

APRIL – JUNE 2009

International shares make up 98% of the world's financial markets. So you get great diversity across companies, sectors and countries. But, they're also quite risky and you can make or lose a lot of money in the short term. In fact, the sharemarket is famous for falling after long stretches of good performance. At the end of the day, history shows us that if you're investing for the long term, you'll usually recover any short term losses.

## Review of the quarter

The MSCI World Ex Australia, an index which measures international equities performance, climbed 3.6% this quarter in Australian dollar terms. The index staged a strong recovery after dropping 11% last quarter. Even though the stock market rallied 20% in US dollar terms, much of the return was washed out on the strength of the Australian dollar.

Whilst it is premature to declare an end to the recession, 'green shoots' of recovery became increasingly evident across industrial economies this quarter. There are also some signs emerging of a slowing in the pace of decline in employment across the globe.

### The US

The S&P 500 climbed by 15.22% in the June quarter. The worst performing sectors were Telecommunications Services and Healthcare, while Financials and Information Technology outperformed.

### Japan

The TOPIX increased by 20.18% in the June quarter. The worst performing sectors were Utilities and Healthcare, while Financials and Materials outperformed.

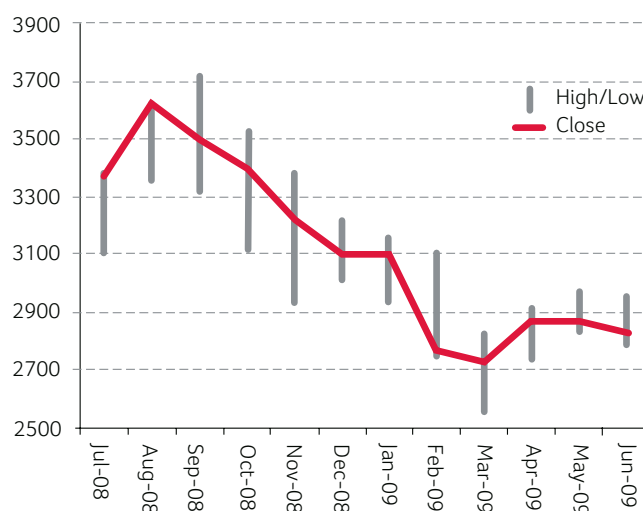
### Europe

European markets rose by 13.95% in the June quarter. The worst performing sectors were Telecommunication Services and Healthcare, while Financials and Materials outperformed.

## Outlook

The impact of higher bond yields on mortgage rates is likely to appear in the economic data and with capacity utilisation rates remaining low, it's likely to be challenging for a rapid recovery in employment to occur in the near term. Against this, governments and central banks are likely to respond should conditions weaken, and positioning amongst investors is likely to be more conducive to adding risky asset allocations. Taking these forces together, conditions are likely to remain volatile in markets.

MSCI World ex Australia (unhedged in \$A)



## The legal bits.

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