

# COVID-19 INVESTMENT INSIGHTS: HOW CAN NFPs MANAGE THE AFTERSHOCK?



**PERPETUAL PRIVATE INSIGHTS**

03/06/2020

The Australian economy has suffered a significant shock from the coronavirus (COVID-19) and the economic shutdown. In this video, Kyle Lidbury, Head of Investment Research at Perpetual Private explains that during times of crisis not-for-profit (NFP) organisations face a dual impact to income. On the one hand they face fundraising challenges, lower donations and less income from endowments; on the other hand, there's more demand for services, higher unemployment, more people in distress and more need for community programs. Access to financial advice in terms of how NFP boards can continue to meet program needs and manage spending is now critical.

## **Challenging times ahead for NFPs**

A recession is coming but the depth and duration of the slowdown is still unknown. This will depend on how effective the government's fiscal and stimulus measures are in terms of getting business activity, consumer confidence and spending to recover.

In April 2020, Australia's seasonally adjusted unemployment rate was 6.2% (up from 5.2% in March) the highest since September 2015.<sup>1</sup> Through stimulus measures like the JobKeeper payment, the Federal Government has tried to keep unemployment down by maintaining the link between employees and employers. This connection also means that, as lockdown measures are lifted, many Australians can return to work quickly because they're still employed.

In saying this, with unemployment expected to be higher than in previous years, NFPs need to be prepared to enter a challenging period of being called upon for services by many more people in need.

## **Portfolio management through COVID-19**

We have seen a turnaround in markets over the past month which indicates investors are looking through the crisis and towards a turnaround in economies. Whilst we can never be certain what markets will do in the near term, retaining discipline and staying invested is usually the best course of action – had investors sold out, very few people would have expected markets to bounce back so quickly meaning they would have missed out on strong returns since March. Ensuring that portfolios are rebalanced through these large market moves maintains diversification and a balanced market exposure through these volatile times.

## **We're here to help**

In a crisis where there's been a significant market drawdown, a well-constructed portfolio needs to be combined with good planning and policies, particularly around investment expectations and spending requirements. Managing drawdowns on funds when portfolios are impacted needs to be thought about in advance – it gives boards the confidence to continue to operate in difficult environments, knowing that the sustainability of endowments has been balanced with the need to continue to provide funds in order for the NFP to achieve its mission.

Now more than ever is the time to seek quality financial advice to ensure NFPs can manage cashflow requirements and successfully navigate their investments through the market crisis.

---

1. Trading economics, <[tradingeconomics.com/australia/unemployment-rate](https://tradingeconomics.com/australia/unemployment-rate)>, accessed on 23 May 2020.

Perpetual Private advice and services are provided by Perpetual Trustee Company Limited (PTCo) ABN 42 000 001 007, AFSL 236643. This information was prepared by PTCo. To view the Perpetual Group's Financial Services Guide, please [click here](#). It contains general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable for your circumstances. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. The information is believed to be accurate at the time of compilation and is provided in good faith. This article may contain information contributed by third parties. PTCo do not warrant the accuracy or completeness of any information contributed by a third party. Any views expressed in this article are opinions of the author at the time of writing and do not constitute a recommendation to act. This information, including any assumptions and conclusions is not intended to be a comprehensive statement of relevant practise or law that is often complex and can change. No company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) guarantees the performance of any fund or the return of an investor's capital. Past performance is not indicative of future performance.