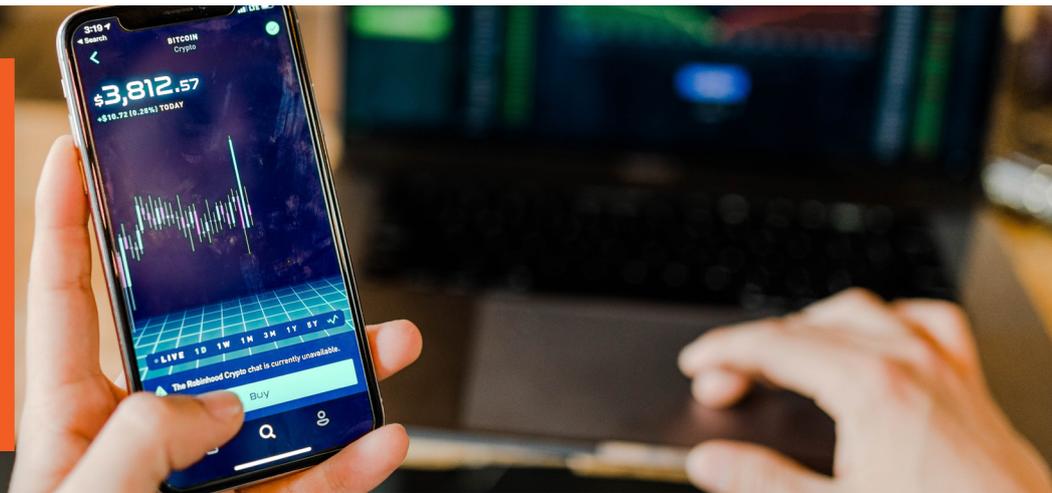


Investment decisions in times of volatility

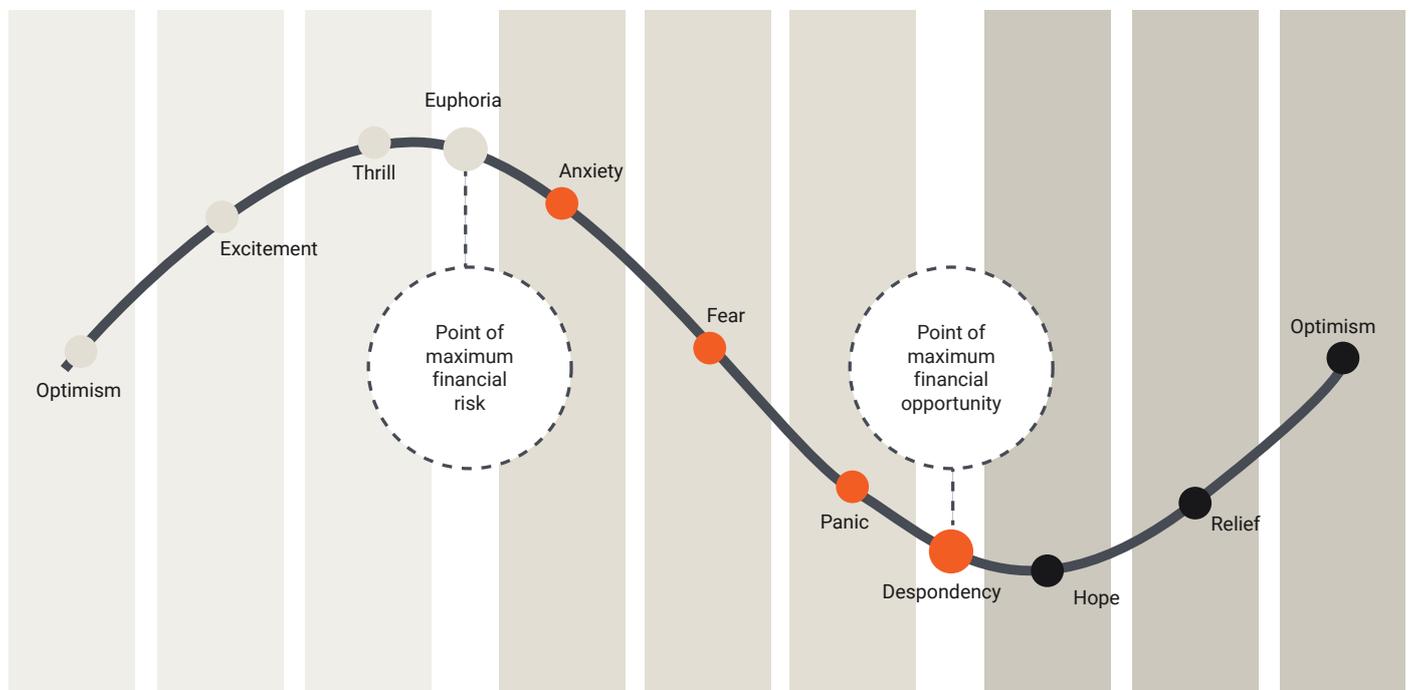


Over the last fortnight, the rapid spread of COVID-19 has had a significant impact on every area of our lives.

Australians are closely following the effects of the pandemic on financial markets and the investment landscape. These are uncertain times, and investor anxiety is at an all-time high, making investment decisions challenging.

Understanding investor emotion

We are aware that emotion plays a significant part in the swing in investment markets. The chart below shows the incredible rollercoaster of emotion over the course of an investment cycle.



Source: Russell Investments: The Market Cycle of Emotions

Feeling worried or anxious about your investments during this time is normal. What we need to remember is that this time will pass, just as challenging periods have passed in decades gone by.

What we know

Over the last century the global economy has faced many challenging times including war, recession and the GFC. Despite these setbacks we've bounced back with Australian shares returning 11.8% per annum since 1900*.

While it's difficult to predict the timing and shape of the recovery from the COVID-19 pandemic, we need to remember that the basic principles of successful investment have not changed, and we must continue to look ahead.

S&P Composite Index - Log scale, annual



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management. Data shown in log scale to best illustrate long-term index patterns.

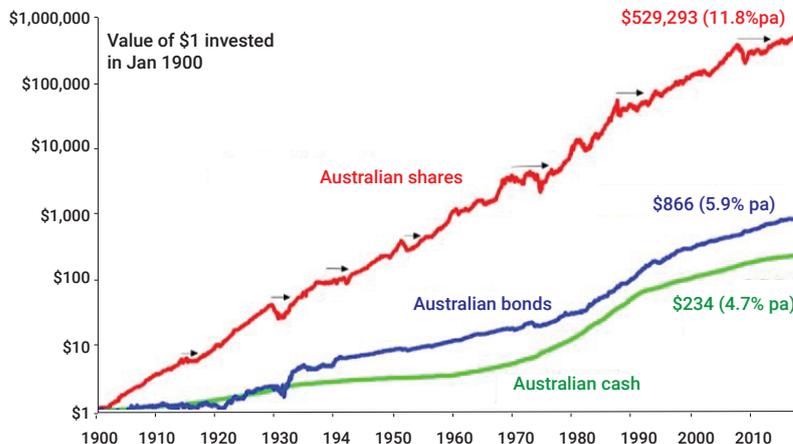
The power of compounding

Compound interest is a fundamental component of wealth creation.

The graph on the right shows the value of \$1 invested in various Australian assets in 1900, allowing for the reinvestment of dividends and interest. If invested in Cash the \$1 would have grown to \$234; bonds \$866; as compared to, Australian shares where it would have grown to \$529,293.

To grow wealth, we must have exposure to growth assets like shares and property. While share prices have fallen in recent weeks amid the COVID-19 uncertainty and property prices may also drop, the outlook for both is positive in the long-term.

Shares versus bonds & cash over very long term - Australia



Source: Global Financial Data, AMP Capital

We will recover from the COVID-19 pandemic as we have recovered from investment market challenges on numerous occasions over the last century. Further market swings are anticipated in the coming weeks so it's important that we remember to focus on the long-term, not the short-term.

Any questions?

If you have questions or need advice contact your financial adviser

Things to remember

- This time will pass
- Feeling anxious and worried is normal
- Focus on the long-term, not the short term
- Talk to a financial adviser if you have questions

* Global Financial Data, AMP Capital

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