



Cash and Fixed Interest – Quarterly Report

OCT-DEC 2007

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 4 review.

With all the unhappy vibes pounding the sharemarkets, it's little wonder that investors took shelter in the bond markets. Globally, bonds were up 2.8% for the quarter. The US sub-prime mortgage crisis was a huge contributor to investor worries. This led the Central Banks in the US, Europe and England to cut interest rates in an effort to boost cashflow.

Australia

Strong consumer spending, continued business investment and healthy employment numbers kept the economy positively buzzing. But, inflation worries led to the Reserve Bank lifting rates by 0.25% to 6.75% during the quarter – the highest level since 1996.

The US

Despite the credit crisis issues, economic growth was quite strong. This was mostly due to ongoing consumer spending and healthy labour markets. However, we expect this level of growth to slow in the coming months.

Outside the US

Economic growth is still travelling along nicely outside the US. There's a good chance this will continue, provided any fallout from US events can be avoided.

Outlook – quite positive.

Investors are really occupied with what's going on in the US. So, it's likely that bonds will offer more upbeat performance than shares. Expect further rate cuts in the US and rate rises in Australia.

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.
- 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.
- If you're selecting your own asset split, it depends on how much you chose to put into cash and fixed interest

The legal bits.

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Daily Yield Over 12 Months

