

**VOL. X**

**Serving investors since 1987**

**No. 11**

**www.dvbeinvestments.com**

## EUROPE

### Unlikely German Leads the War on Spyware

Spyware, a term that represents a range of annoying programs that can be bundled with screen savers, music-swapping software and other downloads. They can create popup ads that track what websites you visit or add links promoting porn and gambling sites. Spyware can even be used for stealing personal information.



**Daniel W. Roberts  
President**

Patrick M. Kolla, a 26 old German computer programmer, wrote a software tool called "Spybot Search and Destroy", to find and delete spyware. Mr. Kolla distributes Spybot free to individuals via his company PepiMK Software. Spybot is available for download at [www.security.kolla.de](http://www.security.kolla.de). Sales this year for antispyware software range from \$10,000,000 to \$15,000,000. Although the market is still small, many tech companies are rushing into the market. They believe the anti-spyware market could follow the footsteps of antivirus software, which was fairly foreign 15 years ago. Global sales were \$2.2 billion last year, according to the market research company IDC. There is also a commercial version of Spybot available for computer networks.

Mr. Kolla's mission to fight spyware resides in his parent's dwelling in the German industrial town of Bochum, with the assistance of two individuals. Although Spybot is free, Mr. Kolla does request a donation to support his mission.

Spybot continues to gain popularity, and is estimated to attract more than three million downloads a month. PC World magazine rated Spybot as the best software of its kind in June, and regularly ranks among the ten most popular programs. Download.com's website also has Spybot available

for download, and has Spybot as the top-rated program to combat spyware.

Mr. Kolla has a myriad of competition from U.S. software companies including Pest Patrol in Carlisle, Pennsylvania, Webroot Software Inc. in Boulder, Colorado, and Aluria Software LLC in Lake Mary, Florida. These companies all have larger staffs and sell spyware to individuals and commercial clients. Earthlink Inc., a big Atlanta Internet-service provider plans to offer "Spyware Blocker", a Webroot's program to its customers soon. Network Associates Inc. in Santa Clara, California and Symantec Corp. are also taking part in the spyware market.

### British Projects Promote Open-Source Software

Open source software is an option the British government is considering as an alternative to commercial software. It is developed by individual groups of programmers and doesn't contain commercial licensing fees compared to commercial software. To promote this, the government has announced nine trial projects, in administrations including the office of the deputy prime minister and the Newham Borough Council, which would be run by IBM (International Business Machines Corp.) IBM will contribute time and monetary funds to the projects, as well as extra discounts on Linux related offerings for British public sector organizations.

There is currently a growing usage of the open source Linux operating system. Linux's competitor in the commercial software sector, Microsoft Corp. has pushed to increase government business in Europe.

## ASIA

### Indian Stocks Poised for Growth

A recent study shows that India may be a better bet for investing in the stock market compared to China. China has had amazing economic growth and domestic market that has made it the world's top destination for direct business development. From a survey by CLSA Emerging Markets, on sixty-one Chinese companies trading in Hong Kong and

**Roberts & Ryan Investments Inc.**

*GLOBAL TRANSACTION AGENTS*

57 Post St., Suite 614, San Francisco, CA 94104

415 956-2000 800 675-6717 Fax 415 296-8873

*A Service Disabled Veteran Enterprise*

sixty-nine Indian companies listed in Bombay, not only did India score higher on CLSA's corporate governance ratings, but they had a greater daily trading volume, offered a better return on equity and they should have superior earnings growth during 2004.

The study compares two of the world's most populous nations, and the contrasting approaches of Beijing and New Delhi developing their economies and capital markets. Although India has been slower in gaining foreign investment compared to China, they have been better in developing world-class companies. China has been the favorite for investors of multinational companies, however India has proven to have a greater number of companies able to compete on a global scale and whose management style is much more comparable to their American and European peers. Some of these firms include Infosys Technologies and Wypro, pharmaceutical companies such as Ranbaxy Laboratories and a number of outsourcing companies.

The stocks with a market capitalization of \$2 billion or more surveyed that these Indian companies had a return on equity of 30% compared to China's 17%. When comparing these Indian companies to China's, the daily trading volume for these Indian companies easily surpassed the large Chinese companies. India's companies which valued no more than \$1 billion are fairly even compared to China's in terms of offering shareholder value. China's small-cap valuations were also more appealing.

China's index is up 33% in dollar terms while India's index is ahead 31% this year. The Indian banking system is thought to be more advanced and stable. Indian market advocates believe India has better disclosure among its companies, stronger property rights and a more investor friendly legal system.

### **Offshoring transforms India's tech economy**

India's technology economy is booming with tech savvy engineers and cutting edge companies at high tech hot spots such as Bangalore, Hyderabad, Mumbai, Pune, Chennai and Calcutta. The labor may be cheap, but the software developers are highly skilled.

This area has attracted giants like Hewlett-Packard Co. in Palo Alto, Sun Microsystems Inc. in Santa Clara, and Oracle Corp. in Redwood Shores to open facilities or outsource functions to Indian companies. The first HP

research center was first set up in India in 1996 with 25 employees and now has 5,000. Between 1992 and 2001 the Indian software sector annual growth rate was more than 50 percent which grew twice as quickly as the U.S. software sector.

Software exports as a percentage of India's total export has also grown steadily; more than 14 percent in 2001. Their software industry export is expected to gross \$50 billion in 2008.

Some of these cities in India mirror American life and look similar to U.S. cities with U.S. restaurants, and shops lining city streets.

### **Trade secrets case may collapse**

The Economic Espionage Act of 1996 may be too vague when it comes to defining the nature of alleged trade secrets. There is little case precedent to define what constitutes a trade secret.

A study from Pricewaterhouse Cooper shows trade secret theft cost our nation's largest companies more than \$45 billion per year. Not all companies will be aware of theft occurrences and not all executives will admit there was theft involved.

Data from technology companies, Sun Microsystems, NEC Electronics Corp., Transmeta Corp. and Trident Microsystems Inc.'s trade secrets were crammed into the suitcases of two San Jose area businessmen heading off to China. Fei Ye and Ming Zhong, who were originally from China planned to start a microprocessor company called Supervision Inc. or Hangzhou Zhongtian Microsystems Co. with the Chinese government. Their defense attorneys claimed these were routine reference materials' any engineer might carry, and if they were trade secrets, their clients were not aware of it. This lawsuit may have profound implications for the technology industry.

Nearly 3,200 pages of documents are involved in the case, and are under seal due to the confidential data about microchip designs. This incident occurred in November 2001 when Ye 37, a naturalized U.S. citizen and former Transmeta employee, and Zhong 36, a permanent U.S. resident, attempted to board a flight to China from San Francisco International Airport. The microchip designs and equipment were valued at around \$10,000. If convicted, the two could face up to 95 years in prison and \$3 million in fines.

***Roberts & Ryan Investments Inc. Global Transaction Agents***

## **Sharp, Sanyo, TDK Profits Rise**

Japan's technology companies are enjoying the growing market for digital products. Sharp Corp., Sanyo Electric Co. and TDK Corp., the three makers of consumer electronic products, all reported strong results for fiscal first-earnings and second quarter.

Due to the stellar sales of Sharp's camera-equipped mobile phones, liquid-crystal-display televisions and other products, earnings were strong. Sharp's net profit rose 22% from a year earlier to 27.95 billion Japanese yen (\$258.1 million) for the half ending September 30. Group operating profit rose 20% to 58.58 billion yen, while revenue rose 13% to 1.094 trillion yen.

Sanyo's sales in Japan and overseas of their mobile phone handsets and digital cameras tripled during the first half. Company net rose to 7.52 billion yen from 2.46 billion yen a year earlier. Operating profit rose 35% to 45.46 billion yen, while revenue was up 18% to 1.231 trillion yen.

TDK's net quadrupled to 19.26 billion yen from 4.65 billion yen a year earlier.

Sharp and TDK increased their earning outlooks for next year while Sanyo made no changes.

## **AFRICA**

### **Ghana: Bid for Mining Company Raised**

Randgold Resources, the British-based mining company, and AngloGold, based in South Africa, have been two companies rivaling over whom will have the highest bid for Ashanti, the Ghanaian gold mining company. The Ghanaian government owns 17 percent of Ashanti and all mining rights will approve the winning bidder. AngloGold made a bid on October 14, but has now been topped by Randgold Resources, who raised their bid 12.3 percent now valued at \$1.7 billion in stock.

## **AUSTRALIA/NEW ZEALAND**

### **Bank Acquisition**

The Australia and New Zealand Banking Group, Australia's fourth-largest bank, is attempting to expand beyond its home market. They have announced the purchase of National Bank of New Zealand from Lloyds TSB Group of Britain for 4.9 billion Australian dollars (\$3.4 billion).

## **CENTRAL AMERICA**

### **Cellphone Plans Start Going International**

Wireless companies are trying to make efforts to attract international travelers. While most of the world uses GSM(Global System for Mobile Communications) the U.S. networks remain incompatible with this technology. Chargers and accessories do not work with overseas plugs.

Verizon Wireless new plan allows customers to call from Mexico, Puerto Rico, and Canada without extra charges on top of their flat monthly fee. This option will cost between \$60 and \$170 depending on the selection of minutes. Verizon also plans to have their first world phone which will work with both GSM and CDMA networks by the end of this year. With this technology, travelers will be able to use the same phone and number in Europe, Asia, the U.S. and Latin America.

AT&T Wireless released a version in August for an extra \$9.99 a month to extend their service to include Canada, Puerto Rico, and the U.S. Virgin Islands. Most U.S. phones do not work abroad, and if they do, the charges are high due to roaming fees. The new North American plans will preclude customers from these roaming charges.

Verizon Wireless's new plan is available now in 24 states in the West and Midwest, and will be launched nationwide in early 2004.

*Roberts & Ryan Investments Inc. Global Transaction Agents*

## **EUROPE, ASIA AND U.S.**

### **PC Shipments Rise on Notebook Sales**

The U.S., Europe and Asia all reported rising PC shipments. Portable personal computers boosted PC shipments by 14% to 16% due to the strong demand worldwide. This raises the prospect of the first strong holiday PC sales in three years. Reports show that world-wide PC sales are at the fastest rate since the third quarter of 2000, with the demand for notebook computers and the acceptance of wireless technology in homes.

Reports show that Hewelett-Packard Co. of Palo Alto, California sales are almost even with the market leader Dell Inc., in Round Rock, Texas. HP lost the top spot to Dell a year ago, but due to sharp price cuts in August, HP was able to pull closer to Dell's numbers. Although the price cuts hurt HP's profits, it boosted U.S. shipments by 35%, the largest increase of any supplier. Dell's world-wide shares rose to 15.3% from 13.6% a year earlier, while HP's shares rose to 15.1% from 13.5%.

World-wide shipments in the quarter ended September 30th with numbers which rose 14.1% to 42.6 million units.

## **About Roberts & Ryan Investments Inc.**

Our President, Mr. Dan Roberts, recently completed a trip to London and Scotland. He met with various asset managers and agents as part of our ongoing research service; we update ourselves on facts and circumstances, and are ready to modify our monthly proprietary newsletter as requested. Let us hear your comments and suggestions.

---

*This is a timely newsletter for our institutional clients. The information herein has been assembled with the utmost attention to detail, however, as with all research, the accuracy cannot be guaranteed.*

***Roberts & Ryan Investments Inc. Global Transaction Agents***