

# Stay the course

2023 Vanguard Index Chart



### **The value of time**

Staying the course isn't easy for investors, especially when there's so much happening in the world.

But by looking at how markets have performed over time, we can put the current market situation into context and appreciate how our investments can grow over the long term.

As the 2023 Vanguard Index Chart shows, while markets do fluctuate, asset values have steadily increased over the last 30 years.

We can't control how markets behave, but by setting a clear plan, diversifying across multiple asset classes, and minimising costs, we can stay in control of what matters: our long-term investment strategy.

### **It's the long term story that really counts**

Short-term market events tend to grab headlines, but for investors it's the long-term trend you should focus on.

When unexpected global events take place—whether it's a pandemic, a banking crisis, or a tech crash—it's easy to react emotionally to market movements.

Because markets are unpredictable, trying to time them means you must get two important decisions right: when to get out and when to get back in. Get either wrong, and you risk having to pay a higher price to re-enter the market as well as miss out on the growth from any market recovery.

Allowing emotions to drive our investment decisions—be it overconfidence in the face of rising markets or fear in the face of falling markets—rarely serves us 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.

That's why staying the course is such a timeless lesson.

### **Diversify your portfolio**

The Index Chart illustrates the benefit of diversifying your investments to help reduce volatility and smooth out returns over time.

Diversification often starts by investing across different asset classes, but it also includes diversifying broadly within each asset class by investing in a range of different companies, industries and even countries.

While this strategy doesn't protect your portfolio against the possibility of negative returns, it can reduce your potential losses if the market does fall.

### **Keep costs low**

The good news for investors is that your investment returns compound over time. The bad news is that so do your costs.

Cost remains one of the most important factors that determine investment outcomes, and seemingly small differences in cost can add up to a lot over your investing life. Research<sup>4</sup> suggests low-cost funds tend to deliver better returns than high-cost funds over time, so it pays to compare how different investment products stack up when it comes to fees and other investing expenses.

At Vanguard we regularly review our funds for ways to reduce costs and give investors their best chance of investment success. Minimising the costs involved in investing helps you build more wealth and achieve your investment goals.

**“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

## Picking winners is harder than you think

When deciding where to invest, it's important to understand that the best and worst performing asset classes will often vary year to year.

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

Each asset class has experienced years of best performance and worst performance, with no clear pattern, therefore making it impossible to determine which asset class will be next year's winner.

This demonstrates the importance of having a diversified mix of investments across multiple asset classes to smooth out returns over time.

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

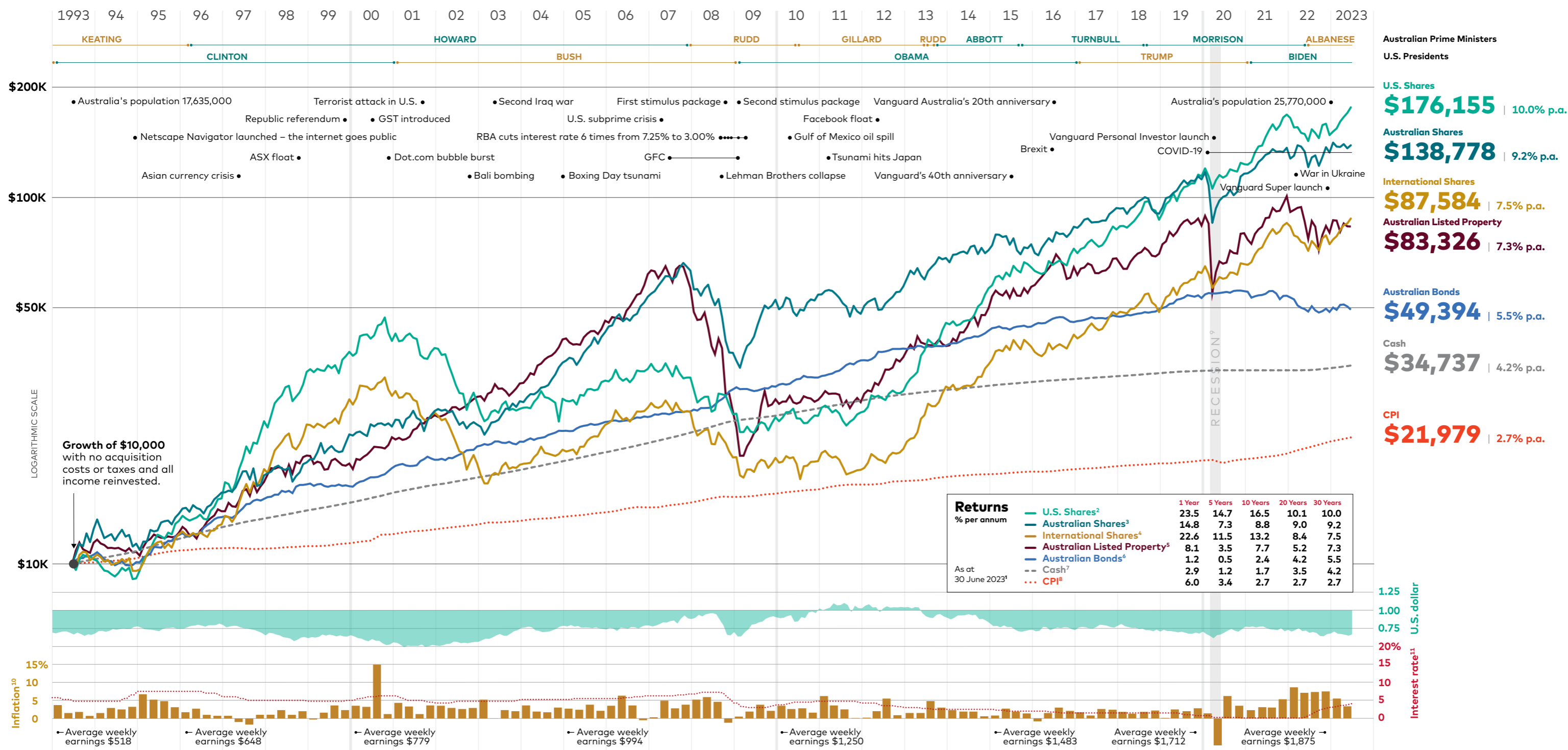
YEAR	AUST. SHARES	INT'L SHARES	INT'L SHARES (HEDGED) <sup>1</sup>	U.S. SHARES	AUST. BONDS	INT'L BONDS (HEDGED) <sup>2</sup>	CASH	AUST. LISTED PROPERTY	INT'L LISTED PROPERTY <sup>3</sup>
1994	15.5	0.0	6.7	-7.8	-1.1	2.1	4.9	9.8	8.4
1995	6.4	14.2	3.7	29.9	11.9	13.1	7.1	7.9	7.5
1996	14.3	6.7	27.7	13.5	9.5	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	-16.2	-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
2020	-7.2	5.2	3.6	9.6	4.2	5.3	0.8	-21.3	-13.4
2021	30.2	27.5	37.1	29.1	-0.8	-1.4	0.1	33.2	23.3
2022	-7.4	-6.5	-11.3	-2.4	-10.5	-8.2	0.1	-12.3	-5.5
2023	14.8	22.6	18.3	23.5	1.2	-1.5	2.9	8.1	-1.5
<b>Ave.</b>	<b>10.0%</b>	<b>8.7%</b>	<b>8.7%</b>	<b>11.6%</b>	<b>5.6%</b>	<b>6.3%</b>	<b>4.3%</b>	<b>9.0%</b>	<b>9.7%</b>
<b>Best</b>	<b>30.3 (3)</b>	<b>42.2 (1)</b>	<b>37.1 (6)</b>	<b>57.5 (8)</b>	<b>16.8 (1)</b>	<b>13.1 (3)</b>	<b>7.8 (1)</b>	<b>33.2 (3)</b>	<b>38.2 (4)</b>
<b>Worst</b>	<b>-22.1 (2)</b>	<b>-23.5 (2)</b>	<b>-26.6 (3)</b>	<b>-25.8 (3)</b>	<b>-10.5 (2)</b>	<b>-8.2 (3)</b>	<b>0.1 (6)</b>	<b>-42.3 (5)</b>	<b>-31.2 (4)</b>

(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1994 and 2023.

Source: Andex Charts Pty Ltd, June 2023.

# 2023 Vanguard Index Chart

Market returns – 1 July 1993 to 30 June 2023



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Andex Charts Pty Ltd

**Sources:** Australian Bureau of Statistics, Bloomberg Finance L.P., Melbourne Institute of Applied Economic & Social Research, MSCI Inc., Standard & Poor's, WM Reuters. **Notes:** 1. Per annum total returns to 30 June 2023. 2. S&P 500 Total Return Index (in AUD). 3. S&P/ASX All Ordinaries Total Return Index. 4. MSCI World ex-Australia Net Total Return Index AUD Index. 5. S&P/ASX 200 A-REIT Total Return Index. 6. Bloomberg AusBond Composite 0+ Yr 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 in Australian dollars. All marks are the exclusive property of their respective owners. Past performance information is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance. This publication was prepared in good faith and we accept no liability for any errors or omissions. © 2023 Vanguard Investments Australia Ltd. All rights reserved. Vanguard Investments Australia Ltd pays a subscription fee to Andex Charts Pty Ltd.

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**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 Global Treasury Index in 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-Australia Rental Index with net dividends reinvested. 4. James J. Rowley Jr., CFA, David J. Walker, CFA, and Carol Zhu, 2019. The case for low-cost index-fund investing. Valley Forge, Pa.: The Vanguard Group. **Disclaimer:** Vanguard Investments Australia Ltd (ABN 72 072 881 086 / AFS Licence 227263) is the product issuer and the Operator of Vanguard Personal Investor. We have not taken your objectives, financial situation or needs into account when preparing this information so it may not be applicable to the particular situation you are considering. You should consider your objectives, financial situation or needs, and the disclosure documents for Vanguard's financial products before making any investment decision. Before you make any financial decision regarding Vanguard's financial products, you should seek professional advice from a suitably qualified adviser. A copy of the Target Market Determinations (TMD) for Vanguard's financial products can be obtained at [vanguard.com.au](https://vanguard.com.au) free of charge and includes a description of who the financial product is appropriate for. You should refer to the TMD for Vanguard's financial products before making any investment decisions. You can access our IDPS Guide, PDSs Prospectus and TMD at [vanguard.com.au](https://vanguard.com.au) or by calling 1300 655 101. Past performance information is given for illustrative purposes only and should not be relied upon as, and is not, an indication of future performance. This publication was prepared in good faith and we accept no liability for any errors or omissions. © 2023 Vanguard Investments Australia Ltd. All rights reserved.

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