COVID-19 AND INVESTMENT RETURNS: IMPLICATIONS FOR PHILANTHROPY AND NFPS

PERPETUAL PRIVATE INSIGHTS
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The COVID-19 crisis has hit everyone, everywhere. For the community sector, the hit hurts twice.

First, there is an increased demand for their services – whether they focus on health, social welfare, mental health, domestic violence or other issues. Secondly, their funding comes under added pressure. Government, corporates and donors are all looking to find the right balance in these difficult times between generosity and caution.

For many – if not all – not-for-profits (NFPs) these pressures are exacerbated by the post-Covid investment environment. An environment that means investment income is harder to find than many can remember.

To help NFPs manage these pressures Perpetual's philanthropy, NFP and investment experts have authored a new white paper, **COVID-19 and investment returns: Implications for philanthropy and NFPs**. It explores the investment issues facing NFP leaders and philanthropists – and the practical steps they can take to manage them.

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Let's have a look at just some of the key issues discussed in the report.

Not all foundations are created equal

Across the range of Private Ancillary Funds (PAFs), Public Ancillary Funds (PuAFs) and Private Charitable Trusts (PCTs) there are different mandatory distribution requirements with some structures having more flexibility than others when it comes to drawing down capital. The result: not-for-profit recipients will need to be aware of where their funding comes from and how it will be impacted, so they can find an appropriate response. Our white paper looks at how that can be managed – and why it matters to NFPs. Here's one reason: a recent survey by Philanthropy Australia suggests up to 33% of respondents might need to reduce their giving due to recent market volatility.

COVID-19 dividend cuts crunch NFP revenues

Through a series of real-life examples, the white paper examines the size of the dividend cuts caused by COVID-19 economic impacts and what this means for the short-term (distributions) and medium-term (capital). This has significant implications for fundraising that are also explored in the paper.

What a COVID-affected investment landscape means for philanthropists and NFPs

In an extremely low-income environment, foundations and NFPs are challenged to “go up the risk curve” in search for returns. That has big implications for investment strategy and for efforts to get the intergenerational equity right in balancing the needs of current and future beneficiaries. The paper looks at this challenge through a long-term strategic lens.

These are just some of the issues covered in the paper. We also draw on conversations with philanthropists to look at what a living-with-COVID world means for:

- Donor trust and flexibility
- Restructuring and refocusing within NFPs
- How philanthropy can support that restructuring
- Relationships between trustees and NFPs.

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MARKET IMPLICATIONS FOR NOT-FOR-PROFITS

In this September quarter market update for NFPs, Andrew Garrett, National Investment Specialist at Perpetual Private, discusses how recent market conditions have impacted NFPs. He also outlines the implications of reduced dividend payments on NFPs and Ancillary Funds.

IMPACT

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