

# 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

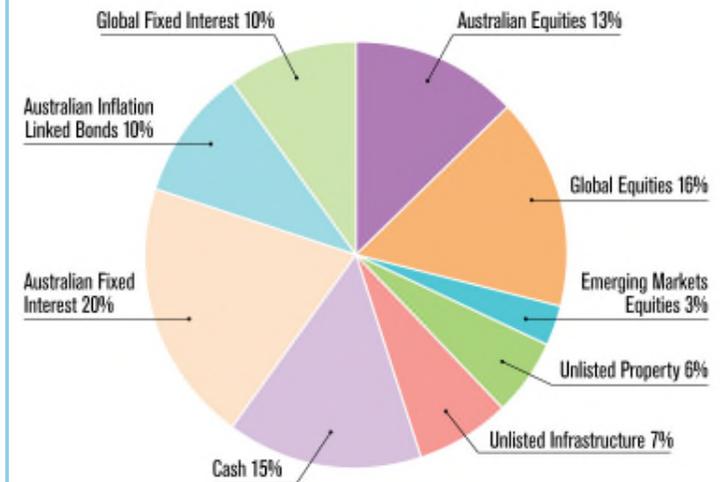
- The AUD appreciated from its March lows of 57.5 AUD/USD to finish the FY at about the 68 AUD/USD level.
- Global currencies continue to be influenced by Central Bank adjustments to official interest rate policy.
- Expect continued volatility in AUD vs trading partners. However, the AUD appears to be 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 2.95%**

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.

# ASG INVESTMENT UPDATE JUNE 2020



## DISCLAIMER

This is not intended to be an endorsement of any of the listed securities named above for inclusion in personal portfolios. The above material reflects ASG's views at a particular point in time, having regard to factors specific to ASG and its overall investment objectives and strategies. This information is current as at 30<sup>th</sup> of June 2020.

Past performance is not an indicator of future performance. This information is of a general nature only and may include general advice. It has been prepared without taking into account your individual objectives, financial situation and needs. ASG's investment strategies will not necessarily be appropriate for other investors. Before making any investment decision with ASG, you should consider your personal circumstances, the relevant product disclosure statement and whether to consult a licensed financial adviser.

Return objectives are not promises or predictions of any particular rate of return. The Declared Rate of Return specified relates to our Australian Pathway Education Fund and is published after fund taxes, fees and expenses.

Product issuer is Futurity Investment Group Limited, ACN 087648879, AFSL 236665 (ASG).