

VALUE OF DIVERSIFICATION

2023 EDITION



Best annual performance



Weakest performance

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
INT. SHARES HGD	29.3	32.2	22.5	34.1	16.2	15.0	37.6	13.5	11.4	32.8	47.8	26.8	14.4	13.2	19.9	4.5	27.9	10.3	29.3	1.3
AUS. SHARES	15.0	27.9	18.5	24.5	6.7	9.2	28.4	9.3	10.5	19.7	32.3	15.0	11.5	11.8	13.4	3.3	26.7	5.6	27.0	-1.8
MULTI-ASSET	9.8	17.4	17.1	17.6	6.6	7.6	17.3	6.0	5.0	19.1	19.7	12.4	4.3	10.5	11.8	1.9	23.8	5.1	23.7	-9.0
AREITs	8.8	15.8	15.3	15.9	6.4	-22.5	9.6	4.7	-1.6	16.1	19.1	10.4	3.7	9.0	10.3	1.7	19.5	4.5	17.6	-9.7
INT. BONDS HGD	6.6	10.6	12.7	11.8	6.3	-25.9	8.0	3.7	-2.0	14.7	7.3	9.9	3.3	8.2	6.4	1.3	18.6	3.1	13.9	-12.2
CASH	4.9	8.9	6.6	6.0	3.5	-38.9	3.5	1.9	-2.4	9.7	2.9	9.8	2.8	5.2	3.7	-1.0	7.3	1.7	0.0	-12.3
AUS. BONDS	3.0	7.0	5.8	4.4	-1.9	-39.4	2.0	-0.7	-5.7	7.7	2.3	5.3	2.6	2.9	3.7	-3.1	7.2	0.4	-1.5	-17.7
INT. SHARES	0.0	5.6	5.7	3.1	-8.4	-55.3	1.7	-1.4	-11.0	4.0	2.0	2.7	2.3	2.1	1.7	-7.5	1.5	-4.0	-2.9	-20.1

Whether you're a new or experienced investor, the temptation to chase short-term returns can be hard to resist.

This table illustrates how different asset classes have performed relative to a multi-asset portfolio diversified across multiple assets, strategies & managers (with an average exposure of 70% growth assets).

It also helps to demonstrate the cyclical nature of the markets, showing that one year's best performing assets can just as easily end up the next year's worst.

The trouble with chasing past performance

– a case study

History shows us that no one asset class has continually outperformed over a sustainable period. So it's unwise trying to time the market by chasing short-term performance.

Let's look at the case of two investors, Sam and Alex. Alex's strategy is to switch investments at the start of each year into the previous year's best performing asset class, i.e. 'chasing past performance'. Over the 20-year period starting at the beginning of 2003 to the end of 2022, his \$10,000 investment would have grown to \$20,850 an average annual return of 4.8%.

However, Sam remained invested in a multi-asset portfolio over the same period. By contrast, the balance at the end of December last year would have been \$40,462; an annual average return of 7.8%. That's a difference of more than \$19,612 over the 20-year period.

Choosing a diversified multi-asset portfolio can help smooth volatility and provide more stable returns over the long term.

For more on how diversification works, please speak to your adviser.

[You can also visit us at russellinvestments.com.au](https://www.russellinvestments.com.au) for a range of material that aims to keep you informed about investing.

Case studies are for illustrative purposes only and are not indicative of actual performance over the quoted period. Sources for the asset classes and sample diversified 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 SA Hedged. Saloman Smith Barney World Government Bond Index SA 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 SA Hedged, MSCI World Local Currency Index prior to 1988. The multi-asset portfolio is hypothetical only and is calculated by a weighted average of the asset class index returns. For more information on the composition of the sample portfolio, please contact Russell Investments on +612 9229 5111. Case study performance calculations are based on geometric averages. 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.