

Single Asset vs. Multi-Asset Portfolios

CHALLENGE:

Investing in a single asset class is risky when you consider no one asset class consistently outperforms on a regular basis. By combining stocks and bonds you get a mix that may provide higher returns than bonds alone and with less risk than stocks. Adding non-Canadian investments strategically to your portfolio can help further improve returns and reduce risk.

YEAR	INDIVIDUAL ASSET CLASSES				ASSET ALLOCATION STRATEGIES			
	CANADIAN STOCKS	CANADIAN BONDS	US STOCKS	OVERSEAS STOCKS	100% STOCKS	80% STOCKS 20% BONDS	60% STOCKS 40% BONDS	35% STOCKS 65% BONDS
1973	0.3	2.9 ◀	-14.2	-13.7	-8.3	-3.5	-2.9	-0.9
1974	-25.9	-0.8 ◀	-27.2	-22.9	-25.4	-20.6	-15.6	-9.4
1975	18.5	7.8	40.8 ◀	40.7	31.8	23.0	20.9	16.0
1976	11.0	19.3	23.2 ◀	3.1	12.3	13.3	15.0	16.8
1977	10.7	8.6	0.6	29.3 ◀	13.3	11.6	11.2	10.2
1978	29.7	5.4	14.1	45.5 ◀	29.8	24.9	20.0	13.9
1979	44.8 ◀	1.4	17.4	5.1	24.7	26.1	17.4	9.9
1980	30.1	6.6	34.0 ◀	25.9	30.0	25.4	20.7	14.8
1981	-10.2	4.3 ◀	-4.8	-0.9	-5.8	-5.1	-2.2	0.7
1982	5.5	35.4 ◀	26.1	2.9	10.9	14.2	20.2	26.7
1983	35.5 ◀	11.5	22.9	25.0	28.6	27.2	22.4	17.6
1984	-2.4	14.7	13.4	15.1 ◀	7.6	6.0	9.4	12.0
1985	25.1	21.2	39.6	66.1 ◀	41.7	32.6	31.9	28.1
1986	9.0	14.7	17.2	67.8 ◀	29.1	20.2	21.3	19.4
1987	5.9	4.0	-0.8	17.8 ◀	7.4	6.3	5.9	5.2
1988	11.1	9.9	6.8	17.8 ◀	11.8	11.2	11.0	10.6
1989	21.4	13.2	27.8 ◀	7.5	19.1	18.6	17.0	15.3
1990	-14.8	7.3 ◀	-2.9	-23.1	-13.7	-9.8	-5.4	-0.1
1991	12.0	21.6	30.0 ◀	12.1	17.4	16.6	18.6	20.0
1992	-1.4	9.8	18.2 ◀	-3.1	3.9	3.5	5.8	7.7
1993	32.5	17.5	14.8	38.6 ◀	29.0	27.8	24.8	21.6
1994	-0.2	-4.3	7.4	14.5 ◀	6.5	2.3	1.5	-0.6
1995	14.5	20.5	33.8 ◀	8.5	18.5	17.7	18.9	19.7
1996	28.4 ◀	12.2	23.6	6.9	20.5	21.2	18.0	15.2
1997	15.0	9.7	39.2 ◀	6.6	19.7	16.3	15.2	13.1
1998	-1.6	9.1	38.0 ◀	29.2	19.5	11.1	13.2	12.4
1999	31.7 ◀	-1.1	14.4	20.3	23.1	20.8	14.3	7.5
2000	7.4	10.3 ◀	-5.9	-11.0	-2.1	3.2	3.8	6.1
2001	-12.6	8.0 ◀	-6.4	-16.3	-11.9	-8.1	-4.0	1.0
2002	-12.4	8.7 ◀	-22.9	-16.5	-16.8	-10.4	-6.1	-0.1

FROM 1973-2002

ANNUALISED RETURN (%)	8.7	9.4	11.5	10.3	10.4	9.9	10.1	10.0
ANNUALISED STANDARD DEVIATION (%)	16.8	8.0	18.3	22.9	16.2	13.2	10.9	8.7

MODEL STRATEGY AND INDEX RETURNS REPRESENT PAST PERFORMANCE AND SHOULD NOT BE VIEWED AS A REPRESENTATION OF FUTURE INVESTMENT PERFORMANCE. INDICES AND MODEL STRATEGIES ARE UNMANAGED AND CANNOT BE INVESTED IN DIRECTLY.

INDIVIDUAL ASSET CLASSES REPRESENTED BY THE FOLLOWING INDICES:

CANADIAN STOCKS = S&P/TSX COMPOSITE INDEX

CANADIAN BONDS = 1973-1979 70% SCM LONG BOND INDEX, 30% SCM 91-DAY T-BILL INDEX;
1980-1987 SCM UNIVERSE BOND INDEX; 1988-2002 RBC CM CANADIAN BOND MARKET INDEX

US STOCKS = S&P 500 INDEX; OVERSEAS STOCKS = MSCI EAFE INDEX

ASSET ALLOCATION MIXES ARE REPRESENTED BY THE FOLLOWING:

100% STOCK =

40% CANADIAN STOCKS, 30% US STOCKS, 30% OVERSEAS STOCKS

80% STOCKS/20% BONDS =

50% CANADIAN STOCKS, 15% US STOCKS, 15% OVERSEAS STOCKS, 20% CANADIAN BONDS

60% STOCKS/40% BONDS =

30% CANADIAN STOCKS, 15% US STOCKS, 15% OVERSEAS STOCKS, 40% CANADIAN BONDS

35% STOCKS/65% BONDS =

15% CANADIAN STOCKS, 10% US STOCKS, 10% OVERSEAS STOCKS, 65% CANADIAN BONDS

STANDARD DEVIATION IS A STATISTICAL MEASURE OF THE DEGREE TO WHICH AN INDIVIDUAL IN A PROBABILITY DISTRIBUTION TENDS TO VARY FROM THE MEAN OF THE DISTRIBUTION. THE GREATER THE DEGREE OF DISPERSION, THE GREATER THE RISK.

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