

JUNE 2018

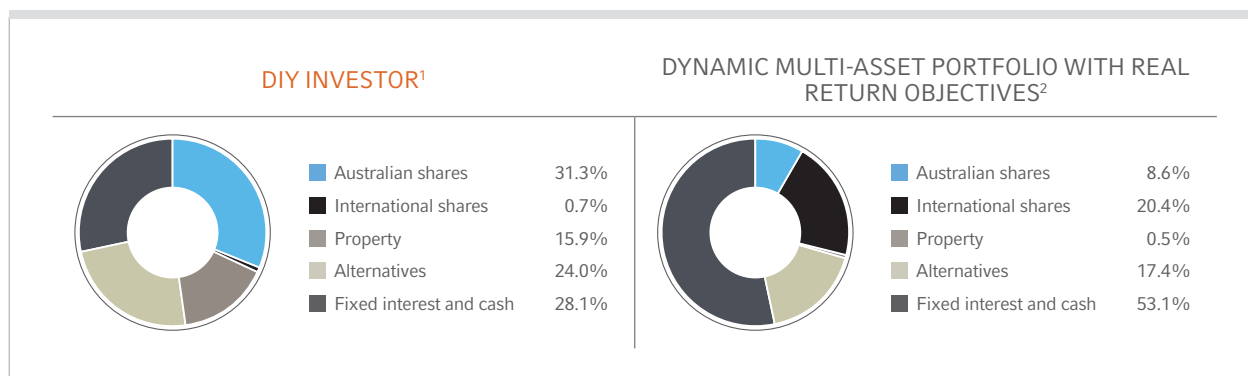
A tale of two investors

This article is designed to help investors compare the benefits of diversification across different asset classes, regions, managers and strategies. It also demonstrates how a more dynamic investment approach can respond quickly to opportunities and risks as market events occur.

In order to highlight the differences clearly, we have deliberately selected two divergent approaches. In practice, most investors are likely to have investment approaches that fall between these two ends of the spectrum:

- » A “Do-it-yourself” DIY approach that maintains a long term strategy, using core assets such as shares, bonds and property.
 - » A dynamic approach that aims to access a wide and deep toolkit of assets, strategies and investment ideas and adapts to changing market opportunities and risks.
- The following analysis then compares:
- » Average asset allocations
 - » Extent of portfolio diversification
 - » Diversity of managers and strategies
 - » How asset allocations change with changing market conditions.

AVERAGE ASSET ALLOCATION

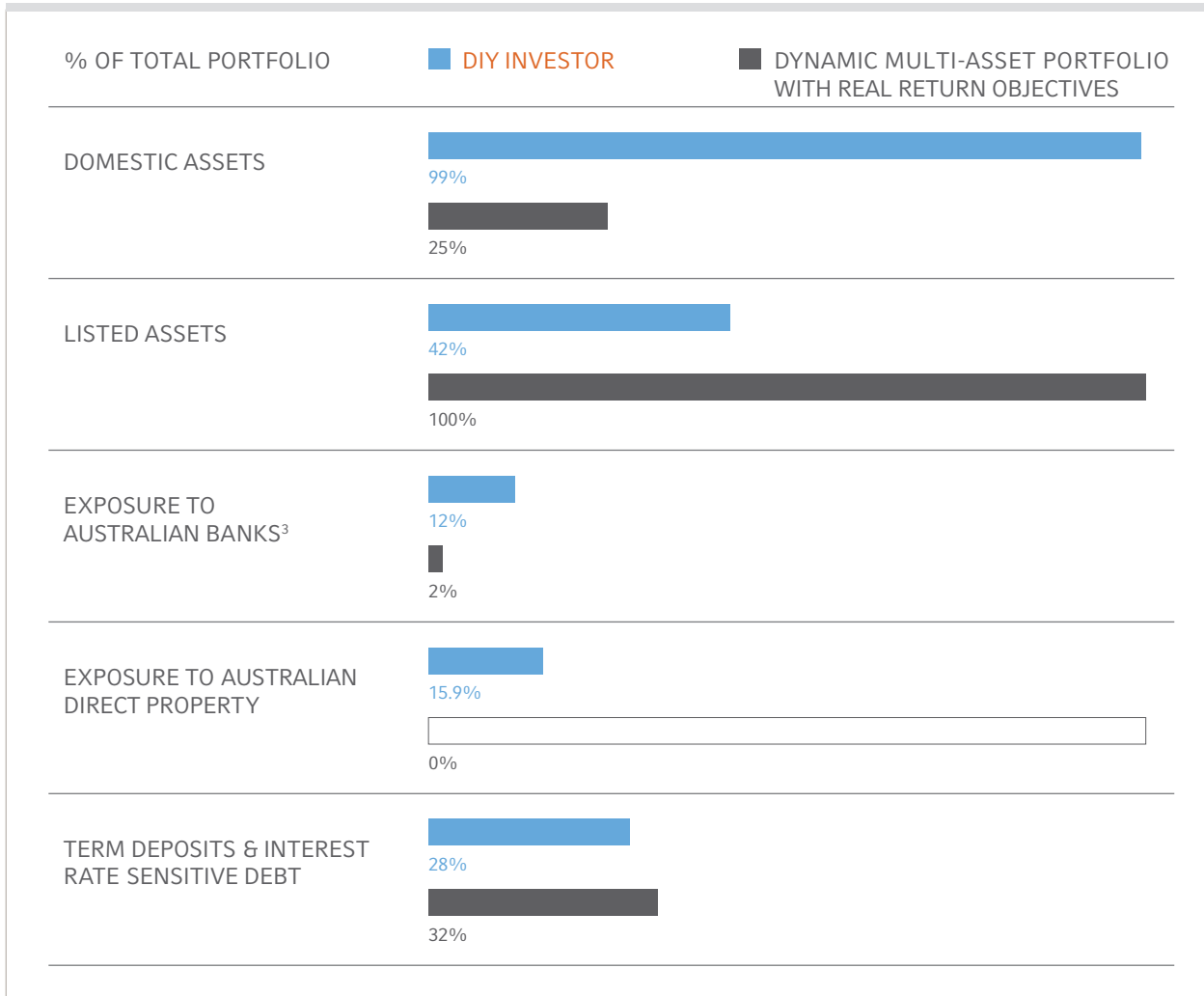


¹ For illustrative purposes only, proxied by average asset allocation for Self-Managed Superannuation Funds (SMSFs) estimated by the [Australian Tax Office](#) (ATO) as at December 2017.

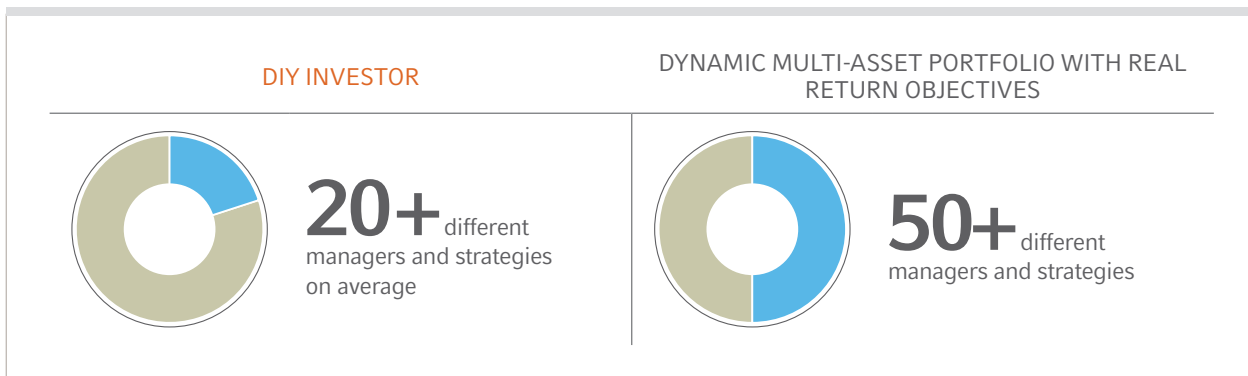
² For illustrative purposes only, proxied by actual asset allocation for the Russell Investments Multi-Asset Growth Strategy Fund as at 31 December 2017 (to allow apples for apples comparison with ATO data). For more updated asset allocation details, see [russellinvestments.com/au/solutions/multi-asset-funds/RUSMAGSD](https://www.russellinvestments.com/au/solutions/multi-asset-funds/RUSMAGSD)

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EXTENT OF PORTFOLIO DIVERSIFICATION





DIVERSITY OF MANAGERS AND STRATEGIES



³ Banks are 26% of the S&P/ASX 300 Index as at 31 December 2017.

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HOW DYNAMICALLY ASSET ALLOCATIONS CHANGE

DIY INVESTOR	DYNAMIC MULTI-ASSET PORTFOLIO WITH REAL RETURN OBJECTIVES
00:00 Announcement of first US Federal Reserve interest rate hike: Thu 14 Jun 2018, 4am Sydney time	00:00 Announcement of US Federal Reserve interest rate hike: Thu 14 Jun 2018, 4am Sydney time
13:00 Investor hears news, reads broker reports and analyses impact on portfolio: Thu 14 Jun 2018 9am-5pm Sydney time	01:00 Strategy & Portfolio analysis (comprehensive what if scenario modelling): Thu 14 Jun 2018, 5am Sydney time
32:00 Trade orders sent to brokers: Fri 15 Jun 2018, 12 noon Sydney time	05:00 Trade orders sent to brokers: Thu 14 Jun 2018, 9am Sydney time
36:00 Transactions completed: Fri 15 Jun 2018, 4pm Sydney time	06:00 Transactions completed: Thu 14 Jun 2018, 10am
 Time from news to implementation: 1.5 days	 Time from news to implementation: 6 hours

What does this mean for you?

If you are a financial adviser...

- » Ensure your clients' investments are diversified for lower return, higher volatility world, especially exposure to Australian vs global assets.
- » Are your clients able to access a wide and deep toolkit of investment opportunities available in an increasingly competitive and challenging investment environment?
- » Consider how quickly your clients' investments can respond to significant market events, e.g. further U.S. Federal Reserve interest rate hikes, geopolitical events, Australian property market dynamics and cash rate changes?

Let's elevate your business

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