

ASG INVESTMENT UPDATE JUNE 2020



ECONOMICS

- COVID-19 concerns and impacts remained in the quarter ending June 2020. Globally the economic and human toll was becoming evident. However, investment markets managed to focus on 2021 earnings, a possible vaccine and economic growth returning to normal levels.
- Around the world Governments and Central Banks continued to respond with extraordinary levels of economic stimulus to support economic growth and cushion those most significantly impacted by COVID-19.
- Despite the equity market recovery the uncertainty of the economic impacts of sharply rising unemployment, falling manufacturing output, enormous government stimulus packages - funded by government debt, plunging economic growth expectations, uncertainty around the timing of an economic recovery and a pathway out of lock downs all remained in place.
- It is reasonably expected that COVID-19 created economic impacts that will remain for some years to come.

GROWTH ASSETS

- Australian equities rebounded over the quarter to rise by 16.8%. However, were -7.6% for the Financial Year (FY).
- US S&P500 rose 20.4% over the quarter driven by 'big tech'. The US S&P was up 6.9%, in local currency terms, for the FY. US technology stocks performed relatively well.
- Emerging market equities traded higher and were up 16.9% for the quarter.
- Unlisted assets were generally revalued lower over the quarter as COVID-19 affected airports and other infrastructure assets.

DEFENSIVE ASSETS

- As a result of COVID-19 impacts Central banks held the low levels of interest rates. The US Federal Reserve at 0% to 0.25% and the RBA at 0.25%.
- Australian 10-year bond yields were stable over the quarter at about 0.90%, with 3-year yields at 0.28% post RBA activities.
- Major global bond yields were less volatile over the quarter with the US 10 Year bonds at 0.60%.
- US interest rates remain above Australian levels.

CURRENCY

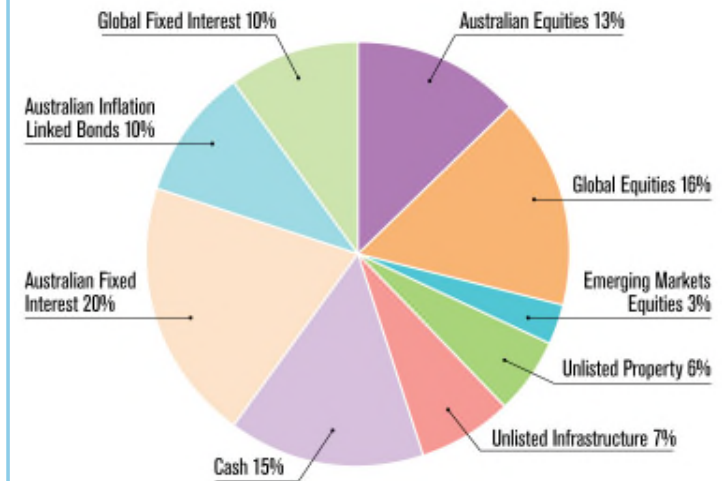
- The AUD appreciated from its March lows of 57.5 AUD/USD to finish the FY at about the 68 AUD/USD level.
- Global currencies continue to be influenced by Central Bank adjustments to official interest rate policy.
- Expect continued volatility in AUD vs trading partners. However, the AUD appears to be appreciating.

PORTFOLIO POSITIONING

- Overweight unlisted Australian property – Office & Healthcare. Noting COVID-19 is impacting the office market.
- Mildly overweight developed market equities.
- Underweight global bonds. Expect 'lower for longer' global interest rate environment to impact investment returns.
- Neutral to Australian Fixed Income and cautious on credit.

CHART

**Pathway Education Fund - Australia
Long Term Asset Allocation**



Declared rates of return for the JUNE 2020 quarter.

PEF AU 3.40%

Three key themes:

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

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DISCLAIMER

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