

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
GLOBAL SHARES	30.1	NZ EQUITIES 23.4	GLOBAL SHARES 21.3	NZ EQUITIES 21.0	GLOBAL SHARES 8.9	NZ BONDS 15.8	GLOBAL SHARES 26.7	GLOBAL SHARES 12.1	NZ BONDS 13.3	NZ EQUITIES 25.1	GLOBAL SHARES 31.8	NZ EQUITIES 22.6	NZ EQUITIES 15.1	GLOBAL SHARES 11.5	NZ EQUITIES 23.6	NZ EQUITIES 6.0	NZ EQUITIES 31.6	NZ EQUITIES 14.6	GLOBAL SHARES 24.1	NZ CASH 2.2
NZ EQUITIES	27.2	GLOBAL SHARES 16.3	MULTI-ASSET 14.9	GLOBAL SHARES 20.2	GLOBAL BONDS 8.5	GLOBAL BONDS 11.2	NZ EQUITIES 19.4	MULTI-ASSET 9.9	GLOBAL BONDS 8.1	GLOBAL SHARES 17.8	NZ EQUITIES 18.6	MULTI-ASSET 13.7	MULTI-ASSET 6.1	NZ EQUITIES 10.1	GLOBAL SHARES 20.2	NZ BONDS 4.6	GLOBAL SHARES 26.7	GLOBAL SHARES 11.2	MULTI-ASSET 8.1	NZ BONDS -9.1
MULTI-ASSET	20.5	MULTI-ASSET 14.4	NZ EQUITIES 11.9	MULTI-ASSET 14.6	NZ CASH 8.5	NZ CASH 8.8	MULTI-ASSET 18.4	GLOBAL BONDS 7.6	NZ EQUITIES 3.5	MULTI-ASSET 15.0	MULTI-ASSET 17.7	GLOBAL SHARES 13.6	NZ BONDS 5.5	MULTI-ASSET 8.1	MULTI-ASSET 12.6	NZ CASH 2.0	MULTI-ASSET 17.2	MULTI-ASSET 8.5	NZ CASH 0.4	NZ EQUITIES -11.3
GLOBAL BONDS	7.4	GLOBAL BONDS 9.4	GLOBAL BONDS 8.1	NZ CASH 7.7	MULTI-ASSET 7.9	MULTI-ASSET -19.4	GLOBAL BONDS 7.8	NZ BONDS 7.0	NZ CASH 2.9	GLOBAL BONDS 8.4	NZ CASH 2.7	GLOBAL BONDS 11.1	GLOBAL SHARES 4.7	GLOBAL BONDS 5.8	NZ BONDS 5.5	GLOBAL BONDS 1.8	GLOBAL BONDS 7.5	GLOBAL BONDS 5.4	NZ EQUITIES 0.2	GLOBAL BONDS -11.7
NZ BONDS	6.4	NZ CASH 6.1	NZ CASH 7.2	GLOBAL BONDS 6.0	NZ BONDS 3.9	NZ EQUITIES -31.5	NZ CASH 3.4	NZ EQUITIES 6.2	MULTI-ASSET 2.1	NZ BONDS 4.8	GLOBAL BONDS 2.2	NZ BONDS 7.8	GLOBAL BONDS 4.5	NZ BONDS 3.5	GLOBAL BONDS 4.0	MULTI-ASSET -0.7	NZ BONDS 4.9	NZ BONDS 5.4	GLOBAL BONDS -1.2	MULTI-ASSET -12.9
NZ CASH	5.6	NZ BONDS 5.5	NZ BONDS 6.9	NZ BONDS 4.2	NZ EQUITIES 1.1	GLOBAL SHARES -37.0	NZ BONDS 1.7	NZ CASH 3.0	GLOBAL SHARES -3.6	NZ CASH 2.7	NZ BONDS -2.0	NZ CASH 3.4	NZ CASH 3.4	NZ CASH 2.5	NZ CASH 2.0	GLOBAL SHARES -7.1	NZ CASH 1.7	NZ CASH 0.6	NZ BONDS -6.2	GLOBAL SHARES -17.6

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 50% 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 \$38,728 an average annual return of 7.0%.

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 \$49,491; an annual average return of 8.3%. That's a difference of more than \$10,763 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.co.nz 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: NZ Shares: Russell NZ Domestic Gross Index (Replaced with S&P NZX 50 Gross including imputation credits from June 2016). NZ Cash: S&P/NZX 90-day Bank Bill Index. NZ Bonds: S&P/NZX NZ Government Bond Index. Global Bonds: Bloomberg Global Aggregate Total Return Index Hedged NZD Global Share: MSCI World NZ\$ Hedged. The diversified portfolios are hypothetical only and are calculated by a weighted average of the asset class index returns shown using sample asset allocations. Sample diversified portfolios are rebalanced monthly. For more information on the composition of the sample portfolios, please contact Russell Investments on 09 357 6633. Average return is measured by the geometric average percentage per annum. These returns are shown on a gross basis.

The information contained in this publication was prepared by Russell Investment Group Limited on the basis of information available at the time of preparation. It has been compiled from sources considered to be reliable, but is not guaranteed. This publication provides general information only and should not be relied upon in making an investment decision. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation and needs. All investments are subject to risks. Past performance is not a reliable indicator of future performance. Copyright © 2023 Russell Investments. All rights reserved. This information contained on this website is proprietary and may not be reproduced, transferred, or distributed in any form without prior written permission from Russell Investments.