



The Covid-19 pandemic is having a major impact on all our lives and unfortunately investments and superannuation funds are not immune. Volatility in investment markets is the norm at the moment with daily news on the progress of the pandemic, both positive and negative, sending share markets around the world on a rollercoaster ride. Anyone who has seen the financial updates in the evening news would have seen that share markets are down one day, up the next and down the following day.

To help put this volatility into context on 20 February 2020 the Australian share market reached a high of 7163 points and in less than 5 weeks fell 37% to 4,536 points on 23 March 2020. At the time of writing the Australian market was trading at 5,308 points, recovering 10% from its previous lows. The general consensus is that investment market volatility will be with us for some time and we could see further falls until news on the pandemic turns positive.

That said, it is important to remember that most Super members are invested in what are called 'Balanced' funds. For example the ElectricSuper Balanced Growth option, in which most members are invested, has an allocation to Australian and Global shares of around 50%. The other 50% is invested in assets like commercial property, Infrastructure, fixed interest and cash which have different return profiles to shares. The effect of this diversification helps to limit the impact of falls in share markets. To illustrate this point, for February 2020 global share markets returned approximately -8% whereas the Balanced Growth option returned -3.1%.

If you can 'stay the course' in your chosen investment option, history has shown that investment markets do recover over time and generally go on to overtake their previous highs.