



# Why Diversify? Because Winners Rotate.

Perhaps nothing better illustrates the need for an asset allocation plan than the chart below, which shows how various asset classes performed on a year-by-year basis from 1998 through 2017. The best-performing asset class for each calendar year is at the top of each column.

## ANNUAL TOTAL RETURNS OF KEY ASSET CLASSES 1998–2017

Ranked in order of performance from best to worst

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Best	Global Stocks 29.77%	Emerging Markets Stocks 55.98%	Developed REITs 34.30%	Australia Growth Stocks 13.94%	Australia Govt Bonds 9.55%	Australia Growth Stocks 17.86%	Australia Stocks 27.99%	Emerging Markets Stocks 43.78%	Developed REITs 32.48%	Australia Growth Stocks 29.82%	Australia Govt Bonds 20.19%	Emerging Markets Stocks 38.78%	Developed REITs 5.66%	Australia Govt Bonds 14.26%	Australia Value Stocks 28.84%	Global Stocks 44.00%	Developed REITs 26.70%	Developed REITs 12.06%	Australia Value Stocks 18.37%	Emerging Markets Stocks 27.53%	Best
	Australia Growth Stocks 18.23%	Australia Value Stocks 19.82%	Australia Value Stocks 31.71%	Australia Stocks 10.36%	Developed REITs -6.19%	Emerging Markets Stocks 16.80%	Developed REITs 27.40%	Australia Growth Stocks 32.64%	Australia Stocks 24.22%	Emerging Markets Stocks 25.47%	Global Stocks -26.47%	Australia Value Stocks 38.16%	Australia Govt Bonds 5.12%	Australia Value Stocks -3.67%	Developed REITs 27.06%	Australia Value Stocks 27.45%	Global Stocks 14.70%	Global Stocks 10.64%	Emerging Markets Stocks 12.14%	Australia Growth Stocks 17.78%	
	Australia Stocks 11.63%	Global Stocks 18.96%	Australia Govt Bonds 13.39%	Australia Value Stocks 8.87%	Australia Value Stocks -6.24%	Australia Stocks 14.61%	Australia Growth Stocks 27.24%	Developed REITs 23.10%	Australia Value Stocks 23.76%	Australia Stocks 16.07%	Developed REITs -34.96%	Australia Stocks 37.03%	Emerging Markets Stocks 4.58%	Developed REITs -6.04%	Australia Stocks 20.26%	Developed REITs 21.41%	Australia Govt Bonds 11.13%	Australia Growth Stocks 9.64%	Australia Stocks 11.80%	Global Stocks 15.48%	
	Australia Govt Bonds 10.35%	Australia Stocks 16.10%	Australia Stocks 5.22%	Emerging Markets Stocks 5.97%	Australia Stocks -8.77%	Australia Value Stocks 8.50%	Australia Value Stocks 26.88%	Australia Stocks 22.83%	Emerging Markets Stocks 23.39%	Australia Value Stocks 4.10%	Australia Growth Stocks -35.33%	Australia Growth Stocks 35.23%	Australia Growth Stocks 2.17%	Global Stocks -6.76%	Emerging Markets Stocks 17.14%	Australia Stocks 20.20%	Australia Value Stocks 8.86%	Australia Stocks 2.56%	Global Stocks 8.92%	Australia Stocks 11.80%	
	Australia Value Stocks 8.57%	Australia Growth Stocks 3.51%	Global Stocks 1.27%	Developed REITs 4.95%	Australia Growth Stocks -12.98%	Developed REITs 4.65%	Emerging Markets Stocks 21.06%	Global Stocks 19.61%	Australia Growth Stocks 22.43%	Australia Govt Bonds 3.69%	Australia Stocks -38.44%	Developed REITs 8.52%	Australia Stocks 1.57%	Australia Stocks -10.54%	Global Stocks 15.16%	Australia Growth Stocks 15.12%	Emerging Markets Stocks 7.34%	Australia Govt Bonds 2.55%	Australia Growth Stocks 5.71%	Australia Value Stocks 4.96%	
	Developed REITs -2.30%	Developed REITs 1.45%	Australia Growth Stocks -12.80%	Australia Govt Bonds 4.03%	Emerging Markets Stocks -14.55%	Australia Govt Bonds 2.65%	Global Stocks 11.41%	Australia Value Stocks 18.85%	Global Stocks 12.31%	Global Stocks 0.14%	Australia Value Stocks -39.00%	Global Stocks 4.13%	Global Stocks -0.70%	Australia Growth Stocks -17.44%	Australia Growth Stocks 12.69%	Emerging Markets Stocks 13.41%	Australia Stocks 5.61%	Emerging Markets Stocks -3.94%	Developed REITs 5.49%	Developed REITs 3.15%	
Worst	Emerging Markets Stocks -20.69%	Australia Govt Bonds -2.45%	Emerging Markets Stocks -18.28%	Global Stocks -8.60%	Global Stocks -27.15%	Global Stocks 0.34%	Australia Govt Bonds 7.26%	Australia Govt Bonds 5.73%	Australia Govt Bonds 2.06%	Developed REITs -16.34%	Emerging Markets Stocks -41.04%	Australia Govt Bonds -2.60%	Australia Value Stocks -1.00%	Emerging Markets Stocks -18.19%	Australia Govt Bonds 5.50%	Australia Govt Bonds 0.10%	Australia Growth Stocks 2.83%	Australia Value Stocks -6.34%	Australia Govt Bonds 2.08%	Australia Govt Bonds -0.49%	Worst

■ Emerging Markets Stocks are represented by the MSCI Emerging Markets Index; 
 ■ Australia Government Bonds are represented by the Citi WGBI Australia Index; 
 ■ Global Stocks are represented by the MSCI AC World ex. Australia Index; 
 ■ Australia Value Stocks are represented by the MSCI Australia Value Index; 
 ■ Australia Stocks are represented by the S&P/ASX 200 Total Return Index; 
 ■ Australia Growth Stocks are represented by the MSCI Australia Growth Index; 
 ■ Developed REITs are represented by the FTSE EPRA/NAREIT Developed Index

Past performance does not guarantee future results and results may differ over future time periods.  
 All data include reinvestment of dividends and capital gains (Total / Gross Return), in Australian Dollars (AUD).

## Growth in up markets, protection in down markets

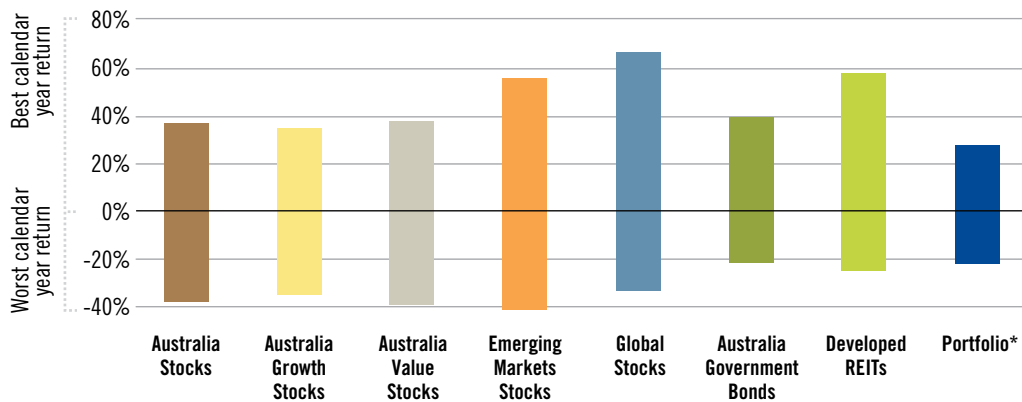
Spreading your portfolio's holdings across a wide variety of asset classes, geographic regions, investment styles and market capitalisations can potentially reduce risk and smooth out the highs and lows associated with individual investments.

### Diversification Can Reduce Variance

Investing in a single asset class can result in big upswings and big downswings. A diversified investment approach can ensure a smoother ride.

### Multi-Index

Calendar Returns Variance (20-Year Period Ended 31/12/17)



Sources: Morningstar, Morgan Stanley Capital International Inc., Citi WGBI, FTSE. FTSE™ is a trademark of London Stock Exchange Limited and The Financial Times Limited and is used by FTSE International Limited under licence. All data includes reinvestment of dividends and capital gains (Total / Gross Return), in Australian Dollars (AUD) and is based on annual returns between 1998 and 2017.

### Diversification Can Help Reduce Risk

Historically, diversified portfolios have yielded strong results but with significantly less risk than a chase-the-winners or chase-the-losers strategy.

### Diversified Portfolio vs. Chasing the Winners and Chasing the Losers

Risk vs. Return (20-Year Period Ended 31/12/17)



Source: Morningstar Research Inc. Data based on the 20-year period ending 31/12/2017 (1998 to 2017). All data include reinvestment of dividends and capital gains (Total / Gross Return), in Australian Dollars (AUD).

Portfolio is represented by equal weights in all asset classes.

Chasing the Winners portfolio consists of returns for the top performing index from the previous year.

Chasing the Losers portfolio consists of returns for the bottom performing index from the previous year.

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All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Diversification does not guarantee a profit or protect against a loss.

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