

JULY – SEPTEMBER 2009

International shares make up 98% of the world's financial markets so you get great diversity across companies, sectors and countries. However they're also quite risky and you can make or lose a lot of money in the short term. In fact, the share market 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.

Quarter 3 Review

The MSCI World Ex Australia climbed 7.1% this quarter in Australian dollar terms. The theme of this quarter was the improvement in sentiment regarding the recovery of the global economy. Data points released in the last few months surpassed analyst expectations. This supports the view that the global recession had ended in the June quarter and economies are now experiencing a recovery phase. Emerging markets are leading the recovery, with China ahead of the pack with an effective implementation of their stimulus package.

The US

The S&P 500 climbed by 15.0% in the September quarter. The worst performing sectors were Telecommunications Services and Utilities, while Financials and Industrials outperformed.

Japan

The TOPIX decreased by 2.1% in the September quarter. The worst performing sectors were Financials and Energy, while Telecommunication Services and Healthcare outperformed.

Europe

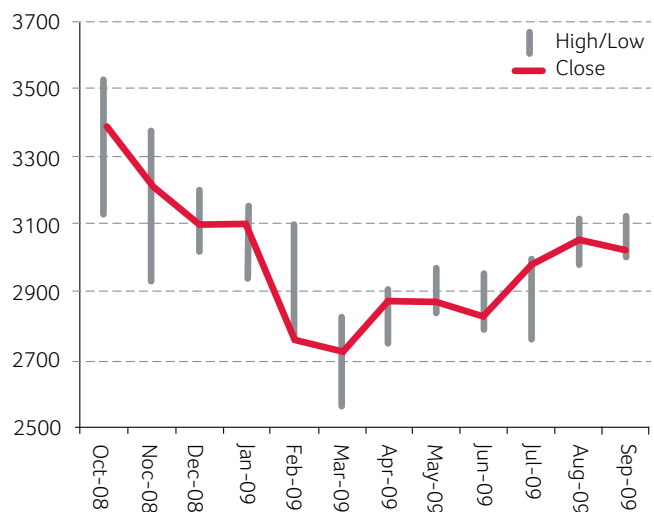
European markets rose by 19.8% in the September quarter. The worst performing sectors were Information Technology and Energy, while Financials and Industrials outperformed.

Outlook

In the near term, markets appear to be awaiting the outcome of the Q3 earnings session in the US for direction. Whilst it has been suggested that market participants are expecting broadly upbeat results relative to consensus, some analysts suggest it would not be surprising to see the market rally should we see another quarter of better than expected results.

Over the medium term, the outlook is likely to be more volatile, with the removal of stimulus and the underlying strength in the economy in the absence of stimulus likely to be key topics to evolve as we head into 2010.

MSCI World ex Australia (unhedged in \$A)



The legal bits.

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