148.00p	147.00p	+1	0.403	1.7	+4.6	+12.8	+29.4	+2%
<u>INTERNATIONAL</u>												
Special Utilities S	146.5p	100.0p	5-7	68.50p	70.16p	-2	0.216	2.0	+5.5	+15.0	+30.7	+3%
<u>EUROPEAN</u>												
Gartmore European	342.0p	220.0p	1-7	126.50p	139.46p	-9	0.288	2.3	+11.1	+23.9	+48.4	+1%
TR European	151.5p	166.0p	1-4	12.50p	20.77p	-40	0.332	4.3	-100.0	-42.1	+79.1	+13%
<u>JAPAN</u>												
B Gifford Shin Nippon	128.5p	200.0p	2-10	29.00p	21.04p	+38	0.411	2.9	-100.0	-100.0	-20.0	+23%
Fidelity Japan Values	60.0p	100.0p	1-10	5.75p	6.25p	-8	0.452	3.6	-100.0	-100.0	-100.0	+36%
Gartmore Select Japan	45.8p	100.0p	0-11	1.00p	0.15p	+582	0.369	11.5	-100.0	-100.0	-100.0	+137%
Invesco Japan	75.5p	100.0p	2-4	16.50p	18.84p	-12	0.524	2.4	-100.0	-100.0	-2.6	+20%
Invesco Tokyo	29.8p	55.0p	2-0	4.25p	1.45p	+193	0.357	5.0	-100.0	-100.0	-100.0	+41%
Martin Currie Japan	84.5p	100.0p	0-3	2.00p	1.49p	+34	0.341	16.5	-100.0	-100.0	-100.0	+112%
Martin Currie Japan 05	84.5p	100.0p	3-4	27.50p	19.70p	+40	0.341	2.7	-100.0	-14.8	+23.2	+13%
Schroder Japan Growth	77.5p	100.0p	2-5	12.00p	11.09p	+8	0.327	3.6	-100.0	-100.0	+24.6	+16%
<u>FAR EASTERN</u>												
Aberdeen Asian Small	125.0p	100.0p	8-5	55.75p	70.57p	-21	0.352	1.5	+5.6	+14.9	+29.1	+3%
Edinburgh Dragon Trust	68.0p	60.0p	2-7	22.00p	22.90p	-4	0.387	2.3	-9.2	+8.2	+36.2	+8%
Fidelity Asian Values	68.3p	100.0p	4-2	15.50p	19.79p	-22	0.452	2.1	-100.0	-42.7	+29.8	+13%
Fleming Asia	94.8p	100.0p	2-8	18.50p	26.16p	-29	0.398	2.5	-27.3	+7.0	+49.5	+9%
Invesco Asia	61.0p	100.0p	2-1	3.50p	7.41p	-53	0.444	3.3	-100.0	-100.0	-100.0	+29%
Schroder Asia Pacific	77.0p	100.0p	3-7	12.50p	22.56p	-45	0.451	2.2	-100.0	-10.7	+45.6	+11%
Scottish Oriental Sm Co	136.5p	100.0p	4-7	73.50p	66.23p	+11	0.363	1.8	-0.8	+9.5	+26.4	+5%
<u>HONG KONG / CHINA REGION</u>												
Fleming Chinese	58.0p	100.0p	1-8	6.25p	58.00p	-89	9.990	1.0	-100.0	-100.0	-100.0	+44%

Next Issue

The next issue of *International Investor* will be posted in four weeks time on Tuesday July 9, 2002 (and delivered in most areas on Wednesday 10).

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