

OCTOBER – DECEMBER 2009

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 2.1% this quarter in Australian dollar terms. The equity market returned 4.0% in USD terms, losing 2% from the continual appreciation of the Australian dollar. Global Equity Markets finished the year as it had traded throughout most of 2009, gaining further ground on the back of improved optimism regarding the recovery and fading concerns over Dubai World. Economic data for the most part remained consistent with a recovery in activity, with surveys of industrial activity rising to levels that historically have been consistent with robust growth in aggregated output. Throughout the quarter economists continued to revise up their forecasts for growth over the coming year across the main industrial economies.

The US

The S&P500 climbed by 5.5% in the December quarter. The worst performing sectors were Financials and Consumer Staples while Information Technology and Consumer Discretionary outperformed.

Japan

The TOPIX decreased by 0.2% in the December quarter. The worst performing sectors were Energy and Telecommunication Services while Consumer Discretionary and Materials outperformed.

Europe

European markets rose by 3.8% in the December quarter. The worst performing sectors were Financials and Information Technology while Materials and Consumer Staple outperformed.

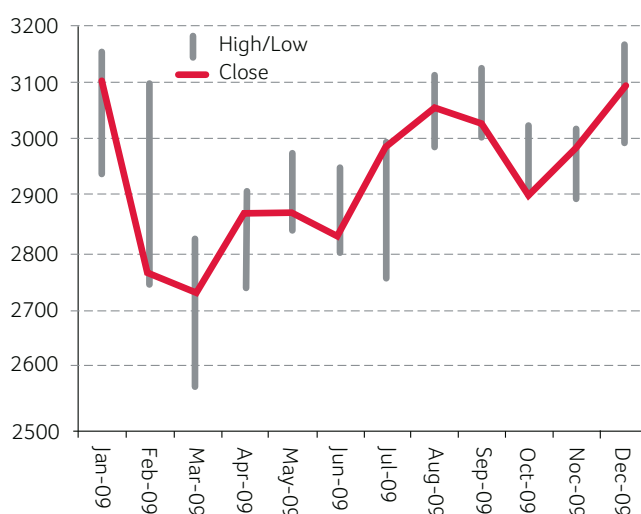
Outlook

Recent reductions in US employment losses have fuelled speculations about the prospects of US Federal Reserve interest rate hikes in 2010. Some fund managers believe that the US Federal Reserve is likely to keep monetary policy at extremely stimulatory levels until clear evidence emerges of a significant reduction in the excess capacity remaining in the economy. Consequently, they also believe conditions are likely to remain supportive for growth assets in the medium term.

The legal bits.

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MSCI World ex Australia (unhedged in \$A)



Fund Allocation by Country

