

PERPETUAL WEALTHFOCUS

2 March 2021



CASH - IS THERE STILL A ROLE FOR CASH IN A LOW INTEREST RATE WORLD?

Interest rates globally have hit historic lows, leading to low returns for savers.

Why are returns on cash so low?

Cash returns are low because interest rates are low. Interest rates are set by the supply and demand for credit. Since the GFC, central banks have been stimulating economic activity by providing liquidity to markets. Borrowers have benefited through being able to borrow at lower rates. However, the returns available to savers have fallen.

Could the returns on cash options go to zero or negative?

The returns that are available on cash investments reflect the Bank Bill Swap Rate (the rate at which banks are willing to lend money to each other). As at 1/3/2021, the three month Bank Bill Swap Rate was 0.03% p.a*. In addition, we charge a fee to cover the cost of administering your accounts. The returns on cash options could go to zero or negative.

What is Perpetual doing about low interest rates?

Perpetual has been lowering the fees charged on cash options on Perpetual WealthFocus Investment Advantage Fund and the Perpetual WealthFocus Super and Pension Plan with the aim to reduce the impact of falling interest rates on investors.

Is there still a purpose for cash options if returns go to zero or negative?

Our view is yes, there is still a role for cash options. Cash remains the least volatile of the major asset classes. It still has a purpose for investors seeking a low volatility option for reasons such as their timeframe, cash flow needs, low risk tolerance or outlook.

What should I do?

If you have any concerns, please contact your financial adviser or call us on 1800 022 033 during business hours in Sydney.

*Source – Bank Bill Rates (Mid) – 10 Day History, www.asx.com.au

This information has been prepared by Perpetual Investment Management Limited (PIML) ABN 18 000 866 535, AFSL 234426 and Perpetual Superannuation Limited (PSL) ABN 84 008 416 831, AFSL 225246, RSE L0003315. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information is believed to be accurate at the time of compilation and is provided in good faith. This document may contain information contributed by third parties. PIML and PSL do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this document are opinions of the author at the time of writing and do not constitute a recommendation to act. The relevant PDS for Perpetual WealthFocus Investment Advantage Fund issued by PIML, or the WealthFocus Super and Pension Plan issued by PSL should be considered before deciding whether to acquire or hold units in the relevant fund or investment option. The relevant PDS can be obtained by calling 1800 022 033 or visiting our website www.perpetual.com.au. No company in the Perpetual Group guarantees the performance of any fund or the return of an investor's capital (Perpetual Group means Perpetual Limited ABN 86 000 431 827 and its subsidiaries).

MORE INFORMATION

Perpetual Investments 1800 022 033
Email investments@perpetual.com.au
www.perpetual.com.au

