

INVESTMENT UPDATE

RECENT MARKET PERFORMANCE OVER MARCH AND APRIL 2020

Alongside being a human tragedy, March 2020 was one of the worst months for asset prices in modern history. What began as a sell-off in risk assets (including shares) on the back of the spreading coronavirus and a collapse in oil prices, quickly degenerated into a sharp cash squeeze by mid-month, and morphed into the realisation that the global economy was facing a recession. Asset prices however did lift off their lows in late March and again in early April.

A MONTH TO REMEMBER, A MONTH TO FORGET

Nearly all asset classes were punished in March. Cash was indeed king as even “safe haven” assets such as higher grade bonds, gold and the Japanese Yen provided limited protection. Central banks and governments were quick to react, announcing a number of stimulative measures to provide companies and consumers with a bridge until the spread of the virus subsides and economic activity has a chance to resume. These policy measures triggered “relief rallies” towards month-end in an otherwise very tough spell for investors.

Share market volatility in March soared to levels unseen since the Global Financial Crisis (GFC) and declines were considerably more rapid. In an unfortunate cocktail, risk assets fell abruptly as COVID-19 related fears mixed with the start of an oil price war (ignited after Saudi Arabia and Russia increased oil supply following a collapse in OPEC negotiations). The price of oil halved over the month, pulling down the value of broader commodity indices. In currency markets, a flight to quality and cash led the US dollar to rally strongly.

As market professionals nervously watched these developments unfold, investment fund trustees and fund members also kept a wary eye on portfolio balances. During the month of March, most types of funds dropped in value. **These outcomes are clearly unpleasant, although it is important to note that observing returns over periods longer than one year is a less daunting exercise – the prior decade was a bumper one for investment returns.**

RETIREMENT SAVING IS A LONG-TERM TASK

In March, there was widespread market volatility on a scale not seen since the Global Financial Crisis of 2008. The outlook for 2020 remains highly uncertain, and depends almost entirely on the path of COVID-19. It is also important to remember that most markets have enjoyed positive returns for the last decade and that saving for retirement is a long-term task. **Most diversified portfolios are still reporting long-term positive returns across 3, 5, 10, and 15 years.**

The preliminary rates for the financial year ended 31 March 2020 shown below are currently only estimates. As the financial accounts, including tax and expenses, are still to be finalised, these figures may change.

Preliminary crediting rates for the financial year ended 31 March 2020

Periods ending 31 March 2020	Cash	Cash/Conservative	Conservative	Conservative/Balanced	Balanced	Balanced/Growth	Growth
Year ending	0.8%	-0.1%	-1.1%	-2.6%	-4.2%	-5.1%	-6.1%
3 Years ending (p.a.)	1.2%	1.6%	2.1%	2.2%	2.3%	2.3%	2.3%
5 Years ending (p.a.)	1.4%	2.0%	2.6%	3.0%	3.3%	3.5%	3.7%
10 Years ending (p.a.)	1.8%	2.8%	3.9%	4.6%	5.3%	5.7%	6.0%

The latest crediting rates are published online at:

https://secure.superfacts.com/attachments/Form/DISFS_DairyNewsletterPrintMarch.pdf

A chart showing the performance of \$1,000 invested in March 2009 following the Global Financial Crisis (GFC) for each investment option over 10 years ending 31 December 2018 was published in the April 2019 member newsletter. History tells us that markets generally recover in the long-term, however past performance does not guarantee future performance. If you are concerned about your savings, the April 2019 member newsletter also lists five things you can do to ensure ensure your savings strategy suits your goals.

To read the full article go to https://secure.superfacts.com/attachments/Form/DISFS_DairyNewsletterPrintMarch.pdf

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