

RISK VS RETURN 2023 EDITION



Different asset classes – like shares, bonds and property securities – carry different levels of risk and return. Investing in a single asset class is risky when you consider no one asset class consistently outperforms on a regular basis.

Our goal at Russell Investments is to strategically diversify your portfolio across asset classes, investment strategies, managers and styles, thereby aiming to reduce risk and help you weather every season of the market.

Our multi-asset, open architecture approach means no matter which asset, strategy or style is in favour at any given time, the complementary blending of asset classes, strategies, styles and managers can help provide more consistent returns through all environments.

Legend

▲ Highest return (per year)

▼ Lowest return (per year)

	AUSTRALIAN SHARES	AUSTRALIAN BONDS	AUSTRALIAN CASH	INT SHARES	INT SHARES HGD	INT BONDS	A-REITS
1993	45.4 ▲	16.3	5.4 ▼	24.4	21.4	14.8	30.1
1994	-8.7 ▼	-4.7	5.4	-8.1	-0.1	-2.7	-5.6
1995	20.2	18.6	8.0 ▼	25.9 ▲	22.3	20.1	12.7
1996	14.6	11.9	7.6	6.3 ▼	19.7 ▲	10.7	14.5
1997	12.2	12.2	5.6 ▼	47.8 ▲	21.2	10.5	20.3
1998	11.6	9.5	5.1 ▼	30.9 ▲	23.3	10.4	18.0
1999	16.1	-1.2	5.0	16.1	23.9 ▲	0.8	-5.0 ▼
2000	4.8	12.1	6.3	5.9	-7.9 ▼	10.1	17.9 ▲
2001	10.5	5.5	5.2	-9.1	-14.8 ▼	7.4	15.0
2002	-8.6	8.8	4.8	-27.2 ▼	-22.7	11.6	11.9
2003	15.0	3.0	4.9	-0.0 ▼	29.3 ▲	6.6	8.8
2004	27.9	7.0	5.6	10.6	15.8	8.9	32.2 ▲
2005	22.5 ▲	5.8	5.7	17.1	18.5	6.6	12.7
2006	24.5	3.1 ▼	6.0	11.8	17.6	4.4	34.1 ▲
2007	16.2 ▲	3.5	6.7	-1.9	6.4	6.6	-8.4 ▼
2008	-38.9	15.0 ▲	7.6	-25.9	-39.4	9.2	-55.3 ▼
2009	37.6 ▲	1.7 ▼	3.5	2.0	28.4	8.0	9.6
2010	1.9	6.0	4.7	-1.4 ▼	13.5 ▲	9.3	-0.7
2011	-11.0 ▼	11.4 ▲	5.0	-5.7	-2.4	10.5	-1.6
2012	19.7	7.7	4.0 ▼	14.7	19.1	9.7	32.8 ▲
2013	19.7	2.0 ▼	2.9	47.8 ▲	32.3	2.3	7.3
2014	5.3	9.8	2.7 ▼	15.0	12.4	10.4	26.8 ▲
2015	2.8	2.6	2.3 ▼	11.5	3.7	3.3	14.4 ▲
2016	11.8	2.9	2.1 ▼	8.2	10.5	5.2	13.2 ▲
2017	11.9	3.7	1.7 ▼	13.4	19.9 ▲	3.7	6.4
2018	-3.1	4.5 ▲	1.9	1.3	-7.5 ▼	1.7	3.3
2019	23.8	7.3	1.5 ▼	27.9 ▲	26.7	7.2	19.5
2020	1.7	4.5	0.4	5.6	10.3 ▲	5.1	-4.0 ▼
2021	17.6	-2.9 ▼	0.0	29.3 ▲	23.7	-1.5	27.0
2022	-1.8	-9.7	1.3 ▲	-12.2	-17.7	-12.3	-20.1 ▼
Average return (p.a.)	10.8%	5.9%	4.3%	9.4%	10.3%	6.6%	9.6%
Average risk (p.a.)	16.0%	6.2%	2.2%	17.9%	17.4%	5.9%	18.1%

Calendar year market returns

	30% GROWTH ASSETS	70% GROWTH ASSETS	90% GROWTH ASSETS	
1993	18.7	28.1	31.9	1993
1994	-2.3	-5.6	-5.9	1994
1995	16.3	20.1	20.7	1995
1996	10.4	12.3	13.5	1996
1997	13.9	20.4	21.6	1997
1998	11.2	16.4	18.0	1998
1999	5.1	10.5	14.4	1999
2000	8.6	6.5	4.1	2000
2001	5.4	3.1	1.4	2001
2002	2.0	-6.8	-11.9	2002
2003	5.9	9.8	13.2	2003
2004	11.6	17.4	20.2	2004
2005	9.9	15.3	18.2	2005
2006	9.8	15.9	19.3	2006
2007	5.7	6.3	7.5	2007
2008	-3.8	-22.5	-32.6	2008
2009	9.0	17.3	22.8	2009
2010	4.4	3.7	3.7	2010
2011	3.6	-2.0	-5.4	2011
2012	10.6	16.1	18.3	2012
2013	9.1	19.1	24.5	2013
2014	8.0	9.9	9.9	2014
2015	3.3	4.3	4.8	2015
2016	5.6	9.0	10.3	2016
2017	5.9	10.3	12.4	2017
2018	1.1	-1.0	-2.2	2018
2019	11.0	18.6	22.7	2019
2020	3.1	3.3	3.4	2020
2021	4.9	13.9	19.3	2021
2022	-8.3	-9.0	-9.1	2022
Average return (p.a.)	6.7%	8.7%	9.6%	
Average risk (p.a.)	5.7%	10.7%	13.5%	

Sample multi-asset portfolios

Case study is for illustrative purposes only and are not indicative of actual performance over the quoted period. Sources for the asset classes and sample portfolios are as follows: (1) Australian Shares : S&P/ASX 300 Accum Index, ASX All Ordinaries Accum Index prior to 31 March 2000. (2) Australian Bonds: Bloomberg AusBond Composite 0+ Yr Index, 1980-1989 Commonwealth Bank All Series All Maturities. (3) Cash: Bloomberg AusBond Bank Bill Index (Australian 91 Day Treasury Notes prior to 1988). (4) International Shares: MSCI World Index – Net; Russell Developed Large Cap index prior to 1 October 2018; 1980-1996: MSCI World Net Div Reinvested Accumulation Index (in AUD). (5) International Bonds: Barclays Global Aggregate Index \$A Hedged. Saloman Smith Barney World Government Bond Index \$A Hedged (Note: Pre-1985 returns unavailable, Domestic Bond returns used). (6) A-REITS: S&P/ASX 300 A-REIT Index (ASX Property Trust Accumulation Index prior to 31 March 2000). (7) International Shares Hedged: MSCI World Index – 100% Hedged to AUD - Net; Russell Developed Large Cap index - AUD Hedged prior to 1 October 2018; 1988-1999: MSCI World Net Div Reinvested Accumulation Index \$A Hedged, MSCI World Local Currency Index prior to 1988. (8) Emerging Market Debt: J.P. Morgan EMBI Global Core Index (AUD Hedged) - AUD. (9) Global High Yield: Bank of America Merrill Lynch High Yield Constrained AUD Hedged Index*. *Constrained indexes limit individual issuer concentrations to 2%; the High Yield 100 are the 100 largest bonds. (10) Global Listed Infrastructure: S&P Global Infrastructure AUD Hedge NET TR Index. (11) 30% Growth Fund Consists: 10% Australian Shares, 25% Australian Bonds, 20% Cash, 12% International Shares, 28% International Bonds, 8% Property Securities. (13) 70% Growth Fund Consists: 27% Australian Shares, 10% Australian Bonds, 5% Cash, 31.5% International Shares, 17.5% International Bonds, 9% Property Securities. (14) 90% Growth Fund: Consists: 33% Australian Shares, 5% Australian Bonds, 2% Cash, 41% International Shares, 9% International Bonds, 10% Property Securities. The sample managed portfolios are hypothetical only and is calculated by a weighted average of the asset class index returns. Sample portfolios are rebalanced annually. For more information on the composition of the sample portfolios, please contact Russell Investments on +612 9229 5111. Average return is measured by the arithmetic average percentage per annum. Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence 247185 (RIM). This document provides general information only and has not been prepared having regard to your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation or needs. This information has been compiled from sources considered to be reliable, but is not guaranteed. This document is not intended to be a complete statement or summary. This work is copyright 2023. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of Russell Investment Management Ltd.