International Shares – Quarterly Report

OCT-DEC 2007

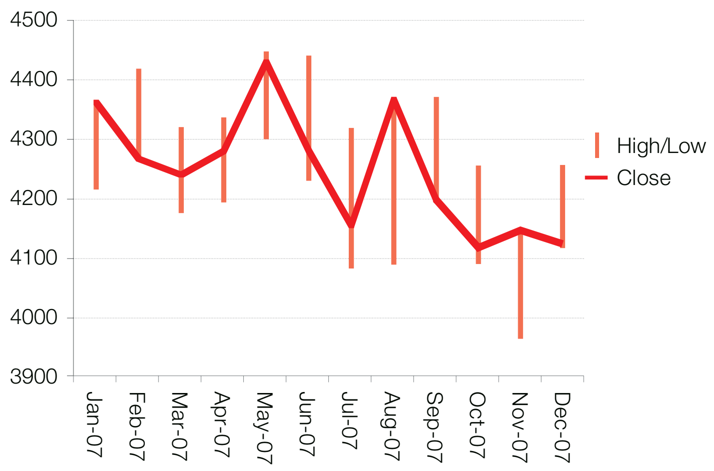
One reason international shares are considered a high risk investment is the sheer diversity of risk. Take all the factors affecting the Australian sharemarket and multiply that number with a very big number, then do it again and you're starting to get a picture of the levels of complexity we're talking 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 4 review.

Problems in the US really hit home overseas, and the sharemarket ended the quarter down 1.7%. Despite another interest rate cut and strong consumer spending, the US housing market continued to slow. This is bad news, as everyone's nervous that the US is heading for a recession. The US sub-prime mortgage crisis added to woes, with the finance sector the hardest hit in terms of monetary losses. This issue has put a big squeeze on the amount of cash floating in the marketplace.

Investors also worried about signs of global inflation, driven by commodity price hikes.

MSCI World ex Australia (Unhedged in $A)



The US

The S&P 500 fell 3.8%.

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

Europe

European markets fell 1.2%.

The best performing sectors were telecommunications and utilities. The weaker links were financials and information technology.

Japan

The Topix fell 8.7%.

The best performing sectors were telecommunications and consumer staples. The weaker links were materials and industrials.

Outlook – more volatility.

Investors will be kept on their toes over recessionary concerns in the US and the credit crunch crisis. This is likely to mean more market ups and downs.

Confidence boosters.

The winning combination for better performance will be strong economic growth outside of the US and Central Banks keeping tabs on interest rates.

Confidence bursters.

Concerns about what's happening in the US.

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.
- 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.
- If you're selecting your own asset split, it depends on how much you chose to put into international shares.

The legal bits.