

JANUARY – MARCH 2010

International shares make up 98% of the world's financial markets and offer investors diversification benefits over companies, sectors and countries. However they're also considered quite risky which means returns can rise and fall very quickly. At the end of the day, history shows us that if you're investing over long time periods, a well diversified international share portfolio generally achieves positive returns.

## Quarter Review

The MSCI World Ex Australia climbed 1.1% this quarter in Australian Dollar terms. The equity market returned 3.2% in USD terms, losing 2% from the continual appreciation of the Australian Dollar. Economic data released in the past quarter pointed to both a broadening and strengthening in the global recovery, with revelations that US GDP finished 2009 by recording its fastest quarterly growth in six years. Many economic indicators in the US improved despite the advent of significant snow storms in the winter months.

### The US

The S&P500 climbed by 4.9% in the quarter. The worst performing sectors were Telecommunication Services and Utilities, while Industrials and Financials outperformed.

### Japan

The TOPIX decreased by 7.8% in the quarter. The worst performing sectors were Healthcare and Energy, while Information Technology and Industrials outperformed.

### Europe

European markets rose by 3.1% in the quarter. The worst performing sectors were Utilities and Telecommunication Services, while Information Technology and Industrials outperformed.

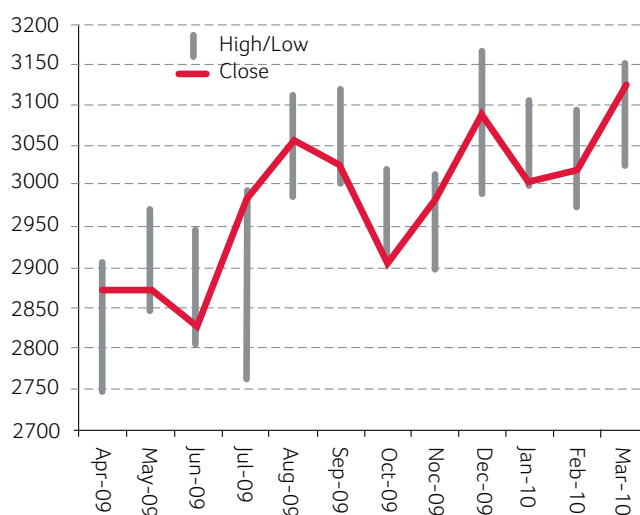
## Outlook

The recently released economic data suggests that the US economic recovery is broadening across sectors, with the housing sector the notable exception. Elsewhere, data suggests that the recovery in Europe is also broadening. Further, some fund managers believe that central banks are likely to keep interest rates at extremely accommodative levels in the absence of clear evidence that excess capacity in the economy has been removed. Concerns however, around the public sector debt levels of some sovereigns are likely to remain a key risk in the near term, and consequently some fund managers expect conditions to remain volatile in the near term.

## The legal bits.

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## MSCI World ex Australia (unhedged in \$A)



## Fund Allocation by Country

