



**Vanguard**<sup>®</sup>

# Stay the course

2019 Vanguard Index Chart



# Investment wisdom



**Stay the course.** No matter what happens, stick to your program. I've said "stay the course" a thousand times, and meant it every time. It is the most important single piece of investment wisdom I can give to you.

**John C Bogle**  
Founder of Vanguard



With a detailed and measurable plan, you know where you're heading. Along the way, you don't know exactly what each day will bring. As the 2019 Vanguard Index Chart shows, investment markets fluctuate from year to year.

While you can't control investment markets, there are things you can control when it comes to investing, such as focusing on the long term, diversifying your portfolio across asset classes, and making sure you don't pay more than you need to invest.

## Invest for the long term

Market cycles play out against a backdrop of economic, social and political events and many investors can't resist trying to assign causes to every hiccup in the markets. But it's often impossible to explain market activities until long after the dust has settled.

Markets are unpredictable and trying to time them means you must get two important decisions right: when to get out and when to get back in. This means there is a risk of having to pay a higher price to get back into the market, as well as missing out on the growth from any market recovery.

Allowing emotions to drive investment decisions, be it overconfidence in rising markets or fear in falling markets, rarely serves investors well.

Historical market returns show that those who ignore the emotional swirl of short-term market conditions and focus on the long term are rewarded for their patience and discipline.

## Diversify

The index chart illustrates the benefit of diversifying investments across asset classes to help reduce volatility and smooth out returns over time.

Diversification often starts by investing across different asset classes but it also includes holding a spread of investments within an asset class across a range of companies, industries and even countries.

While this strategy doesn't protect a portfolio against negative returns, it does reduce the impact of poorly performing asset classes.

## Keep costs low

Cost remains one of the most important factors in successful investing, in any market cycle. It's why low-cost funds tend to deliver better returns than high-cost funds over time<sup>1</sup>.

At Vanguard we regularly review our funds for ways to reduce costs and give investors the best chance for investment success. After all, every dollar saved in fees is a dollar more in investments.

<sup>1</sup> Sources: Vanguard and Morningstar, Inc., as of December 31, 2018

# 2019 Vanguard Index Chart

Market returns – 1 July 1989 to 30 June 2019



Sources: Australian Bureau of Statistics, Bank of England, Bloomberg Finance L.P., Commonwealth Bank of Australia, Melbourne Institute of Applied Economic & Social Research, MSCI Inc., Standard & Poor's, WM Reuters. Notes: 1. Per annum total returns to 30 June 2019 except for the CPI which cover the 29.75 year period to 31 March 2019. 2. S&P/ASX All Ordinaries Accumulation Index. 3. MSCI World ex-Australia Net Total Return Index. 4. S&P500 Total Return Index. 5. Prior to December 1989 the index is the Commonwealth Bank All Series Greater Than 10 years Bond Accumulation Index. From September 1989 the index is the Bloomberg AusBond Composite 0+ Yr Index. 6. S&P/ASX 200 A-REIT Accumulation Index. 7. Bloomberg AusBond Bank Bill Index. 8. ABS Consumer Price Index. 9. Recessions as defined by the Melbourne Institute of Applied Economic and Social Research. 10. Annualised Rate of Inflation. 11. Interest Rate is the Reserve Bank of Australia's Official Cash Rate. All figures are Australian dollars. All marks are the exclusive property of their respective owners. Disclaimer: The information contained herein is intended for informational purposes only. It is not intended as investment advice, and must not be relied upon as such. No responsibility is accepted for inaccuracies. Past performance does not guarantee future returns. © 2019 Vanguard Investments Australia Ltd. (ABN 72 072 881 086 / AFS Licence 227263). All rights reserved. Vanguard Investments Australia Ltd pays a subscription fee to Andex Charts Pty Ltd.

# Our perspective on 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 declining returns from international shares (hedged) in the 2016 financial year 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 18.9% return in the 2017 financial year.

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

	Australian Shares	International Shares	International Shares (Hedged) <sup>1</sup>	US Shares	Australian Bonds	International Bonds (Hedged) <sup>2</sup>	Cash	Australian Listed Property	International Listed Property <sup>3</sup>
1990	4.1	1.9	5.3	11.2	17.8	13.1	18.5	15.2	
1991	5.9	-2.0	-5.8	10.8	22.4	15.3	13.5	7.7	-15.9
1992	13.0	7.1	-3.0	16.5	22.0	15.8	9.0	14.7	6.9
1993	8.7	31.8	17.3	27.9	13.9	14.7	5.9	17.1	28.3
1994	15.5	0.0	6.7	-7.8	-1.1	2.1	4.9	9.8	8.4
1995	6.4	14.2	3.7	29.9	11.9	13.1	7.1	7.9	7.5
1996	14.3	6.7	27.7	13.5	9.5	11.2	7.8	3.6	2.4
1997	26.8	28.6	26.0	41.5	16.8	12.1	6.8	28.5	35.7
1998	1.0	42.2	22.1	57.5	10.9	11.0	5.1	10.0	25.0
1999	14.1	8.2	15.9	14.9	3.3	5.5	5.0	4.3	-6.8
2000	16.8	23.8	12.6	18.2	6.2	5.0	5.6	12.1	14.1
2001	8.8	-6.0	-16.0	0.6	7.4	9.0	6.1	14.1	38.2
2002	-4.5	-23.5	-19.3	-25.8	6.2	8.0	4.7	15.5	7.5
2003	-1.1	-18.5	-6.2	-16.1	9.8	12.2	5.0	12.1	-5.2
2004	22.4	19.4	20.2	14.7	2.3	3.5	5.3	17.2	28.7
2005	24.7	0.1	9.8	-2.8	7.8	12.3	5.6	18.1	21.2
2006	24.2	19.9	15.0	11.5	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	-23.2	4.4	8.6	7.3	-36.3	-28.6
2009	-22.1	-16.3	-26.6	-12.4	10.8	11.5	5.5	-42.3	-31.2
2010	13.8	5.2	11.5	9.5	7.9	9.3	3.9	20.4	31.3
2011	12.2	2.7	22.3	3.1	5.5	5.7	5.0	5.8	9.2
2012	-7.0	-0.5	-2.1	10.1	12.4	11.9	4.7	11.0	7.5
2013	20.7	33.1	21.3	35.0	2.8	4.4	3.3	24.2	24.3
2014	17.6	20.4	21.9	20.8	6.1	7.2	2.7	11.1	11.8
2015	5.7	25.2	8.5	31.9	5.6	6.3	2.6	20.3	23.1
2016	2.0	0.4	-2.7	7.3	7.0	10.8	2.2	24.6	20.4
2017	13.1	14.7	18.9	14.4	0.2	-1.0	1.8	-6.3	-4.8
2018	13.7	15.4	10.8	18.7	3.1	2.5	1.8	13.0	9.0
2019	11.0	11.9	6.6	16.3	9.6	7.0	2.0	19.3	13.5
Average	10.0	8.4	7.6	11.8	8.3	8.5	5.7	10.6	10.6
Best	30.3 (3)	42.2 (2)	27.7 (5)	57.5 (6)	22.4 (3)	15.8 (3)	18.5 (1)	28.5 (3)	38.2 (4)
Worst	-22.1 (2)	-23.5 (3)	-26.6 (4)	-25.8 (3)	-1.1 (2)	-1.0 (2)	1.8 (7)	-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 1990 and 2019.

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 Bloomberg Barclays Global Treasury Index in \$A (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.



# What makes us different

What sets Vanguard apart—and lets Vanguard put investors first around the world—is the ownership structure of The Vanguard Group, Inc., in the United States.

Rather than being publicly traded or owned by a small group of individuals, The Vanguard Group is owned by Vanguard's US-domiciled funds. Those funds, in turn, are owned by their investors.

This mutual structure aligns our interests with those of our investors and drives the culture, philosophy and policies throughout the Vanguard organisation worldwide. As a result, Australian investors benefit from Vanguard.

## Your index chart toolkit

When it comes to coaching your clients through the ups and downs of investment markets, you need expert tools at your fingertips.

Whether you communicate with your clients face-to-face or online, the 2019 Vanguard Index Chart can help you set expectations upfront and coach your clients through market volatility. The chart is available in a variety of formats including a client education brochure.

If you prefer to focus on specific asset classes, world events or major changes, our digital index chart allows you to customise your view.

Visit [vanguard.com.au/indexchart2019](https://vanguard.com.au/indexchart2019) to access your toolkit now.

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