

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 1 review.

Just like last quarter, investors sold out of shares and into those they thought would be less volatile – namely fixed interest and cash. This helped global bonds to finish the quarter up 3.4%.

The US credit crisis continued to be the thorn in investors' sides. This prompted numerous central banks to cut interest rates to try and kick start the economy.

### Australia

You can't have too much of a good thing – the Aussie economy is proof of that. High employment (which means tight labour markets), strong local demand and continued business investment have all added to inflation woes. To try and lower inflation, the Reserve Bank promptly hiked interest rates twice to 7.25% – a 12 year high!

### The US

US economic growth continued to slow and there's a strong chance of recession in the first half of this year. The big worry is the fall in employment, which is likely to continue. In an effort to kick start the economy, the Federal Reserve cut interest rates by 2.0% and will introduce a \$150 billion package mostly comprising tax rebates.

### Outside the US

Despite upbeat economic growth elsewhere, the US slowdown has seriously affected the stability of world financial markets. This has led central banks in the UK, Europe and Canada to cut interest rates, as concerns about slowing global economic growth increase.

## Outlook – promising.

As long as worries about the US continue, the current levels of volatility will continue. Against this backdrop, bonds are likely to provide more promising returns than shares. Further rate cuts are on the cards for the US, the UK, Europe, Canada and 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, 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 1 April 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

