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A brighter outlook for philanthropic investors

In the wake of a tough year for the not-for-profit sector, which saw sharp falls in much-needed investment earnings, 2021 is set to be a year of recovery, according to Equity Trustees.

Darren Thompson, Head of Asset Management, Equity Trustees said following a 24% fall in the 2019 financial year, corporate earnings were expected to rebound by over 20% this year. This is likely to have a knock-on effect for dividends, which Equity Trustees predicts will rise by 20%, compared to a 38% decline in 2019.

“While we do not expect to be back at pre-pandemic heights until 2024, we do see a rapidly improving outlook, which we know will be welcome news to philanthropic investors who rely on earnings and dividends to meet their ongoing charitable commitments,” he said.

Mr Thompson noted that in early 2020, dividends in Australia fell more than in any other developed nation, due to its high exposure to industries which were more adversely affected during COVID-19, including banks, real estate and energy.

“Australia’s ability to manage the pandemic relatively well, along with the rollout of a vaccine, means that GDP is expected to rebound by around 4% in 2021,” he said.

“This improving economic outlook, coupled with less restrictions and continued monetary and fiscal support, bodes well for a recovery in corporate performance and dividends.”

Mr Thompson said yields from cash and fixed income would remain anchored by ultra-low interest rates around the world.

“Our expectation is that Australian and US 10-year bond yields could end 2021 at between 1.5% and 2% and as such there is real potential for fixed income returns to be negative in the coming year. A rising and steepening yield curve, coupled with low coupon rates, increases the relative appeal of equities as an asset class,” he said.

Looking forward, Mr Thompson noted that equity market valuations had arguably captured much of the expected improvement in economic conditions.

“In this environment, portfolio returns are more likely to be driven by stock selection rather than macro factors. Our focus will therefore remain on identifying attractively priced companies with strong balance sheets and relatively safe dividends.”

Equity Trustees offers a range of tailored investment portfolios for charitable, corporate and private clients and specialises in funds management for tax-exempt entities. It also offers socially responsible investing options for values-focused investors.

The group provides investment management services for more than 600 not-for-profit entities, with total charitable funds under management of \$2.5 billion, and acts as trustee for many well-known, perpetual charitable foundations. It also manages portfolios for clients in a range of service areas within the company, including private clients, testamentary and compensatory trusts.

More about Equity Trustees Asset Management service, including previous market updates are available on our [website](#).



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