

ASG INVESTMENT UPDATE MARCH 2021



ECONOMICS

- Fiscal and monetary policy support remains in place as Governments and Central Banks continue to respond to COVID-19 with measures to support economic growth and seek to inspire confidence in an economic recovery. These actions have helped economic activity to the point whereby inflation has become a concern to investors late in the quarter.
- Bond yields rose sharply as investors began to consider inflation as a definite risk to policy positions.
- Equity markets managed to focus on higher economic growth and company earnings rebounding whilst being aided by vaccine roll outs. The recovery in equity markets from March 2020 has been impressive.
- Whilst uncertainty remains, current monetary and fiscal policy actions do assist an economic recovery.
- Unfortunately, some countries continue to suffer from COVID-19 on a staggering scale e.g. India.

GROWTH ASSETS

- Australian equities were up 4.2% over the quarter, but, over 1Yr 38.3% which highlights the volatility in equity markets and strong recovery from market lows in March 2020.
- US S&P500 rose 6.1% over the quarter, in local currency terms. The US S&P500 has risen 55.6% in local currency terms over 1 Yr which coincides with the pandemic market lows.
- Emerging market equities rose 11.2% for the quarter.

DEFENSIVE ASSETS

- Central Banks continued with low levels of interest rates as COVID-19 impacted economic growth. The US Federal Reserve held at 0% to 0.25% and the RBA held to 0.10%.
- Australian 10-year bond yields rose sharply over the quarter to 1.81%, with 3-year yields steady at 0.12% post RBA activities.
- US 10-Year bond yields rose sharply to 1.75% from 0.91% at December 2020.
- Monetary policy support for economies remains a key driver of Central Bank thinking and short-term interest rate levels.

CURRENCY

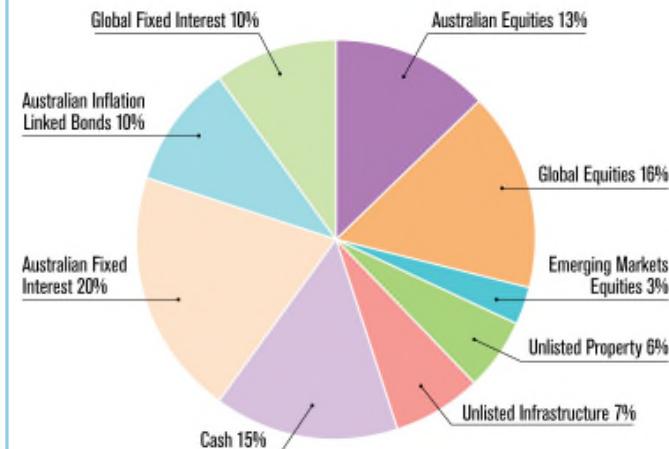
- The AUD was relatively stable against the USD and ended the quarter at around the 76 AUD/USD level.
- Global currencies continue to be influenced by Central Bank policy, levels of official interest rates and market activity.
- Expect continued volatility in the AUD vs trading partners.

PORTFOLIO POSITIONING

- Mildly overweight developed market equities as strong Government stimulus continues.
- Neutral global bonds. Expect a 'lower for longer' global interest rate environment to impact investment returns.
- Neutral to Australian Fixed Income.
- Underweight to unlisted Australian office property, noting COVID-19 is impacting the office market.

CHART

Pathway Education Fund - Australia Long Term Asset Allocation



Declared rates of return for the MARCH 2021 quarter.

PEF AU 1.00%

PEF NZ 1.60%

Three key themes:

- Maintain portfolio construction with diversification.
- Focus on the long-term investment objectives. ASG's investment portfolios have a conservative balanced risk profile.
- Equity and bond markets do experience times of volatility which can occur in a short space of time.

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