

Phew, international shares, where to start? One reason international shares are considered a high risk investment is the sheer diversity of risk. Take all the factors affecting the Australian sharemarket and multiply that number with a very big number, then do it again and you're starting to get a picture of the levels of complexity we're talking about. However, at the end of the quarter, international sharemarkets will have done one of three things – gone up, gone down or stayed the same.

## Quarter 2 review.

While global markets were on the up in April/May, overall it was a sluggish quarter characterised by falling share values.

Credit-related issues plagued the sector. Escalating commodity prices, spiralling inflation and the likelihood of a US recession each contributed to short-lived investor optimism.

### The US.

The S&P 500 fell 3.23%.

The best performing sectors were energy and utilities. The weaker links were financials and industrials.

### Europe.

Markets fell -4.7%.

The best performing sectors were energy and materials. The weaker links were financials and consumer discretionary.

### Japan.

The Topix advanced 8.83% (thanks to renewed confidence in the local economy and a weaker Yen).

The best performing sectors were energy and technology. The weaker links were consumer staples and utilities.

## Outlook – of concern.

It remains to be seen if growth assets will cause many smiles. Rising inflation, money tightening and rising oil prices may further fuel investor worries.

### Confidence boosters.

Not exactly a boost, but data suggests that the market slowdown will be gradual. Governments and central banks are keeping a close watch over money and credit market stress.

### Confidence bursters.

It's looking like more volatility awaits. Investors will be forced to stay on their toes and rethink expectations for growth, inflation and asset prices.

## How this relates to Virgin Super options.

The more international shares you have in your asset split, the more relevant this information is:

- If you're under 40 and invest in Life Stage Tracker – Aggressive, please pay attention, because this investment option invests in overseas shares.
- If you're in your 40s and invest in Life Stage Tracker – Aggressive or if you're under 40 and invest in Life Stage Tracker – Balanced, pay almost as much attention, because these investment options invest in overseas shares.
- If you're selecting your own asset split, it depends on how much you chose to put into international shares. A low exposure won't affect your account balance much regardless of whether the market rises or falls. A high exposure will strongly impact the size of your account balance.

## The legal bits.

This market report has been prepared by Virgin Money Financial Services Pty Ltd ABN 51 113 285 395 AFSL 286869 ('we') for Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153 RSE L0000635 as Trustee for Virgin Super RSE R1001440. The info is current as at 30 June 2008, and applies to money matters in general, not you specifically. The info source is a third party provider. We haven't verified its accuracy so can't guarantee that it is correct, and accept no liability for inaccuracies, errors or omissions. Before deciding whether Virgin Super fits your financial objectives, situation or needs, we suggest a quiet word with a financial advisor. Important note is that past performance is not indicative of future performance.

## MSCI World ex Australia Hedged

