

ASG INVESTMENT UPDATE DECEMBER 2020



ECONOMICS

- COVID-19 concerns and impacts remained during the quarter ending December 2020. Globally the economic, geopolitical and human toll was clear with recorded cases passing 83m and the death toll past 1.8m. Investment markets shrugged off these figures and generally traded higher as vaccine production commenced.
- Policy support remained as Governments and Central Banks continued to respond with measures to support economic growth and seek to inspire confidence of a recovery. Interest rates remained close to all time low levels out to three years, however, longer term 10-year yields rose steadily over the quarter.
- Whilst uncertainty around possible medium-term economic outcomes remains, the current monetary and fiscal policy actions do assist an economic recovery and help provide a pathway out of lockdowns especially with vaccines in production and being delivered.
- Mid quarter COVID-19 again impacted several countries and forced them into lockdowns of some description e.g. UK.

GROWTH ASSETS

- Australian equities were up 13.8% over the quarter, but, over 1Yr 1.7% which highlights the volatility in investment markets. Australian bank stocks recovered as they saw an improvement for customers impacted by COVID-19.
- US S&P500 rose 4.0% over the quarter, in local currency terms, and 12% hedged back to the AUD. This highlights a strong AUD during the quarter vs the USD. US 'big tech' traded higher.
- 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 recovery. The US Federal Reserve stayed at 0% to 0.25% and the RBA lowered to 0.10%.
- Australian 10-year bond yields rose steadily over the quarter to 0.98% from 0.85%, with 3-year yields falling to 0.11% post RBA activities and signals short term yields to remain low.
- US 10-Year bonds saw yields rise to 0.91% from 0.68%.
- Monetary policy support for economies remains a key driver of Central Bank thinking and short-term interest rate levels.

CURRENCY

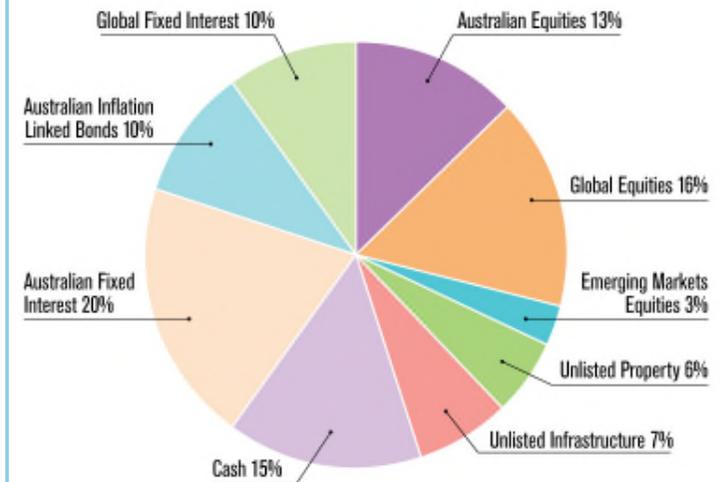
- The AUD continued to appreciate against the USD and ended the quarter at around the 77 AUD/USD level.
- Global currencies continue to be influenced by Central Bank policy, levels of official interest rates and market activity.
- Expect continued volatility in the AUD vs trading partners.

PORTFOLIO POSITIONING

- Mildly overweight developed market equities as strong Government stimulus abounds and with low interest rates.
- Underweight global bonds. Expect a 'lower for longer' global interest rate environment to impact investment returns.
- Underweight to Australian Fixed Income and cautious on credit.
- Neutral 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 DECEMBER 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.

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DISCLAIMER

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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.

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