

Phew, international shares, where to start? 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 1 review.

There wasn't much to smile about anywhere overseas. The sharemarket finished the quarter 14.1% lower, due mostly to uncertainty about a US recession.

Central Banks in the US and Europe tried to get cash flowing into the economy by cutting interest rates. The US Federal Reserve slashed rates by a whopping 2.0%. But investors seemed more focused on commodity price hikes and its effect on inflation.

The US

The S&P 500 fell 9.4%.

The best performing sectors were materials and consumer staples. The weaker links were financials, technology and telecoms.

Europe

European markets fell 13.9%.

The best performing sectors were materials and consumer staples. The weaker links were telecoms and technology.

Japan

The Topix fell 17.0%.

The best performing sectors were utilities and consumer staples. The weaker links were consumer discretionary and materials.

Outlook – still more volatility.

While US investor sentiment has improved a tad, the road ahead still looks rocky. The US economy continues to slow, employment levels are falling and the credit markets are still in crisis.

Confidence boosters.

Investors will perk up if company earnings continue to exceed expectations and central bank measures to shake up the economy kick in.

Confidence bursters.

It continues to be all about the US – further declines in employment, ongoing fallout from the credit crisis and recessionary concerns.

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, because this investment option invests in overseas shares.
- 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, because these investment options invest in overseas shares.
- If you're selecting your own asset split, it depends on how much you chose to put into international shares. A low exposure won't affect your account balance much regardless of whether the market rises or falls. A high exposure will strongly impact the size of your account balance.

The legal bits.

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