

Cash and fixed interest is a relatively low risk investment, offering low returns over a short period of time. Generally, you're looking at a set fixed rate of interest at the time of purchase and, unlike shares, you pretty much know what you're going to get.

One thing to bear in mind is inflation. For example, if the interest rate on your cash is 5% p.a. and the annual inflation rate is 4% p.a., your real return is 1% p.a.

## Quarter 2 review.

A volatile quarter that went up, down, then ended relatively unchanged.

The market's main driver was another sharp rise in crude oil prices. The main topic of conversation? Global inflation.

### Australia.

Inflationary pressures proved much greater than expected – rising by 1.3% and hitting 4.25% (the highest level since 1991).

Growth remained firm, driven by more consumer spending and the ongoing strength of business investments, particularly mining.

While the Reserve Bank chose to keep rates on hold, notes from the May board meeting indicated that a rise had been suggested to contain further inflationary pressures.

### The US.

Inflation rose back above 4%, yet consumer spending was significantly stronger than expected. Bond yields had a modest downturn only, data showing growth just slightly below long-run trends. Unemployment is still on the rise.

### Outside the US.

Global concerns about inflation clearly wasn't crazy talk – in Asia it doubled in the last year alone to 7.5%, and in this quarter in the Euro area hitting 4% and the UK, 3.3%. Interest rates went up in Norway, Canada and the UK.

## How this relates to Virgin Super options.

The more cash and fixed interest you have in your asset split, the more relevant this information is.

- If you're over 60 and invest in Life Stage Tracker – Balanced, please pay attention, because this investment option invests in cash and fixed interest.
- If you're over 60 and invest in Life Stage Tracker – Aggressive or if you're in your 50s and invest in Life Stage Tracker – Balanced, pay almost as much attention, because this investment option invests in cash and fixed interest.
- If you're selecting your own asset split, it depends on how much you chose to put into cash and fixed interest. 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.

This market report has been prepared by Virgin Money Financial Services Pty Ltd ABN 51 113 285 395 AFSL 286869 ('we') for Trust Company Superannuation Services Limited ABN 49 006 421 638 AFSL 235153 RSE L0000635 as Trustee for Virgin Super RSE R1001440. The info is current as at 30 June 2008, and applies to money matters in general, not you specifically. The info source is a third party provider. We haven't verified its accuracy so can't guarantee that it is correct, and accept no liability for inaccuracies, errors or omissions. Before deciding whether Virgin Super fits your financial objectives, situation or needs, we suggest a quiet word with a financial advisor. Important note is that past performance is not indicative of future performance.

## Daily Yield Over 12 Months

