

The power of diversification

The table below shows the performance of various asset classes over the past 30 years.

When deciding where to invest their money, it is important investors understand that the best and worst performing asset classes will often vary from one year to the next. Having a diversified mix of investments across multiple asset classes can help smooth out returns over time.

The table also reinforces the importance of sticking to an investment strategy and focusing on the long term.

For example, the low returns from international shares in 2011 and 2012 may have swayed investors to move out of this asset class in search of better returns elsewhere. In taking this option, investors would then have missed out on the 33.1%, 20.4% and 25.2% returns in the subsequent 2013, 2014 and 2015 financial years.

Financial year total returns (%) for the major asset classes

Year	Australian Shares	International Shares	International Shares (Hedged) ¹	US Shares	Australian Bonds	International Bonds (Hedged) ²	Cash	Australian Listed Property	International Listed Property ³
1987	54.0	32.6	33.2	17.7	12.1	17.6	17.3	41.3	
1988	-8.6	-10.0	-5.3	-15.5	19.4	12.5	12.5	-2.8	
1989	3.5	18.1	18.3	26.7	3.0	16.3	15.7	-1.1	
1990	4.1	1.9	5.3	11.5	17.8	13.1	18.5	15.2	
1991	5.9	-2.0	-5.8	10.3	22.4	15.3	13.5	7.7	-15.9
1992	13.3	7.1	-3.0	16.3	22.0	15.8	9.0	14.7	6.9
1993	9.9	31.8	17.3	26.6	13.9	14.7	5.9	17.1	28.3
1994	18.5	0.0	6.7	-6.5	-1.1	2.1	4.9	9.8	8.4
1995	5.7	14.2	3.7	30.0	11.9	13.1	7.1	7.9	7.5
1996	15.8	6.7	27.7	12.9	9.5	11.2	7.8	3.6	2.4
1997	26.6	28.6	26.0	42.6	16.8	12.1	6.8	28.5	35.7
1998	1.6	42.2	22.1	58.2	10.9	11.0	5.1	10.0	25.0
1999	15.3	8.2	15.9	14.2	3.3	5.5	5.0	4.3	-6.8
2000	13.7	23.8	12.6	18.2	6.2	5.0	5.6	12.1	14.1
2001	8.8	-6.0	-16.0	0.5	7.4	9.0	6.1	14.1	38.2
2002	-4.5	-23.5	-19.3	-26.3	6.2	8.0	4.7	15.5	7.5
2003	-1.1	-18.5	-6.2	-15.2	9.8	12.2	5.0	12.1	-5.2
2004	22.4	19.4	20.2	15.4	2.3	3.5	5.3	17.2	28.7
2005	24.7	0.1	9.8	-4.1	7.8	12.3	5.6	18.1	21.2
2006	24.2	19.9	15.0	11.6	3.4	1.2	5.8	18.0	24.2
2007	30.3	7.8	21.4	5.6	4.0	5.2	6.4	25.9	3.0
2008	-12.1	-21.3	-15.7	-23.4	4.4	8.6	7.4	-36.3	-28.6
2009	-22.1	-16.3	-26.6	-12.5	10.8	11.5	5.5	-42.3	-31.2
2010	13.8	5.2	11.5	8.9	7.9	9.3	3.9	20.4	31.3
2011	12.2	2.7	22.3	3.7	5.5	5.7	5.0	5.8	9.2
2012	-7.0	-0.5	-2.1	11.1	12.4	11.9	4.7	11.0	7.5
2013	20.7	33.1	21.3	32.5	2.8	4.4	3.3	24.2	24.3
2014	17.6	20.4	21.9	22.7	6.1	7.2	2.7	11.1	11.8
2015	5.7	25.2	8.5	31.8	5.6	6.3	2.6	20.3	23.1
2016	2.0	0.4	-2.7	7.5	7.0	10.8	2.2	24.6	20.4
Average	10.5	8.4	7.9	11.1	9.0	9.8	7.0	10.9	11.2
Best	54.0(4)	42.2(3)	33.2(3)	58.2(6)	22.4(4)	17.6(3)	18.5(1)	41.3(2)	38.2(4)
Worst	-22.1(2)	-23.5(3)	-26.6(4)	-26.3(4)	-1.1(3)	1.2(2)	2.2(5)	-42.3(3)	-31.2(4)

(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1987 and 2016.

Source: Andex Charts Pty Ltd.

Notes: 1. MSCI World ex-Australia Net Total Return Index (Local Currency) - represents a continuously hedged portfolio without any impact from foreign exchange fluctuations. 2. Index prior to 30 June 2008 is the Citigroup World Government Bond Index AUD hedged, from 30 June 2008 the index is the Barclays Global Treasury Index AUD hedged (previously: Lehman Global Treasury Index AUD hedged). 3. Prior to 1 May 2013, index is the UBS Global Real Estate Investors Index ex Australia with net dividends reinvested. From May 2013 the index is the FTSE EPRA/NAREIT Developed ex AUS Rental Index with net dividends reinvested. Past performance is not an indicator of future performance.