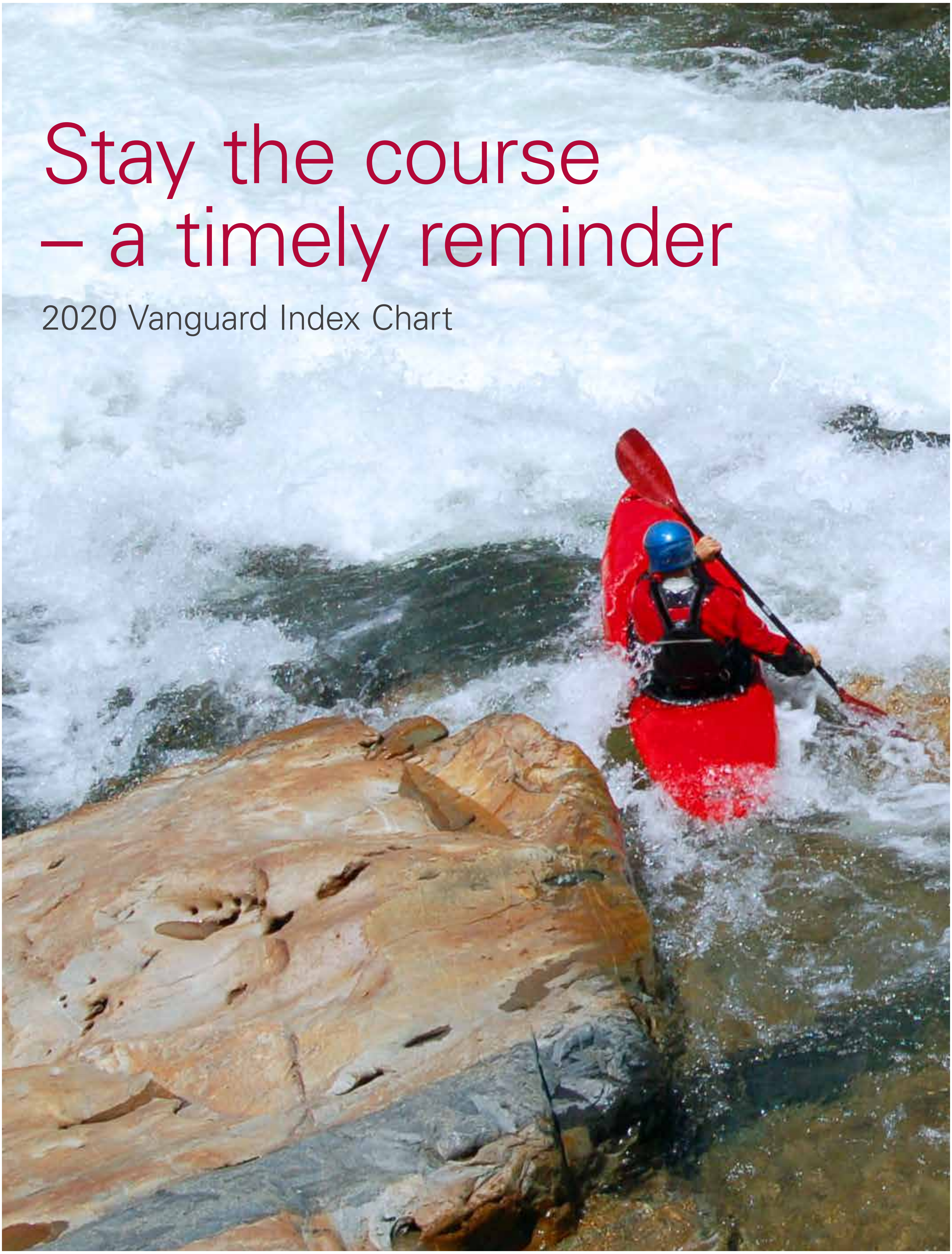
Vanguard®

Stay the course – a timely reminder

2020 Vanguard Index Chart



Where will your goals take you?

Recent events have illustrated just how volatile investment markets can become over very short periods of time.

Yet, while short-term market conditions tend to grab headlines, for investors it's the long-term story that really counts. As the 2020 Vanguard Index Chart shows clearly, while markets do fluctuate on a daily basis, asset values have steadily increased over the last 30 years.

Although the short-term behaviour of investment markets can't be controlled, investors should focus on the things they can control. These include having a long-term plan, diversification across multiple asset classes, minimising costs, and diligently staying the course.

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.

At Vanguard we regularly review our funds for ways to reduce costs and give investors their best chance of success. After all, every dollar you save in fees is a dollar more in your pocket.

Investment wisdom

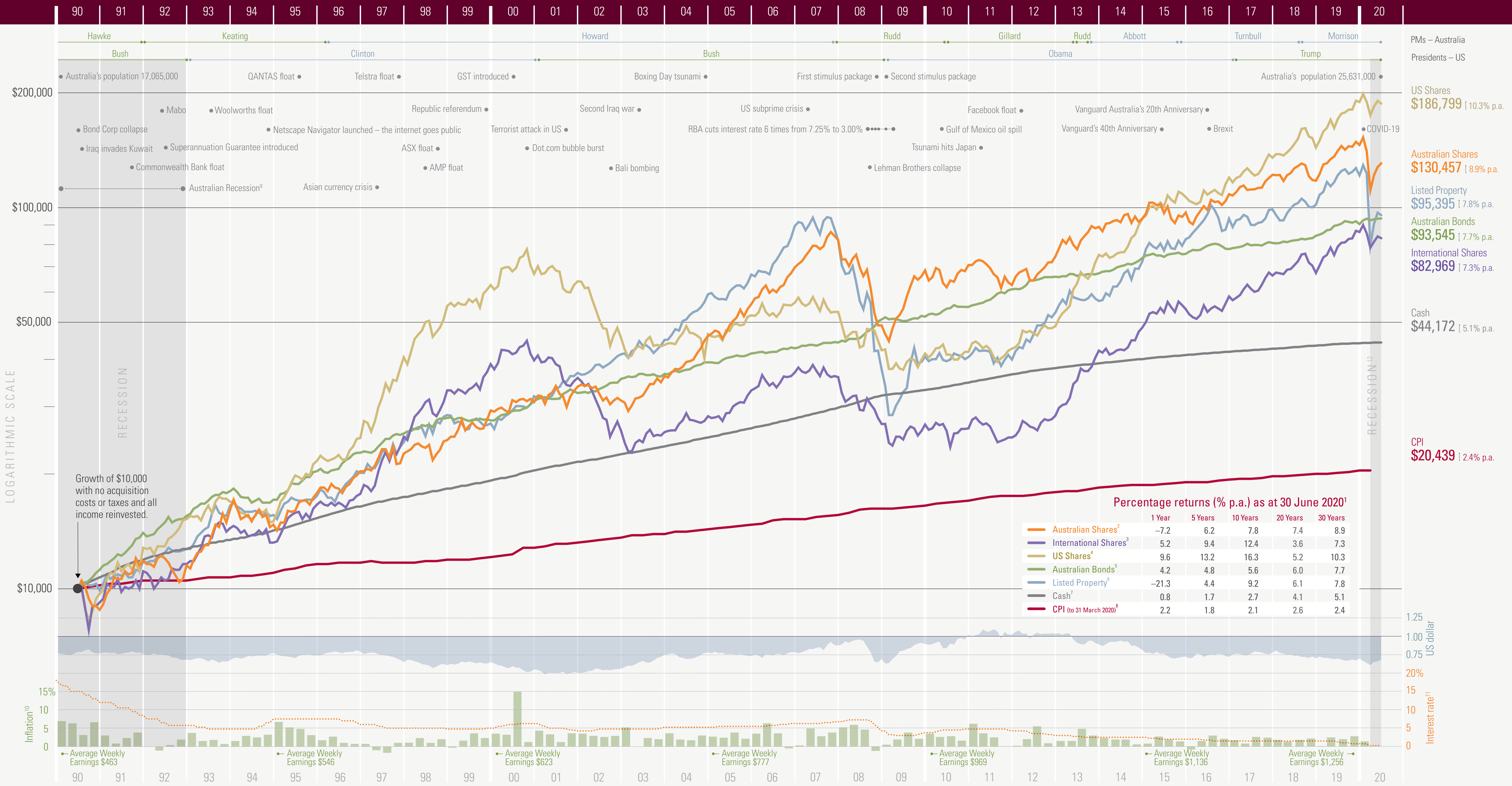
> Stay the course. No matter what happens, stick to your program. I've said "stay the course" a thousand times, and meant it every time.
> It is the most important single piece of investment wisdom I can give to you.

John C Bogle

Founder of Vanguard

2020 Vanguard Index Chart

Market returns - 1 July 1990 to 30 June 2020



Percentage returns (% p.a.) as at 30 June 2020[1]

	1 Year	5 Years	10 Years	20 Years	30 Years
Australian Shares[2]	–7.2	6.2	7.8	7.4	8.9
International Shares[3]	5.2	9.4	12.4	3.6	7.3
US Shares[4]	9.6	13.2	16.3	5.2	10.3
Australian Bonds[5]	4.2	4.8	5.6	6.0	7.7
Listed Property[6]	–21.3	4.4	9.2	6.1	7.8
Cash[7]	0.8	1.7	2.7	4.1	5.1
CPI (to 31 March 2020)[8]	2.2	1.8	2.1	2.6	2.4

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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 2020 except for the CPI which cover the 29.75 year period to 31 March 2020. 2. S&P/ASX All Ordinaries Accumulation Index. 3. MSCI World ex-Australia Net Total Return Index. 4. S&P500 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. 12. Recession not yet officially declared for 2020. All figures are in Australian dollars. All marks are the exclusive property of their respective owners.
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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, 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, Australian listed property was the strongest-performing asset class in 2019, returning an impressive 19.3 per cent. By 2020 however, Australian listed property had become the worst-performing asset class with a negative return of 21.3 per cent. This demonstrates the danger in chasing last year's returns.

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]
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
2020	–7.2	5.2	3.6	9.6	4.2	5.4	0.8	–21.3	–13.4
Average	9.6	8.5	7.5	11.7	7.9	8.2	5.1	9.3	9.8
Best	30.3(3)	42.2(2)	27.7(5)	57.5(7)	22.4(3)	15.8(3)	13.5(0)	28.5(3)	38.2(4)
Worst	–22.1(2)	–23.5(2)	–26.6(4)	–25.8(3)	–1.1(2)	–1.0(2)	0.8(7)	–42.3(4)	–31.2(4)

(X) denotes the number of times each asset class was the best/worst performer during a financial year ending between 1991 and 2020.

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 also benefit from Vanguard's investment approach.

Vanguard's interactive index chart—tell the story your way

Build your own customised version of the index chart with 45-years of investment performance of major asset classes as well as key economic, social, political and demographic changes at vanguard.com.au/indexchart.

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