



WHAT IS a diversified portfolio?

A diversified portfolio invests in each of the major asset classes, in proportions that suit the risk & return profile of the investor. The major asset classes are shares, property, fixed interest and cash. A well-diversified portfolio usually invests in a number of securities in each asset class, directly and/or via managed funds, and typically invests in both Australian and overseas equities.

What is the benefit of investing in a diversified portfolio?

A diversified portfolio reduces investment risk in two main ways:

1. Spreading investments across a broad range of securities reduces the impact that any single poor-performing security has on the overall portfolio.
2. Investing across all major asset classes helps smooth the overall portfolio returns, as the performance of one asset class may offset a downturn in another asset class.

The best of both worlds

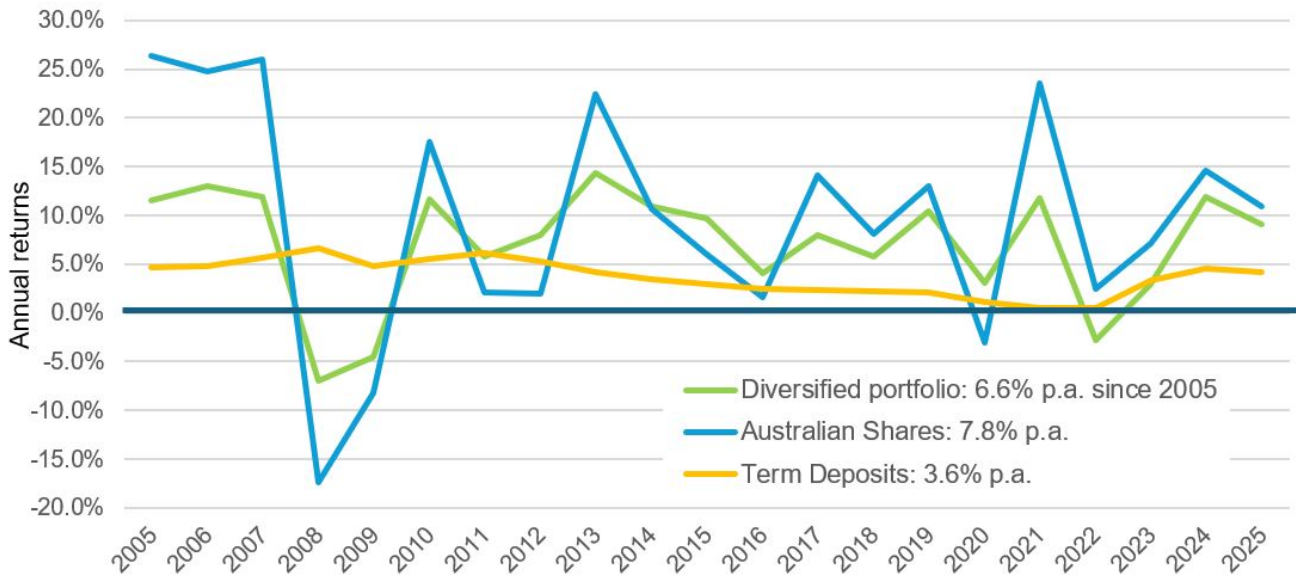
A diversified portfolio offers access to potentially higher returns of shares and property, while also providing the stability of fixed interest and cash.

This can be seen in Chart 1 which compares the volatility and long-term returns of shares versus cash versus a broadly diversified portfolio. As you can see, over the long term, the latter has generated higher returns than cash with less volatility than shares.

↑ Diversified portfolio return	↓ Diversified portfolio volatility
Higher than cash & fixed interest	Higher than cash & fixed interest
Lower than shares & property	Lower than shares & property

WHAT IS a diversified portfolio?

Chart 1: A diversified portfolio smooths your investment returns



Source: Morningstar Direct. Data from Jan 2005 to 31 Dec 2025. Cash: RBA Cash Rate Target. Australian Bonds: Bloomberg AusBond Composite 0+Y TR AUD. Australian shares: S&P/ASX300 TR. Listed Property: S&P/ASX 200 AREIT TR. Diversified portfolio based on a 52% growth/48% defensive allocation based on 20% Australian shares, 20% International shares, 12% property, 43% fixed interest, 5% cash. Note: Tax and fees are not taken into consideration. Income is re-invested. Past performance is not an indicator of future performance.



Case study

Let's say you had \$100,000 to invest on 1 January 2005. Chart 2 shows how much wealth you may have created by investing in certain asset classes by 31 December 2025, assuming income was re-invested.

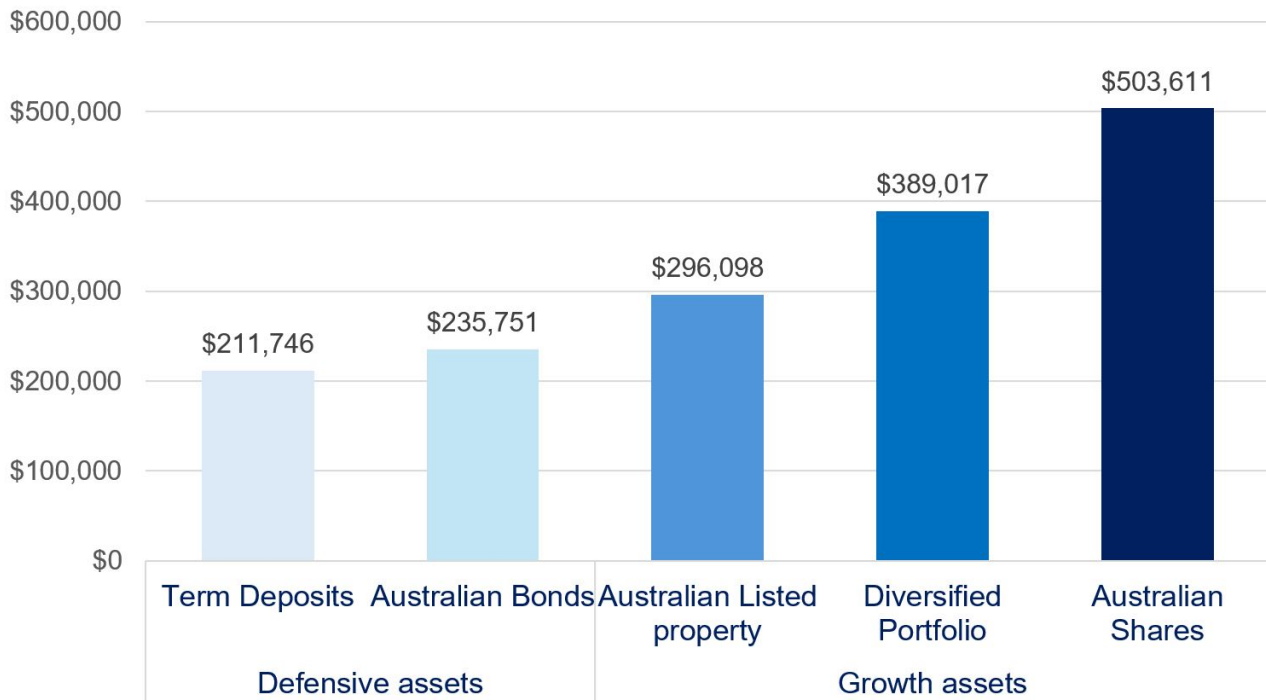
As you can see, if you had invested your money into term deposits, it would have grown to \$211,746.

But if you had invested in a diversified portfolio, you would have \$389,017. It's a \$177,271 improvement.

While this is less than if you'd invested only in Australian shares, the volatility is also much less, as shown in chart 1.

WHAT IS a diversified portfolio?

Chart 2: A diversified portfolio combines security with performance
(January 2005 to December 2025)



IMPORTANT INFORMATION: This publication is prepared by Personal Financial Services ABN 26 098 725 145, AFSL 234459 ("Licensee"). The information in this publication is general only and has not been tailored to individual circumstances. Before acting on this publication, you should assess your own circumstances or seek personal advice from a licensed financial adviser. This publication is current as at the date of issue but may be subject to change or be superseded by future publications. While it is believed that the information is accurate and reliable, the accuracy of that information is not guaranteed in any way. Past performance is not a reliable indicator of future performance, and it should not be relied on for any investment decision. Whilst care has been taken in preparing the content, no liability is accepted by the Licensee nor any of its agents, employees or related bodies corporate for any errors or omissions in this publication, and/or losses or liabilities arising from any reliance on this document. This publication is not available for distribution outside Australia and may not be passed on to any third person without the prior written consent of the Licensee. Published March 2026.