

ASG INVESTMENT UPDATE SEPTEMBER 2020



ECONOMICS

- COVID-19 concerns and impacts remained during the quarter ending September 2020. Globally the economic and human toll was clear with recorded cases at 32m and the death toll past 1m. Investment markets were lower in the month of September after a solid July and August 2020.
- 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. Economic data improved with lower levels of unemployment than expected as some economies opened and capacity increased. Interest rates remained close to all time low levels.
- 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 lockdown.
- Later in the quarter COVID-19 again impacted several countries and forced them into lockdowns of some description.

GROWTH ASSETS

- Australian equities were flat over the quarter. Australian Banks reported an improvement in the number of customers impacted by COVID-19.
- US S&P500 rose another 6.4% over the quarter, again driven by 'big tech' after the index rose 20% the prior quarter.
- Emerging market equities traded higher and were up 5.1% for the quarter.
- Unlisted assets had a reasonable quarter as COVID-19 affected prior months valuations.

DEFENSIVE ASSETS

- As a result of COVID-19 impacts Central Banks held low levels of interest rates. The US Federal Reserve at 0% to 0.25% and the RBA at 0.25%. Markets expect the RBA to lower again.
- Australian 10-year bond yields fell slightly over the quarter to 0.85%, with 3-year yields near 0.25% post RBA activities.
- Major global bond yields were relatively stable with US 10 Year bonds at 0.68%.
- Monetary policy support for economies is a key driver of Central Bank thought process, impacting interest rates and bond yields.

CURRENCY

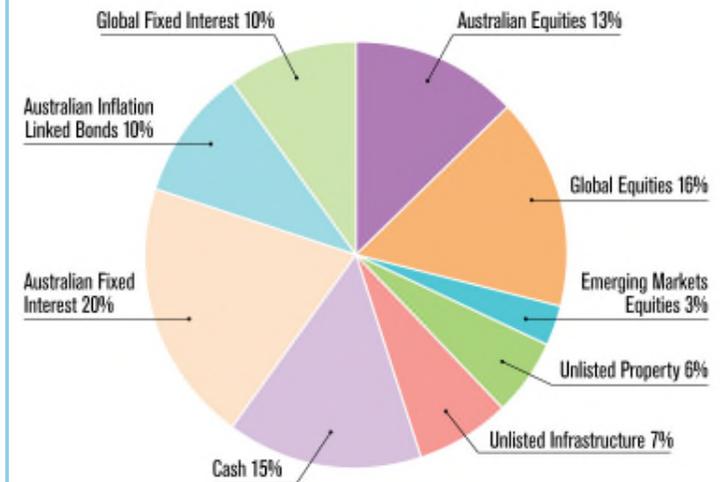
- The AUD, after a solid appreciation against the USD, ended the quarter at the 71.6 AUD/USD level.
- Global currencies continue to be influenced by Central Bank policy, levels of official interest rates and market activity.
- Expect continued volatility in the AUD vs trading partners. However, the AUD 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 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.
- Neutral to Australian Fixed Income and cautious on credit.

CHART

Pathway Education Fund - Australia Long Term Asset Allocation



Declared rates of return for the SEPTEMBER 2020 quarter.

PEF AU 0.45%

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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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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