

## INTERNATIONAL EQUITY MARKET SUMMARY FEBRUARY 2012

The International stock markets, as measured by the Morgan Stanley Capital International (MSCI) ACWI ex U.S. Index, continued its momentum in February (+5.4%), following a strong start in January (+6.7%) and decline in December (-1.2%).

### International Indices

	01/31/12	02/29/12	Monthly Return
MSCI ACWI ex U.S.	235.65	248.34	5.4%
MSCI Europe	1,312.83	1,392.16	6.0%
MSCI Pacific	2,023.26	2,114.38	4.5%
MSCI Emerging Markets	1,019.39	1,079.44	5.9%

### MSCI ACWI ex U.S.

Information Technology	7.4%
Consumer Discretionary	7.0%
Financials	6.6%
Industrials	5.8%
Energy	5.4%
Consumer Staples	5.3%
Utilities	4.6%
Materials	3.7%
Telecom Services	3.0%
Health Care	2.2%

Cyclical sectors outperformed for a second straight month, driven by gains in Information Technology (+7.4%), Consumer Discretionary (+7.0%), and Financials (+6.6%). Health Care (+2.2%) and Telecom Services (+3.0%) underperformed the market despite posting positive returns. Driving the market higher was the ECB approval of a EUR530b LTRO (Long-Term Refinancing Operations) to European financial institutions in an effort to contain the euro-zone sovereign debt crisis. In addition, manufacturing data continued to improve in the U.S. and China. Headwinds for the global economy included elevated oil prices (Brent crude: \$122.66) and continued geo-political risk in the Middle East. The Yen (-6.0%) weakened against all major currencies, as the BOJ expanded its asset purchase program. The only other currency to weaken was the U.S. Dollar (-1.0%). The strongest currencies were the Swedish Kroner (+2.7%) and Euro (+1.8%). The ACWI ex U.S. Index represents companies in the developed markets indices of Europe, the Pacific, and Emerging Markets.

**EUROPE:** The MSCI Europe posted a gain in February (+6.0%), following a strong performance in January (+4.6%). Nordic countries outperformed across the board, led by gains in Norway (+15.5%) and Denmark (+14.4%). Belgium (+9.2%) and Germany (+8.4%) led on the mainland while Greece (-8.0%) and Israel (0.5%) lagged the market.

Alcatel-Lucent (+41.0%), ATOS (+13.3%), and SAP (+11.7%) led Information Technology higher in Europe, followed by Electrolux (+19.8%) in Consumer Discretionary. Defensive sectors underperformed due to declines at Health Care companies AstraZeneca

(-7.2%) and Elan (-6.4%). Telecom Services also struggled to keep pace as the sector faced headwinds from Telefonica (-2.1%) and Vodafone (0.1%). Other European companies outperforming included KBC (+24.6%), Renault (+24.3%), and TNT (+48.9%), which spiked due to a proposed takeover bid from UPS. Underperformers included Vestas Wind (-8.8%), Rio Tinto (-4.9%), and GDF Suez (-4.4%).

### European Sector Performance

Information Technology	9.4%
Consumer Discretionary	7.7%
Financials	7.7%
Industrials	7.4%
Consumer Staples	6.8%
Energy	5.9%
Materials	5.5%
Utilities	4.5%
Telecom Services	2.7%
Health Care	2.3%

**PACIFIC:** The Pacific Region continued to recover in February (+4.5%), following gains in January (+6.5%) and flat returns in December (0.0%). Hong Kong (+8.5%) led the market higher, followed by Japan (+5.0%) and Singapore (+4.7%). Underperforming markets included New Zealand (+3.5%) and Australia (+2.0%).

### Pacific Sector Performance

Consumer Discretionary	7.6%
Financials	6.4%
Energy	5.8%
Information Technology	5.0%
Industrials	3.4%
Utilities	2.5%
Materials	2.3%
Health Care	1.5%
Telecom Services	0.7%
Consumer Staples	0.2%

Japanese companies rallied significantly following the BOJ's commitment to target inflation in Japan at 1%. As a result, the Yen weakened driving returns higher for export companies such as Sony (+17.4%) and Shimano (+17.6%) in Consumer Discretionary, and Nomura (+26.3%) in Financials. Consumer Staples and Telecom Services underperformed due to declines at Kirin Holdings (-3.8%) and NTT DoCoMo (-3.7%). Other companies moving higher included Sumco (+25.8%), Mitsui OSK (+20.8%), and Sumitomo Metal (+16.8%) while Sega Sammy (-12.2%), Taisho Pharmaceutical (-8.7%), and Dentsu (-6.8%) declined.

**EMERGING MARKETS:** Emerging Markets gained 5.9% in February, following a rebound in January (+11.2%) and weak December (-1.3%). Regional leadership was mixed as Thailand (+12.0%), Russia (+9.6%), and Chile (+8.9%) helped to sustain the rebound in EM. Indonesia (-1.3%) and Peru (-1.0%) underperformed the market.

# INTERNATIONAL EQUITY MARKET SUMMARY (CONCLUDED)

## FEBRUARY 2012

### Emerging Markets

Industrials	8.7%
Information Technology	8.3%
Utilities	7.0%
Financials	6.0%
Energy	5.4%
Consumer Staples	5.2%
Telecom Services	4.7%
Consumer Discretionary	4.4%
Materials	4.3%
Health Care	3.5%

Industrials led all sectors higher, driven by gains at Daewoo Shipbuilding (+29.6%) and SK Holdings (+21.1%). Information Technology also finished the month stronger, due to returns from Foxconn (+17.6%). Health Care underperformed, due in part to declines at Ranbaxy Labs (-3.8%). Other companies moving included Alibaba.com (+58.1%), which spiked up after its parent company bid to buy out minority shareholders, and Geely Automobile (+50.1%), following talks with Volvo as a development partner.

### ACWI ex U.S. – February 2012



Source: Bloomberg, Morgan Stanley