

AN UPDATE ON COVID-19 FOR NFPS



PERPETUAL PRIVATE INSIGHTS

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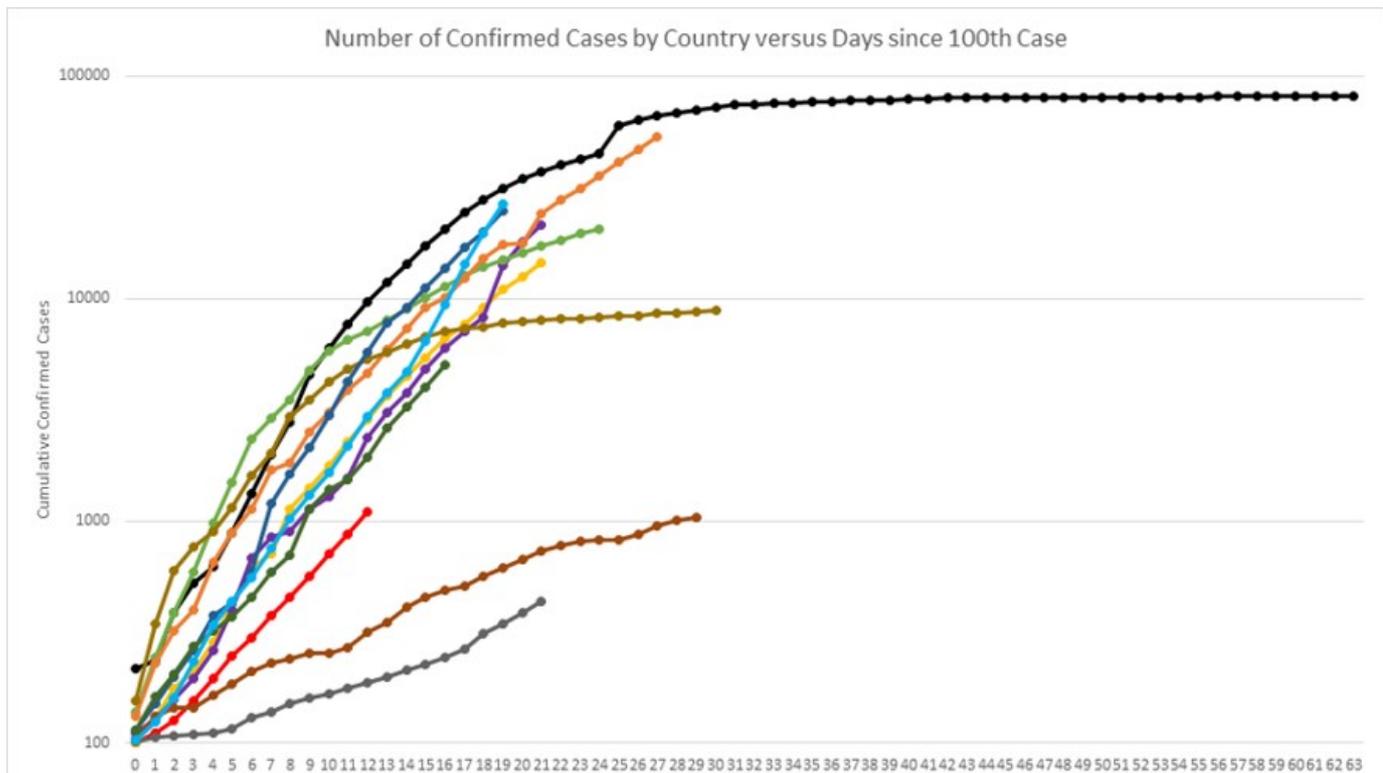
Over the coming months, not-for-profit organisations will face unprecedented uncertainty as the spread of the coronavirus (COVID-19) accelerates and pressure on the economy and essential services intensifies. In this article, we discuss what the prospect of a deeper and steeper economic downturn means for the not-for-profit (NFP) sector.

COVID-19 is putting downward pressure on economic activity

The spread of the virus is accelerating in Australia and around the world. The following graph shows the increase in infections for various countries after their 100th case was recorded. Italy has overtaken China in terms of deaths caused by the virus with a death toll of 4,825 and an increase of 6,600 infections in a single day – the greatest seen so far.

So far, Australia seems to be faring better than most Western countries with an 25.6% increase in COVID-19 cases bringing the total to 1,349 confirmed cases as at 22 March 2020. However, at the current acceleration rate, we are still not on track to keeping infections in a range that will be manageable by our healthcare systems.

Note: while the acceleration in confirmed cases in Australia is concerning, it has as much to do with an increase in testing as people contracting the virus.





Source: Perpetual, as at 22 March 2020

Many organisations, including NFPs in Australia and abroad have been enacting contingency plans, putting workforces on shifts, mandating working-from-home or moving operations to alternative sites. Many more have effectively stopped all corporate travel and cancelled conferences and events.

There have been further lockdown measures on places of mass gathering, such as pubs, clubs, restaurants, gyms and places of worship and Victoria and the Australian Capital Territory (ACT) have brought forward school holidays to try and contain the spread of the virus.

This all puts downward pressure on economic activity. It is increasingly evident that the March 2020 quarter will show a large contraction in business activity and the market is now looking ahead at the possible length and depth of the slowdown.

The government has announced a second stimulus package to help support individuals and organisations, including NFPs through the pandemic

The Australian Federal Government has now announced a A\$66bn economic stimulus package aimed at supporting the economy through the pandemic. This builds on the first financial package which was announced on March 12, 2020.

Most relevant to NFPs is the measure around 'Boosting Cash Flow for Employers'. Under the scheme, eligible NFPs can receive a tax-free cash payment of up to A\$100,000 with a minimum payment of A\$20,000. This will help support employment activities at a time where NFPs are facing increasing demand for services.

In this environment, the need for good advice is vital to ensure NFP investors respond from a fully informed position.

For more information on the Australian economy, investment market trends and the government's COVID-19 economic stimulus packages:

- [Coronavirus stimulus package: what it means for you](#)

What does this mean for NFPs?

NFP and charitable investors need to ensure liquidity requirements can be met by portfolios in the face of volatile markets. NFP Boards may also need to cater for a possible increase in distribution requirements as a recessionary environment results in a greater number of people that need access to programs.

Well-defined and consistent spending policies will usually help smooth the impact on current distributions by spreading out the impact from a large drawdown in portfolios. While a good spending policy should support long-term organisational sustainability, future spending plans may be impacted as reserves are re-built.

Our position

It is important to note that despite the string of serious market events that we've seen over the past 50 years, asset markets have still delivered investors positive real returns over the long-term. We maintain our belief that a well-managed, diversified portfolio that is actively managed is the best way to navigate these markets.

Some of the managers in our portfolios have used the opportunity to rotate portfolios into oversold assets, as well as provide capital into markets that have become increasingly constrained as uncertainty creates opportunities.

Combined with the provision of expert advice in the evolving investment landscape, we believe our NFP clients are well placed to navigate the current market disruptions.

➤ FURTHER READING - COVID-19

Visit our COVID-19 Insights Hub for economic and market updates to keep you informed as the situation evolves.

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