

# Risk vs return

2013 edition

Different asset classes – like shares, bonds and property securities – carry different levels of risk and return. Investing in a single asset class is risky when you consider no one asset class consistently outperforms on a regular basis.

Our goal at Russell is to strategically diversify your portfolio across asset classes, investment managers and their styles, thereby aiming to reduce risk and help you weather every season of the market.

Our multi-asset, open architecture approach means that no matter which asset or style is in favour at any given time, the complementary blending of asset classes, styles and managers can help provide more consistent returns through all environments.

## Legend

- ▼ Lowest return (per year)
- ▲ Highest return (per year)

		Australian shares (%)	Australian bonds (%)	Cash (%)	Int shares (%)	Int shares hgd (%)	Int bonds hgd (%)	A-REITs (%)		30% Growth assets (%)	70% Growth assets (%)	90% Growth assets (%)	
Calendar year market returns	1981	▼ -13.4	7.9	13.3	▼ -0.3	2.6	7.9	▲ 32.1		6.7	1.1	▼ -1.7	1981
	1982	▼ -13.4	22.6	14.6	▲ 26.3	17.4	22.6	5.2		14.3	9.5	5.5	1982
	1983	▲ 66.8	14.3	▼ 11.1	32.8	26.4	14.3	50.2		24.9	38.7	45.2	1983
	1984	▼ -2.3	12.0	10.9	▲ 14.0	11.8	12.0	10.1		9.6	7.6	6.2	1984
	1985		8.1	15.2	▲ 70.2	29.6	24.7	▼ 5.3		24.2	36.0	39.9	1985
	1986	▲ 52.2	18.9	▼ 15.6	45.6	30.6	25.3	35.4		27.4	37.9	41.8	1986
	1987	▼ -7.9	▲ 18.6	12.8	6.9	0.6	13.5	5.8		10.3	4.2	0.3	1987
	1988		9.4	12.9	▼ 4.3	▲ 33.8	13.7	16.1		12.2	14.7	17.5	1988
	1989		17.4	18.4	26.0	▲ 35.6	17.9	▼ 2.4		17.1	19.4	21.4	1989
	1990	▼ -17.5	▲ 19.0	16.1	▼ -15.1	▼ -16.2	13.3	8.7		7.9	▼ -4.6	▼ -11.1	1990
	1991	▲ 34.2	24.7	▼ 11.2	20.2	19.2	18.4	20.1		20.5	24.6	25.9	1991
	1992	▼ -2.3	10.4	6.9	4.5	▼ -0.8	▲ 11.1	7.0		6.8	3.7	1.3	1992
	1993	▲ 45.4	16.3	▼ 5.4	24.4	21.4	14.8	30.1		18.7	28.1	31.9	1993
	1994	▼ -8.7	▼ -4.7	▲ 5.4	▼ -8.1	▼ -0.1	▼ -2.7	▼ -5.6		▼ -2.3	▼ -5.6	▼ -5.9	1994
	1995		18.6	▼ 8.0	▲ 25.9	22.3	20.1	12.7		16.3	20.1	20.7	1995
	1996		11.9	7.6	▼ 6.3	▲ 19.7	10.7	14.5		10.4	12.3	13.5	1996
	1997		12.2	▼ 5.6	▲ 47.8	21.2	10.5	20.3		13.9	20.4	21.6	1997
	1998		9.5	▼ 5.1	▲ 30.9	23.3	10.4	18.0		11.2	16.4	18.0	1998
	1999		▼ -1.2	5.0	16.1	▲ 23.9	0.8	▼ -5.0		5.1	10.5	14.4	1999
	2000		12.1	6.3	5.9	▼ -7.9	10.1	▲ 17.9		8.6	6.5	4.1	2000
	2001		5.5	5.2	▼ -9.1	▼ -14.8	7.4	▲ 15.0		5.4	3.1	1.4	2001
	2002	▼ -8.6	8.8	▼ 4.8	▼ -27.2	▼ -22.7	11.6	▲ 11.9		2.0	▼ -6.8	▼ -11.9	2002
	2003		3.0	▼ 4.9	0.0	▲ 29.3	6.6	8.8		5.9	9.8	13.2	2003
	2004		7.0	▼ 5.6	10.6	15.8	8.9	▲ 32.2		11.6	17.4	20.2	2004
	2005	▲ 22.5	▼ 5.8	▼ 5.7	17.1	18.5	6.6	12.7		9.9	15.3	18.2	2005
	2006		▼ 3.1	6.0	11.8	17.6	4.4	▲ 34.1		9.8	15.9	19.3	2006
	2007	▲ 16.22	3.46	6.73	▼ -1.9	6.4	6.6	▼ -8.36		5.7	6.3	7.5	2007
	2008	▼ -38.9	▲ 15.0	7.6	▼ -25.9	▼ -39.4	9.2	▼ -55.3		▼ -3.8	▼ -22.5	▼ -32.6	2008
	2009	▲ 37.6	▼ 1.7	3.5	2.0	28.4	8.0	9.6		9.0	17.3	22.8	2009
	2010		6.0	▼ 4.7	▼ -1.4	▲ 13.5	9.3	▼ -0.7		4.4	3.7	3.7	2010
	2011	▼ -11.0	▲ 11.4	5.0	▼ -5.7	▼ -2.4	10.5	▼ -1.6		3.6	▼ -2.0	▼ -5.4	2011
	2012		7.7	▼ 4.0	14.7	19.1	9.7	▲ 32.8		10.6	16.1	18.3	2012

Average return (p.a.)

Average risk (p.a.)

13.9%	10.2%	8.5%	11.7%	12.4%	11.2%	12.1%
23.1%	6.8%	4.2%	20.4%	17.7%	6.3%	18.1%

10.7%	12.1%	12.6%
7.1%	13.3%	16.6%

Sources for the asset classes and sample diversified portfolios are as follows: Australian shares: S&P/ASX 300 Accum Index, ASX All Ordinaries Accum Index prior to 31 March 2000. Australian bonds: UBS Warburg Aust Comp Bond Index, 1980-1989 Commonwealth Bank All Series All Maturities, Australian cash: UBS Warburg Bank Bill Index (Australian 91 Day Treasury Notes prior to 1988). International Shares: Russell Developed Large Cap Index, 1980-1999; MSCI World Net Div Reinvested Accumulation Index (in AUD) and International Shares Hedged: Russell Developed Large Cap Index - AUD Hedged; 1988-1999: MSCI World Net Div Reinvested Accumulation Index SA Hedged, MSCI World Local Currency Index prior to 1988; MSCI World Local Currency Index prior to 1988; MSCI World Local Currency Index prior to 1988. International bonds hedged: Barclays Capital Global Aggregate SA Hedged (formerly Lehmann Bros Global Aggregate Index SA Hedged, 1985-2001). Salomon Smith Barney World Government Bond Index SA Hedged (Note: Pre-1985 returns unavailable, Domestic Bond returns used). A-REITs: S&P/ASX 300 A-REIT Index (ASX Property Trust Accumulation Index prior to 31 March 2000). The diversified portfolios are hypothetical only and are calculated by a weighted average of the asset class index returns shown in accordance to the following asset allocations: 30% Growth portfolio consists of: 15% Australian Shares, 25% Australian Bonds, 30% Cash, 10% International Shares, 15% International Bonds and 5% A-REITs. 70% Growth portfolio consists of: 32% Australian Shares, 15% Australian Bonds, 5% Cash, 20% International Shares, 10% International Bonds, 8% A-REITs. 90% Growth portfolio consists of: 42% Australian Shares, 7% Australian Bonds, 3% Cash, 20% International Shares, 20% International Bonds, 8% A-REITs. Sample diversified portfolios are rebalanced annually. As International Bonds returns were unavailable pre-1985, the sample diversified portfolios have used Australian Bonds returns instead. Average risk is measured by the standard deviation percentage per annum. Average return is measured by the arithmetic average percentage per annum. Issued by Russell Investment Management Ltd ABN 53 088 338 974, AFSL 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 and needs. This information has been compiled from sources considered to be reliable, but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should consider the latest Product Disclosure Statement ("PDS") in deciding whether to acquire, or to continue to hold, an investment in any Russell product. The PDS can be obtained by visiting [www.russell.com.au](http://www.russell.com.au) or by phoning (02) 9229 5111. RIM is part of Russell Investments ("Russell"). Russell or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles including broker or advisor, and may receive fees, brokerage or commissions for acting in these capacities. In addition, Russell or its associates, officers or employees may buy or sell the financial products as principal or agent. Copyright 2013 Russell Investments. All rights reserved. MKT50880113\_R\_PDS\_AssetReturns\_V1F\_1301.indd