

# VALUE OF DIVERSIFICATION

## 2025 EDITION



	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Best annual performance	AREITs 32.2	AUS. SHARES 22.5	AREITs 34.1	AUS. SHARES 16.2	AUS. BONDS 15.0	AUS. SHARES 37.6	INT. SHARES HGD 13.5	AUS. BONDS 11.4	AREITs 32.8	INT. SHARES 47.8	AREITs 26.8	AREITs 14.4	AREITs 13.2	INT. SHARES HGD 19.9	AUS. BONDS 4.5	INT. SHARES 27.9	INT. SHARES HGD 10.3	INT. SHARES 29.3	CASH 1.3	INT. SHARES 23.0	INT. SHARES 30.8
	AUS. SHARES 27.9	INT. SHARES HGD 18.5	AUS. SHARES 24.5	CASH 6.7	INT. BONDS HGD 9.2	INT. SHARES HGD 28.4	INT. BONDS HGD 9.3	INT. BONDS HGD 10.5	AUS. SHARES 19.7	INT. SHARES HGD 32.3	INT. SHARES 15.0	INT. SHARES 11.5	AUS. SHARES 11.8	INT. SHARES 13.4	AREITs 3.3	INT. SHARES HGD 26.7	INT. SHARES 5.6	AREITs 27.0	AUS. SHARES -1.8	INT. SHARES HGD 21.5	INT. SHARES HGD 20.5
	MULTI-ASSET 17.4	INT. SHARES 17.1	INT. SHARES HGD 17.6	INT. BONDS HGD 6.6	CASH 7.6	MULTI-ASSET 17.3	AUS. BONDS 6.0	CASH 5.0	INT. SHARES HGD 19.1	AUS. SHARES 19.7	INT. SHARES HGD 12.4	MULTI-ASSET 4.3	INT. SHARES HGD 10.5	AUS. SHARES 11.8	CASH 1.9	AUS. SHARES 23.8	INT. BONDS HGD 5.1	INT. SHARES HGD 23.7	MULTI-ASSET -9.0	AREITs 16.9	AREITs 17.6
	INT. SHARES HGD 15.8	MULTI-ASSET 15.3	MULTI-ASSET 15.9	INT. SHARES HGD 6.4	MULTI-ASSET -22.5	AREITs 9.6	CASH 4.7	AREITs -1.6	MULTI-ASSET 16.1	MULTI-ASSET 19.1	INT. BONDS HGD 10.4	INT. SHARES HGD 3.7	MULTI-ASSET 9.0	MULTI-ASSET 10.3	INT. BONDS HGD 1.7	AREITs 19.5	AUS. BONDS 4.5	AUS. SHARES 17.6	AUS. BONDS -9.7	MULTI-ASSET 13.3	MULTI-ASSET 14.6
	INT. SHARES 10.6	AREITs 12.7	INT. SHARES 11.8	MULTI-ASSET 6.3	INT. SHARES -25.9	INT. BONDS HGD 8.0	MULTI-ASSET 3.7	MULTI-ASSET -2.0	INT. SHARES 14.7	AREITs 7.3	MULTI-ASSET 9.9	INT. BONDS HGD 3.3	INT. SHARES 8.2	AREITs 6.4	INT. SHARES 1.3	MULTI-ASSET 18.6	MULTI-ASSET 3.1	MULTI-ASSET 13.9	INT. SHARES -12.2	AUS. SHARES 12.1	AUS. SHARES 11.4
	INT. BONDS HGD 8.9	INT. BONDS HGD 6.6	CASH 6.0	AUS. BONDS 3.5	AUS. SHARES -38.9	CASH 3.5	AUS. SHARES 1.9	INT. SHARES HGD -2.4	INT. BONDS HGD 9.7	CASH 2.9	AUS. BONDS 9.8	AUS. SHARES 2.8	INT. BONDS HGD 5.2	INT. BONDS HGD 3.7	MULTI-ASSET -1.0	AUS. BONDS 7.3	AUS. SHARES 1.7	CASH 0.0	INT. BONDS HGD -12.3	INT. BONDS HGD 5.3	CASH 4.5
	AUS. BONDS 7.0	AUS. BONDS 5.8	INT. BONDS HGD 4.4	INT. SHARES -1.9	INT. SHARES HGD -39.4	INT. SHARES 2.0	AREITs -0.7	INT. SHARES -5.7	AUS. BONDS 7.7	INT. BONDS HGD 2.3	AUS. SHARES 5.3	AUS. BONDS 2.6	AUS. BONDS 2.9	AUS. BONDS 3.7	AUS. SHARES -3.1	INT. BONDS HGD 7.2	CASH 0.4	INT. BONDS HGD -1.5	INT. SHARES HGD -17.7	AUS. BONDS 5.1	AUS. BONDS 2.9
Weakest performance	CASH 5.6	CASH 5.7	AUS. BONDS 3.1	AREITs -8.4	AREITs -55.3	AUS. BONDS 1.7	INT. SHARES -1.4	AUS. SHARES -11.0	CASH 4.0	AUS. BONDS 2.0	CASH 2.7	CASH 2.3	CASH 2.1	CASH 1.7	INT. SHARES HGD -7.5	CASH 1.5	AREITs -4.0	AUS. BONDS -2.9	AREITs -20.1	CASH 3.9	INT. BONDS HGD 2.2

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 2005 to the end of 2024, his \$10,000 investment would have grown to \$22,484.63 an average annual return of 5.3%.

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 \$40,734.18; an annual average return of 7.8%. That's a difference of more than \$18,249.56 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://russellinvestments.com.au) for a range of material that aims to keep you informed about investing.

Case study is for illustrative purposes only and is not indicative of actual performance over the quoted period. Sources for the asset classes and sample portfolios are shown overleaf in the disclaimer wording.

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Case study is for illustrative purposes only and is not indicative of actual performance over the quoted period. Sources for the asset classes and sample portfolios are as follows: (1) Australian Shares : S&P/ASX 300 Accum Index. (2) Australian Bonds: Bloomberg AusBond Composite 0+ Yr Index, 2004 Commonwealth Bank All Series All Maturities. (3) Cash: Bloomberg AusBond Bank Bill Index. (4) International Shares: MSCI World Index – Net; Russell Developed Large Cap index prior to 1 October 2018; (5) International Bonds: Barclays Global Aggregate Index \$A Hedged. Saloman Smith Barney World Government Bond Index \$A Hedged. (6) A-REITs: S&P/ASX 300 A-REIT Index (7) International Shares Hedged: MSCI World Index – 100% Hedged to AUD - Net; Russell Developed Large Cap index - AUD Hedged prior to 1 October 2018; (8) Emerging Market Debt: J.P. Morgan EMBI Global Core Index (AUD Hedged) - AUD. (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) (11) From 1994-2012 – 70% Growth Fund Consists: 32% Australian Shares, 15% Australian Bonds, 5% Cash, 20% International Shares, 10% International Shares hedged, 10% International Bonds, 8% Property Securities. From 2013-2016 – 70% Growth Fund Consists: 31.0% Australian Shares, 15% Australian Bonds, 5.0% Cash, 14% International Shares, 14.0% International Shares Hedged, 10% International Bonds, 4% Property Securities, 0% Global EM Debt \$AH, 5% Global High Yield \$AH, 2%Global Listed Infra \$AH. From 2017 to 2018 – 70% Growth Fund Consists: 29.0% Australian Shares, 15.0% Australian Bonds, 5.0% Cash, 14.0% International Shares, 14.0% International Shares Hedged, 10.0% International Bonds, 4% Property Securities, 2% Global EM Debt \$AH, 5% Global High Yield \$AH, 2%Global Listed Infra \$AH. From 2019-2021 – 70% Growth Fund Consists: 28% Australian Shares, 15% Australian Bonds, 5% Cash, 19.5% International Shares, 7.5%, International Shares Hedged, 10.0% International Bonds, 6% Property Securities. From 2022 Onwards – 70% Growth Fund Consists: 27.0% Australian Shares, 10.0% Australian Bonds, 5% Cash, 23.6% International Shares, 7.9% International Shares Hedged, 15.5% International Bonds, 6% Property Securities, 0% Global EM Debt \$AH, 2% Global High Yield \$AH, 3.0%Global Listed Infra \$AH. The sample managed portfolios are hypothetical only and is calculated by a weighted average of the asset class index returns. Sample portfolios are rebalanced annually. For more information on the composition of the sample 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. This work is copyright 2025. 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.