

Risk vs Return

2020 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
1989	17.4	14.4	18.4	26.0 ▲	35.6	17.9 ▼	2.4
1990	▼ -17.5	▲ 19.0	16.1	-15.1	-16.2	13.3	8.7
1991	▲ 34.2	▼ 24.7	11.2	20.2	19.2	18.4	20.1
1992	▼ -2.3	10.4	6.9	4.5	-0.8 ▲	11.1	7.0
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
Average return (p.a.)	10.9%	8.2%	5.8%	9.5%	10.6%	8.6%	10.4%
Average risk (p.a.)	17.0%	6.4%	3.7%	17.7%	17.6%	5.1%	16.6%

Calendar year market returns

	30% GROWTH ASSETS	70% GROWTH ASSETS	90% GROWTH ASSETS
1989	17.1	19.4	21.4
1990	7.9	-4.6	-11.1
1991	20.5	24.6	25.9
1992	6.8	3.7	1.3
1993	18.7	28.1	31.9
1994	-2.3	-5.6	-5.9
1995	16.3	20.1	20.7
1996	10.4	12.3	13.5
1997	13.9	20.4	21.6
1998	11.2	16.4	18.0
1999	5.1	10.5	14.4
2000	8.6	6.5	4.1
2001	5.4	3.1	1.4
2002	2.0	-6.8	-11.9
2003	5.9	9.8	13.2
2004	11.6	17.4	20.2
2005	9.9	15.3	18.2
2006	9.8	15.9	19.3
2007	5.7	6.3	7.5
2008	-3.8	-22.5	-32.6
2009	9.0	17.3	22.8
2010	4.4	3.7	3.7
2011	3.6	-2.0	-5.4
2012	10.6	16.1	18.3
2013	9.1	19.1	24.5
2014	8.0	9.9	9.9
2015	3.3	4.3	4.8
2016	5.6	9.0	10.3
2017	5.9	10.3	12.4
2018	1.1	-1.0	-2.2
2019	11.0	18.6	22.7
Average return (p.a.)	8.1%	9.5%	10.1%
Average risk (p.a.)	5.6%	10.8%	13.8%

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 multi-asset 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. Prior to 2002, 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: JP Morgan EMBI Global (AUD Hedged) - AUD Core Index. (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: 12% Australian Shares, 25% Australian Bonds, 20% Cash, 10% International Shares, 28% International Bonds, 5% Property Securities 12. 70% Growth Fund Consists: 28% Australian Shares, 15% Australian Bonds, 5% Cash, 27% International Shares, 17% International Bonds, 8% Property Securities 13. 90% Growth Fund: Consists: 40% Australian Shares, 3% Australian Bonds, 4% Cash, 39% International Shares, 8% International Bonds, 6% Property Securities. The sample multi-asset portfolios are hypothetical only and is calculated by a weighted average of the asset class index returns. Sample multi-asset portfolios are rebalanced annually. For more information on the composition of the sample multi-asset 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. Copyright © 2020 Russell Investments. All rights reserved. This material is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments.