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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 _____	54%	Bullish	Bearish	Bullish	Bearish	+0.7%	-11.0%	-1.5%	2,990.70
Austria _____	62%	Neutral	Bullish	Bullish	Bullish	+4.1%	-6.4%	+12.3%	1,123.51
Belgium _____	50%	Bullish	Bearish	Bullish	Neutral	-5.9%	-19.6%	-13.8%	2,001.39
Canada _____	52%	Bullish	Neutral	Bullish	Bearish	+1.1%	-13.9%	-13.1%	6,577.20
Denmark _____	53%	Bullish	Bearish	Bullish	Bullish	-24.7%	-30.8%	-31.4%	161.47
Finland _____	65%	Bullish	Bullish	Bullish	Neutral	+21.4%	+20.6%	-14.8%	6,562.22
France _____	55%	Bullish	Bearish	Bullish	Bullish	-1.2%	-16.6%	-20.6%	2,100.52
Germany _____	49%	Neutral	Bearish	Bullish	Bullish	-5.4%	-25.5%	-30.0%	3,207.53
Ireland _____	64%	Bullish	Bearish	Bullish	Bullish	+3.7%	-12.1%	-14.7%	4,226.29
Italy _____	63%	Bullish	Bearish	Bullish	Bullish	+1.4%	-7.2%	-12.0%	18,112.00
Japan _____	36%	Bearish	Bearish	Bullish	Bearish	-6.8%	-22.0%	-16.6%	8,863.26
Netherlands _____	57%	Bullish	Bearish	Bullish	Bullish	-2.4%	-20.1%	-21.9%	481.50
New Zealand _____	36%	Neutral	Bearish	Neutral	Bearish	+0.8%	-8.3%	+4.6%	1,783.80
Norway _____	42%	Bullish	Bearish	Bearish	Bullish	-2.6%	-17.6%	-11.8%	449.50
Spain _____	70%	Neutral	Neutral	Bullish	Bullish	+5.8%	-7.3%	-10.8%	671.68
Sweden _____	49%	Bearish	Neutral	Bullish	Neutral	+11.6%	-5.8%	-21.6%	164.61
Switzerland _____	50%	Bearish	Bearish	Bullish	Bullish	-1.6%	-15.6%	-12.8%	4,934.80
Un. Kingdom _____	47%	Bullish	Bearish	Bullish	Neutral	-1.1%	-11.9%	-16.1%	4,013.50
USA _____	54%	Neutral	Bearish	Bullish	Bullish	+2.0%	-11.2%	-21.2%	912.23
Argentina _____	62%	Bearish	Bullish	Neutral	Bullish	+9.0%	+14.8%	-34.1%	1,623.27
Brazil _____	28%	Bullish	Bearish	Bearish	Bearish	-8.3%	-39.4%	-50.2%	10,569.02
Czech Rep. _____	66%	Bullish	Bullish	Neutral	Neutral	+0.8%	+4.9%	+37.3%	451.20
Chile _____	52%	Bullish	Neutral	Bullish	Neutral	+1.7%	-10.4%	-15.5%	4,871.83
China _____	49%	Bullish	Bearish	Bullish	Bearish	-21.0%	-16.1%	-31.9%	117.24
Greece _____	53%	Bullish	Bearish	Bullish	Neutral	-9.8%	-15.5%	-24.0%	1,813.32
Egypt _____	40%	Neutral	Bearish	Bearish	Bullish	+1.0%	+1.7%	-3.2%	635.26
Hong Kong _____	47%	Neutral	Bearish	Neutral	Bullish	+2.6%	-11.6%	-15.7%	9,973.75
Hungary _____	66%	Neutral	Bullish	Neutral	Bullish	+13.4%	+7.3%	+28.0%	7,842.46
India _____	56%	Neutral	Bullish	Neutral	Neutral	+6.0%	+4.4%	-4.6%	3,306.29
Indonesia _____	37%	Neutral	Bearish	Bearish	Neutral	-8.5%	-23.7%	+21.4%	397.08
Israel _____	46%	Bearish	Bullish	Bearish	Bullish	+2.2%	+1.8%	-17.8%	361.76
Korea _____	47%	Bearish	Bullish	Neutral	Neutral	-0.7%	-9.2%	+5.9%	718.09
Malaysia _____	41%	Neutral	Bearish	Bullish	Bearish	-10.9%	-18.1%	-6.5%	618.37
Mexico _____	53%	Neutral	Bearish	Bullish	Bullish	-2.1%	-14.7%	-10.2%	6,126.23
Philippines _____	46%	Bearish	Bearish	Bullish	Neutral	-10.7%	-23.3%	-11.3%	1,031.75
Poland _____	54%	Bearish	Bullish	Bearish	Bullish	+19.0%	-4.1%	+6.4%	14,724.22
Portugal _____	71%	Bullish	Neutral	Bullish	Bullish	+5.6%	-5.5%	-6.9%	1,673.01
Russia _____	48%	Bearish	Bullish	Neutral	Neutral	+3.1%	-15.3%	+49.2%	4,294.40
Singapore _____	37%	Bullish	Bearish	Neutral	Neutral	-6.2%	-16.1%	-13.0%	1,365.54
Sth Africa _____	41%	Bullish	Neutral	Bearish	Bearish	+11.9%	-10.0%	+10.2%	9,326.54
Taiwan _____	46%	Neutral	Bearish	Bullish	Bearish	+4.2%	-14.3%	-12.6%	4,738.98
Thailand _____	40%	Neutral	Neutral	Bearish	Bearish	+0.2%	-14.7%	+20.8%	365.09
Turkey _____	42%	Bearish	Neutral	Bullish	Bearish	+37.9%	+37.3%	-7.0%	12,592.49
Venezuela _____	55%	Bullish	Bullish	Bearish	Bullish	+27.0%	-6.4%	-27.6%	8,015.17

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

The US stockmarket continued to rally over November, but eased back last week. The S&P 500 index is now up 20.5% from its low and the NASDAQ index is up 32.7%. That strong recovery, however, has not been widely publicised by the media. In typical negative reporting a major NZ newspaper wrote "Wall Street's eight-week winning streak is over. The market fell almost 3% last week." If it isn't *bad* news, it just isn't *news*!

Our World Stockmarket Forecasts remain relatively Neutral. The rally on many stockmarkets over the last two months has carried Technical indicators *towards* Neutral levels, although most are still Bearish (i.e. unfavourable). That suggests that stock prices will ease back in the immediate future . . . but the *next* rally - in perhaps two to four months - could turn the Technical indicators Bullish and turn our Forecasts firmly positive!

Monetary indicators are generally Bullish, with interest rates and inflation low. Economic indicators are also Bullish for the stockmarket, with most economies in recession. Economic statistics are reports with a delay of 3-9 months, while share prices *anticipate* future economic changes. So by the time economic statistics *show* a recession, share prices are usually *past* their lows and already rising in anticipation of the next economic recovery. The current recession, of course, has been longer than normal - throwing out stockmarket forecasting. While *timing* the stockmarket's recovery is particularly difficult in this cycle, the basic features of the economic and stockmarket cycles remain unchanged.

Investment Strategy

We continue to remain close to fully invested, with a small cash reserve, and to weight our portfolio towards Asian shares and smaller company shares in the major markets. These shares have been depressed the most over the last 2-3 years, but now offer the greatest potential for recovery and growth.

Asian stockmarkets offer better value than major stockmarkets, and are more sensitive to global economic changes. So when the global economy recovers - even if only slightly - Asian stockmarkets should appreciate fastest. Similarly in the major stockmarkets, smaller company shares are more sensitive to the economic cycle and have become depressed to very low valuations. These shares offer the best recovery potential and the best long term growth potential.

Our Asian exposure is leveraged through the use of warrants as we sought to profit from a recovery after the 1997/98 Asian crisis. Unfortunately, that leverage has worked against us as (1) Asian companies and economies restructured *slower* than we anticipated and (2) as world stockmarkets and economies were hit by the 2000-2002 decline at the end of the Technology boom. Our warrants, however, still have two to four years until their final expiry dates (see the *Listed Investment Trust Warrant Analysis* on Page 5), so there is still plenty of time for this situation to turn around.

Recommended Funds Geographic Portfolio Spread

Fund Name	Size (Mil)	Leverage (% debt)	Top 10 Hldgs (%)	Portfolio invested in (%):-													
				Cash	HK	Australia	Malay	Japan	Taiwan	Korea	Sing.	Thail'd	Phil.	China			
Fidelity Asian Values plc	£73	28	22.8	7	19		9		11	24	11						
Gartmore Pacific Gth Fund	£43	Nil	34.5	1	19	3	8		16	29	9	5			5	India 3, Indonesia 2%	
HSBC Asian Fund	£38	Nil	33.7	0	24		8		17	31	8	3			9	Indonesia 1%	
HSBC Hong Kong Gth Fund	£20	Nil	55.7	0	100												
Henderson Pacific Capital	£169	Nil	32.9	3	12	29	8		7	22	10	4			5	Indonesia 1%	
JPM Fleming Asia IT	£125	2	34.4	0	29		9		15	28	11	2				Indonesia 2%	
Schroder Asia Pacific plc	£102	13	42.4	5	30		5		11	27	15						
Baring Korea	£93	Nil	52.6	4						96							
Old Mutual Thailand	£6	Nil	51.2	2								98					
				Cash	USA	UK	Europe	Japan	Other								
Baillie Gifford Shin Nippon plc	£42	25	28.9	10				90									
Eaglet Investment Trust plc	£108	24	44.6			100											
JPM Fleming Euro Fledgling	£140	17	17.7	6			94										
Invesco Japan Discovery Trt	£18	Nil	35.5	8				92									
Legg Mason Int'l Utilities	£148	100	46.1	11	44	26	16		3								
Private Equity Investor plc	£80	Nil	-	51	49												
				Cash	Asia	Latin Amer	Africa	Europe & Middle East									
Aberdeen Emerging Markets	£12	Nil	28.7	1	58	16	10	14									
Templeton E/Markets plc	£518	Nil	25.6	3	49	12	911	25									

Recommended International Investment Funds

The directors of **Legg Mason Investors International Utilities Trust plc** have abandoned plans to restructure the company as this would disadvantage holders of the Ordinary shares.

Repurchasing Zero Dividend Preference shares at a substantial discount to net asset value would increase the asset backing of the remaining ZDP shares and perhaps the Income shares, but would not benefit the Ordinary shareholders. Repurchasing ZDP shares would need to be financed by selling investments, so would *reduce* the income available to both the Income and Ordinary shares.

The company plans to pay a third interim dividend of 0.9 pence (plus Tax Credit) on both the Income and Ordinary shares on 20 December (ex-dividend 6 December). This will be followed in about March by a final dividend of about 1.0 pence (plus Tax Credit) for the financial year to 31 December 2002.

The first three quarterly dividends for the 2003 year will be "materially lower" owing to the recent sale of investments to repay £41.8 million in bank debt, the "re-organisation of the portfolio to reduce risk" and as the directors will retain this money as long as possible to maximise capital appreciation. Most of the 2003 income will therefore be distributed in the fourth dividend, payable immediately ahead of the trust being wound up. This income distribution ranks *behind* bank borrowings but *ahead* of any capital distribution to any class of share.

At this stage it appears likely that our Ordinary shares will expire worthless - but yield just 3-5 pence in dividends. To repay the ZDP shares and the Income shares in full - and have some capital left over for the Ordinary shareholders - the current portfolio would need to soar more than 40% over the next year!

The Ordinary shares are *(Continued on Page 4)*

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		
	Europe								
BUY	Fleming Euro Fledgeling IT plc	FEF	15/01/02	226.5p	765.8	-22%	168.5p	528.1	-31
	United Kingdom								
BUY	Eaglet Investment Trust plc	EIN	13/11/01	334.0p	1160.7	-6%	234.5p	735.0	-37
	Asian Regional								
HOLD	JPM Fleming Asia WARRANTS	JPFW	07/03/00	43.8p	141.7		7.75p	24.3	-83
HOLD	Fidelity Asian Values WARRANTS	FASW	10/03/98	17.5p	49.7		6.5p	155.9	-59
HOLD	Gartmore Pacific Growth Fund	*	29/10/85	41.4p	105.4		142.0p	445.0	+322
HOLD	HSBC Asian Fund	*	10/11/98	34.4p	106.3		33.29p	104.3	-2
HOLD	HSBC Hong Kong Growth Fund	*	07/04/98	159.4p	481.6		129.5p	405.9	-16
HOLD	Henderson Pacific Capital	*	08/08/00	342.2p	1122.6		210.7p	660.4	-41
HOLD	Schroder Asia Pacific WARRANTS	SDPW	13/07/99	25.5p	75.8		6.75p	21.2	-72
	Japan								
HOLD	Baillie Gifford Shin Nippon plc	BGS	11/01/94	156.0p	440.3	-17%	81.0p	253.9	-42
HOLD	Invesco Japan Discovery Trust	JD	13/07/99	95.5p	284.0	-18%	48.25p	151.2	-47
	Korea								
HOLD	Baring Korea Trust	*	12/04/94	81.1p	209.4		87.05-92.67p	281.6	+35
	Thailand								
HOLD	Old Mutual Thailand Trust	*	08/12/98	49.0p	155.9		40.48-43.44p	131.5	-16
	International								
HOLD	Aberdeen Prolific Emerging Markets	*	13/08/91	39.0p	116.1		55.14-58.34p	177.8	+53
HOLD	Legg Mason Int'l Utilities	LIU	13/02/01	170.5p	565.5	Neg.	5.25p	16.5	-97
BUY	Private Equity Investor plc	PEQ	11/12/01	122.5p	420.2	-49%	80.5p	252.3	-40
HOLD	Templeton E/Markets WARRANTS	TEMA	13/07/99	40.3p	119.7	+0%	5.0p	15.7	-87

* 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 49¾ pence (-15%, i.e. 15% *below* net asset value), **JPMorgan Fleming Asian** shares at 76½ pence (-5%), **Schroder Asia Pacific** shares at 58 pence (-13%), **Templeton Emerging Markets** shares at 99¾ pence (-18%), **Baillie Gifford Shin Nippon** warrants at 11½ pence and **Invesco Japan Discovery** warrants which trade at 5½ pence.

Recommended International Investment Funds*(Continued from Page 3)*

quoted at 4-6½ pence - so investors could receive only 4 pence selling these shares. Holding should provide a similar amount over the next year from dividends, without incurring brokerage costs.

Eaglet Investment Trust plc has issued 1,110,540 new shares as a result of the exercise of warrants in October.

Shareholders of **Fidelity Asian Values plc** have authorised the company to (1) re-purchase up to 14.99% of its capital on-market if share can be bought at a discount to net asset value and (2) to issue new shares up to 5.0% if they can be sold at a premium to net asset value. This ability to redeem and issue shares makes the company more like an unlisted unit trust and *if these facilities are used* should help keep the share price

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closer to the net asset value. At present, however, the shares are trading at a relatively large 15% discount.

JP Morgan Asian Investment Trust plc is seeking shareholder approval for a similar ability to issue shares at above net asset value and repurchase up to 15% of the capital if the shares trade at a discount. Last year shareholders approved the repurchase of up to 14.99% of the capital, but the trust repurchased just 1% (i.e. 1.5 million shares) at a discount of 15%. Since then the discount has been around 5-11%.

JP Morgan Fleming European Fledgeling Investment Trust plc has re-purchased 250,000 shares (0.44% of its capital) at 169 pence, which is about a 22% discount to net asset value.

Private Equity Investor plc will announce its interim results for the six months to 30 September on 18 December.

Listed Investment Trust Warrant Analysis

Review of Speculative Warrants

Our informally recommended, *speculative* warrants remained relatively steady over the last quarter.

F & C Income Growth shares rose marginally, up 0.4% to 123½ pence, but the warrants rose 23.8% to 26 pence. Three months ago the warrants traded at a 23% discount to their Black-Scholes valuation, and have since been re-priced close to their fair value. The warrants expire in just seven months, but offer a very high 4.5 times leverage. So a 1% increase in the share price would add 4.5% to the value of the warrants!

Perpetual Income and Growth shares weakened 2.7% to 125½ pence, but the warrants are unchanged at 31½ pence. They still have a very long time until their final expiry date - three years and eight months. Warrant leverage is high at 2.4, so every 1% fluctuation in the share price should result in a 2.4% change in the value of the warrants. The break-even rate is low at 1%, which means that the shares need to rise just 1% per annum for the warrants to *increase* in value through to their final expiry.

Schroder Income & Growth shares dipped 4.2% to 137½ pence and the warrants slipped 8.7% to 39½ pence. These warrants expire in just one year, but offer a very high 3.3 times leverage and low break-even rate.

Gartmore European slipped 4.5% to 253 pence, with these highly leveraged warrants falling a further 11.4% to 50½ pence. With just 13 months until expiry and a 6% break-even rate, time is running out for these warrants which we originally reviewed in December last year when the shares were at 360 pence and the warrants 142 pence. Nevertheless, European stock-

markets are quite volatile and these warrants offer a high 3.8 times leverage, so would appreciate strongly if European markets recover over the next year.

Polar Capital Warrants

Another speculative warrant of interest are the **Polar Capital September 2005 warrants**.

Polar Capital is a large £259 million listed investment trust that owns technology shares. The trust does seek to leverage its portfolio and has about £32 million in bank debt, although currently holds around £56 million in cash. The portfolio is well diversified, with the ten largest holdings making up only 20.7% of the portfolio. 40% of the portfolio is invested in the United States, 14% in Europe, 10% in the UK, 9% in Japan, 4% in Australia and 22% in cash. The shares currently trade at 139½ pence, which is just a 4% discount to net asset value.

Each warrant gives an investor the option to buy one share at 100 pence in September 2005, yet trades at just 42 pence. Investing via the warrants is only marginally more expensive than buying the shares (i.e. 42 pence for the warrant and 100 pence if you choose to exercise it in 2005, compared with buying the shares now for 139½ pence), yet investors need risk only 30% of their capital while the remaining 70% can earn interest in the bank for the next 2¾ years! This favourable situation is the result of the warrants currently trading at a large 32% discounts to their fair value.

The warrants also offer a high 1.9 times leverage and have a low break-even rate of just 1%. This is a speculative warrant, but also offers an attractive exposure to a recovery in the Technology sector, so we shall make a *small* investment in these warrants.

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 5%p.a.	10%p.a.	20%p.a.	Break-Even Rate
<u>INDIA</u>													
JPM Fleming Indian	56.3p	100.0p	1-2	1.62p	56.25p	-97	9.990	1.0	-100.0	-100.0	-100.0		+66%
<u>UNITED KINGDOM</u>													
Aberforth Smaller Coys	334.5p	100.0p	0-3	234.50p	235.48p	-0	0.262	1.4	+7.2	+14.5	+29.4		+0%
Blue Chip Value & Income	17.3p	75.0p	8-3	3.00p	17.25p	-83	9.990	1.0	-100.0	-100.0	-1.6		+20%
Edinburgh Smaller Coys	36.3p	100.0p	5-9	16.50p	6.25p	+164	0.421	2.4	-100.0	-100.0	-23.9		+23%
F & C Income Growth	123.5p	100.0p	0-7	26.00p	26.31p	-1	0.208	4.5	+7.1	+31.9	+86.1		+3%
Fidelity Special Values	233.5p	100.0p	1-1	133.00p	137.68p	-3	0.257	1.7	+9.1	+17.8	+35.3		-0%
Invesco City & Commercial	35.5p	100.0p	2-6	6.00p	35.50p	-83	9.990	1.0	-100.0	-100.0	-100.0		+55%
Legal & Gen'l Recovery	98.5p	100.0p	1-10	22.50p	98.50p	-77	9.990	1.0	-44.2	-13.3	+32.3		+13%
Perpetual Income & Gth	125.5p	100.0p	3-8	31.50p	45.27p	-30	0.253	2.4	+13.5	+28.1	+51.6		+1%
Schroder Income & Grwth	137.5p	100.0p	1-0	39.50p	41.58p	-5	0.185	3.3	+12.3	+29.7	+64.6		+1%
Taverners Trust	58.0p	100.0p	7-8	7.50p	58.00p	-87	9.990	1.0	-100.0	+14.0	+45.7		+8%
<u>LATIN AMERICA</u>													
Aberdeen Latin American	40.3p	100.0p	6-10	6.00p	12.51p	-52	0.486	1.8	-100.0	-100.0	+32.0		+15%
Deutsche Latin American	46.8p	100.0p	7-6	8.50p	12.52p	-32	0.384	2.1	-100.0	-100.0	+35.6		+12%
<u>EMERGING MARKETS</u>													
F & C Emerging Markets	49.3p	102.0p	0-3	0.37p	0.01p	+3918	0.495	27.3	-100.0	-100.0	-100.0		+1767%
Schroder Emer Countries	46.5p	100.0p	3-9	3.25p	5.48p	-41	0.394	3.0	-100.0	-100.0	-100.0		+24%
Templeton Emerging Mkts	99.8p	133.0p	1-9	5.00p	11.79p	-58	0.375	3.9	-100.0	-100.0	-9.0		+20%
<u>TECHNOLOGY</u>													
Herald Investment Trust	199.5p	100.0p	0-4	101.00p	100.84p	+0	0.441	2.0	+5.4	+15.4	+36.4		+2%
Polar Capital	139.5p	100.0p	2-9	42.00p	61.81p	-32	0.420	1.9	+13.5	+27.1	+50.9		+1%
<u>INTERNATIONAL</u>													
Special Utilities S	121.5p	100.0p	5-1	35.50p	45.69p	-22	0.223	2.3	+9.3	+21.9	+41.5		+2%
<u>EUROPEAN</u>													
Gartmore European	253.0p	220.0p	1-1	50.50p	54.45p	-7	0.298	3.8	-6.9	+18.2	+67.4		+6%
TR European	109.0p	166.0p	0-10	2.25p	2.50p	-10	0.359	8.4	-100.0	-100.0	-100.0		+68%
Blue Planet European Financial	40.0p	100.0p	1-3	2.00p	0.67p	+199	0.473	6.0	-100.0	-100.0	-100.0		+111%
Merrill European	106.3p	100.0p	1-7	24.50p	20.94p	+17	0.279	3.8	-27.3	-2.4	+40.1		+11%
SR Europe	66.3p	100.0p	3-8	8.50p	66.25p	-87	9.990	1.0	-100.0	-100.0	+40.1		+14%
<u>JAPAN</u>													
B Gifford Shin Nippon	81.0p	200.0p	2-4	11.50p	3.14p	+267	0.402	4.5	-100.0	-100.0	-100.0		+51%
Fidelity Japan Values	36.8p	100.0p	1-4	2.50p	0.52p	+381	0.473	6.0	-100.0	-100.0	-100.0		+116%
Gartmore Select Japan	28.0p	100.0p	0-5	0.50p	0.00p	+9999	0.363	-18.5	-100.0	-100.0	-100.0		+2049%
Invesco Japan	48.3p	100.0p	1-10	5.50p	4.09p	+35	0.510	3.5	-100.0	-100.0	-100.0		+53%
Martin Currie Japan 05	55.3p	100.0p	2-10	10.75p	4.93p	+118	0.357	3.8	-100.0	-100.0	-100.0		+28%
Murray Japan Growth & Income	0.5p	100.0p	6-3	0.15p	0.50p	-70	9.990	1.0	-100.0	-100.0	-100.0		+133%
Schroder Japan Growth	56.8p	100.0p	1-11	5.00p	2.24p	+123	0.325	5.7	-100.0	-100.0	-100.0		+38%
<u>FAR EASTERN</u>													
Aberdeen Asian Small	106.3p	100.0p	7-11	38.25p	50.00p	-23	0.319	1.7	+5.0	+16.2	+32.3		+3%
Edinburgh Dragon Trust	51.8p	60.0p	2-1	8.75p	9.57p	-9	0.370	3.2	-100.0	-39.1	+32.2		+15%
Fidelity Asian Values	49.8p	100.0p	3-8	6.50p	7.84p	-17	0.434	2.7	-100.0	-100.0	-100.0		+23%
Invesco Asia	43.3p	100.0p	1-7	1.25p	0.90p	+39	0.407	5.9	-100.0	-100.0	-100.0		+71%
JPM Fleming Asia	76.5p	100.0p	2-2	7.75p	12.06p	-36	0.385	3.3	-100.0	-100.0	+29.5		+17%
Schroder Asia Pacific	58.0p	100.0p	3-1	6.75p	8.96p	-25	0.420	2.9	-100.0	-100.0	-35.3		+22%
Scottish Oriental Sm Co	111.5p	100.0p	4-1	41.00p	41.85p	-2	0.345	2.1	-3.1	+11.8	+33.8		+6%
<u>HONG KONG / CHINA REGION</u>													
Fleming Chinese	41.3p	100.0p	1-2	1.12p	0.70p	+59	0.480	6.0	-100.0	-100.0	-100.0		+116%

The "Dow Dividend" Portfolio Annual Update

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)	\$2,775
65 shares in JP Morgan Chase (JPM)	\$1,588
64 shares in ExxonMobil (XOM)	\$2,250
24 shares in International Paper (IP)	\$897
Cash balance	<u>\$231</u>
Total Value	\$7,741

Over the last three months we have collected regular 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 ExxonMobil 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\$110 to US\$171.

The Dow Jones Index is currently 8,896.09 and the S&P 500 Index is 936.31. Our portfolio has underperformed over the last year falling 22.6% compared with only a 10.9% decline in the Dow Jones Index and an 18.3% decline in the S&P 500 Index.

This portfolio, however, is undiversified - with up to 70% in the two largest holdings) so can vary significantly from the market averages, but intended as just a small part of our total investment portfolios.

Our "Dow Dividend" Portfolio is updated once per year, in December.

Current Data and Annual Update

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 - as this company is often *distressed* rather than simply *depressed*. Then select the four *lowest priced* "small dogs":

Company	Price	Yield	"Small Dog"
Philip Morris	US\$39.95	6.41%	No
JP Morgan Chase	\$24.43	5.57%	Yes
General Motors	\$37.25	5.37%	No
Eastman Kodak	\$36.66	4.91%	No
SBC Communications	\$26.43	4.09%	Yes
DuPont	\$43.80	3.20%	No
Honeywell	\$24.37	3.08%	Yes
Caterpillar	\$46.17	3.03%	No
General Electric	\$26.05	2.76%	Yes
AT & T	\$28.00	2.68%	Yes

The *highest yielding* stock is Philip Morris while the *lowest priced* is Honeywell, so make no change to the list. Then we invest in the *four lowest priced* stocks, which are labelled as "Small Dogs" which are Honeywell, JP Morgan Chase, General Electric and SBC Communications. We would normally weight that portfolio towards the *lowest priced* of these stocks, with 40% in the lowest priced, then 30%, 20% and 10%. However, as Honeywell and JP Morgan Chase are very similar in price we shall invest 35% of the portfolio in each of these two companies. For the same reason, we shall invest 15% of the portfolio in General Electric and SBC Communications:

Company	Price	Percent
Honeywell	\$24.37	35%
JP Morgan Chase	\$24.43	35%
General Electric	\$26.05	15%
SBC Communications	\$26.43	15%

Portfolio Changes

To achieve this new portfolio we shall:

1. Sell all of our shares in ExxonMobil (XOM)
2. Sell all of our shares in International Paper (IP).
3. Sell 62 SBC Communications (SBC) *reducing* this holding to 43 shares.
4. Buy an additional 45 JP Morgan Chase (JPM) shares *increasing* this holding to 110 shares.
5. Buy 110 Honeywell (HON) shares.
6. Buy 44 General Electric (GE) shares.

After deducting brokerage (at US\$15 per trade, or US\$90 in total) our portfolio will look like this:

110 shares in Honeywell (HON)	\$2,681
110 shares in JP Morgan Chase (JPM)	\$2,687
44 shares in General Electric (GE)	\$1,146
43 shares in SBC Communications (SBC)	\$1,136
Cash balance	<u>\$1</u>
Total Value	\$7,651

Once we have executed these trades to update our "Dow Dividend" Portfolio it will remain unchanged until its next annual review in December 2003, although we shall monitor and report its progress each quarter.

Next Issue

The next issue of *International Investor* will be posted in five weeks time on Tuesday January 14, 2003 (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.

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