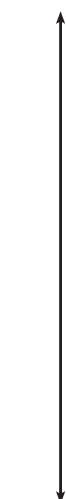


# Value of diversification

## 2022 edition

Best annual performance



Weakest performance

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
GLOBAL BONDS	12.4	GLOBAL SHARES	NZ EQUITIES	GLOBAL SHARES	NZ EQUITIES	GLOBAL SHARES	NZ BONDS	GLOBAL SHARES	GLOBAL SHARES	NZ BONDS	NZ EQUITIES	GLOBAL SHARES	NZ EQUITIES	MULTI-ASSET	GLOBAL SHARES	NZ EQUITIES	NZ EQUITIES	NZ EQUITIES	NZ EQUITIES	GLOBAL SHARES
NZ BONDS	8.7	NZ EQUITIES	GLOBAL SHARES	MULTI-ASSET	GLOBAL SHARES	GLOBAL BONDS	GLOBAL BONDS	NZ EQUITIES	MULTI-ASSET	GLOBAL BONDS	GLOBAL SHARES	NZ EQUITIES	MULTI-ASSET	NZ EQUITIES	NZ EQUITIES	GLOBAL SHARES	NZ BONDS	GLOBAL SHARES	GLOBAL SHARES	MULTI-ASSET
NZ CASH	5.7	MULTI-ASSET	MULTI-ASSET	NZ EQUITIES	MULTI-ASSET	NZ CASH	NZ CASH	MULTI-ASSET	GLOBAL BONDS	NZ EQUITIES	MULTI-ASSET	MULTI-ASSET	GLOBAL SHARES	NZ BONDS	MULTI-ASSET	MULTI-ASSET	NZ CASH	MULTI-ASSET	MULTI-ASSET	NZ CASH
NZ EQUITIES	0.6	GLOBAL BONDS	GLOBAL BONDS	GLOBAL BONDS	NZ CASH	MULTI-ASSET	MULTI-ASSET	GLOBAL BONDS	NZ BONDS	NZ CASH	GLOBAL BONDS	NZ CASH	GLOBAL BONDS	GLOBAL SHARES	GLOBAL BONDS	NZ BONDS	GLOBAL BONDS	GLOBAL BONDS	GLOBAL BONDS	NZ EQUITIES
MULTI-ASSET	-6.1	NZ BONDS	NZ CASH	NZ CASH	GLOBAL BONDS	NZ BONDS	NZ EQUITIES	NZ CASH	NZ EQUITIES	MULTI-ASSET	NZ BONDS	GLOBAL BONDS	NZ BONDS	GLOBAL BONDS	NZ BONDS	GLOBAL BONDS	MULTI-ASSET	NZ BONDS	NZ BONDS	GLOBAL BONDS
GLOBAL SHARES	-21.6	NZ CASH	NZ BONDS	NZ BONDS	NZ BONDS	NZ EQUITIES	GLOBAL SHARES	NZ BONDS	NZ CASH	GLOBAL SHARES	NZ CASH	NZ BONDS	NZ CASH	NZ CASH	NZ CASH	NZ CASH	GLOBAL SHARES	NZ CASH	NZ CASH	NZ BONDS

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 2002 to the end of 2021, his \$10,000 investment would have grown to \$42,004 an average annual return of 7.7%.

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 \$51,782; an annual average return of 8.7%. That's a difference of more than \$9,778 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](https://www.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: New Zealand shares: Russell NZ Domestic Gross Index (This index stopped in June 2016, replaced with S&P NZX 50 including franking credits since then). NZ Cash: S&P / NZX 90-day Bank Bill Index. NZ Bonds: S&P / NZX NZ Government Bond Index. International Shares: MSCI World NZ\$ Hedged. International bonds: Barclays Capital Global Aggregate 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.

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