

# The power of perspective

2021 Vanguard Index Chart



## Take the long view

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 place our current market situation in context and appreciate how our investments can grow in the long term.

As the 2021 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.

## Time in the markets beats timing the markets

Short-term market events tend to grab headlines, but for investors it's the long-term story that really counts.

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 the power of perspective.

## 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 head south.

## 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>12</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 success. Minimising the costs involved in investing helps you build more wealth and achieve your investment goals.

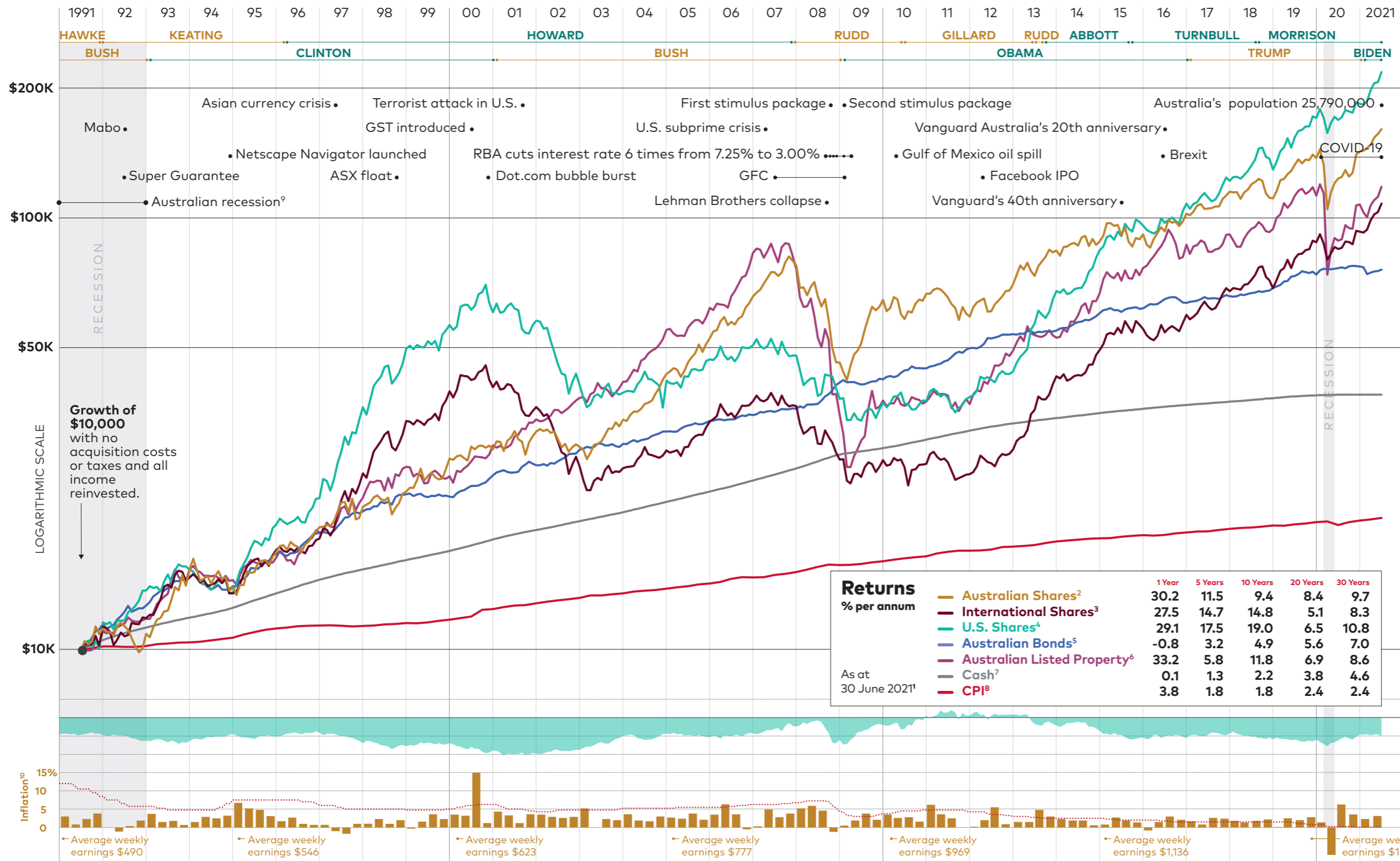
“Stay the course. No matter what happens, stick to your program. I've said “stay the course” a thousand times, and meant it every time. It is the most important single piece of investment wisdom I can give to you.”

**John C Bogle**

Founder of Vanguard

# 2021 Vanguard Index Chart

Market returns - 1 July 1991 to 30 June 2021



PMs – AUSTRALIA  
PRESIDENTS – U.S.

**U.S. Shares**  
**\$217,642** | 10.8% p.a.

**Australian Shares**  
**\$160,498** | 9.7% p.a.

**Australian Listed Property**  
**\$118,013** | 8.6% p.a.

**International Shares**  
**\$107,939** | 8.3% p.a.

**Australian Bonds**  
**\$75,807** | 7.0% p.a.

**Cash**  
**\$38,938** | 4.6% p.a.

**CPI**  
**\$20,138** | 2.4% p.a.

Returns % per annum	1 Year	5 Years	10 Years	20 Years	30 Years
Australian Shares <sup>2</sup>	30.2	11.5	9.4	8.4	9.7
International Shares <sup>3</sup>	27.5	14.7	14.8	5.1	8.3
U.S. Shares <sup>4</sup>	29.1	17.5	19.0	6.5	10.8
Australian Bonds <sup>5</sup>	-0.8	3.2	4.9	5.6	7.0
Australian Listed Property <sup>6</sup>	33.2	5.8	11.8	6.9	8.6
Cash <sup>7</sup>	0.1	1.3	2.2	3.8	4.6
CPI <sup>8</sup>	3.8	1.8	1.8	2.4	2.4

As at 30 June 2021<sup>1</sup>

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**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 2021. 2. S&P/ASX All Ordinaries Accumulation Index. 3. MSCI World ex-Australia Net Total Return Index. 4. S&P 500 Total Return Index. 5. 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 in Australian dollars. All marks are the exclusive property of their respective owners.  
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## 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. Having a diversified mix of investments across multiple asset classes can help smooth out returns over time.

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

It reinforces the importance of sticking to an investment strategy and focusing on the long term. For example, Australian listed property was the worst-performing asset class in the 2020 financial year. However over the 2021 financial year, Australian listed property recovered and become one of the strongest-performing asset classes. This demonstrates the danger in trying to pick a winner as things can change quickly from one year to the next.

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

Year	Australian Shares	International Shares	International Shares (Hedged) <sup>1</sup>	U.S. Shares	Australian Bonds	International Bonds (Hedged) <sup>2</sup>	Cash	Australian Listed Property	International Listed Property <sup>3</sup>
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
2020	-7.2	5.2	3.6	9.6	4.2	5.4	0.8	-21.3	-13.4
2021	30.2	27.5	37.1	29.1	-0.8	-1.5	0.1	33.2	23.3
Ave.	10.4	9.5	9.0	12.3	7.1	7.7	4.7	10.2	11.2
Best	30.3(3)	42.2(2)	37.1(6)	57.5(7)	22.0(2)	15.8(3)	9.0(0)	33.2(3)	38.2(4)
Worst	-22.1(2)	-23.5(2)	-26.6(4)	-25.8(3)	-1.1(2)	-1.5(3)	0.1(7)	-42.3(4)	-31.2(3)

(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1992 and 2021.

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 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. Past performance is not an indicator of future performance.

## What makes us different

What sets us apart—and lets us put investors first around the world—is the ownership structure of The Vanguard Group 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 U.S.-domiciled funds which, in turn, are owned by their investors.

This mutual structure means our interests are aligned with those of our investors, and drives the culture, philosophy and policies throughout our organisation worldwide. As a result, Australian investors also benefit from Vanguard's investment approach.

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Visit [vanguard.com.au/indexchart](http://vanguard.com.au/indexchart) to learn more.

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