Dear <Client>

Here’s a chart that’s quite effective in showing the benefits of diversification and why it’s not a good idea to “put all your eggs in one basket”.

You can see how a top performer in one year can be a poor performer in the following year (or vice versa). To protect against the ups and downs of individual asset classes, a good starting point is to diversify your investments across many asset classes. However, inconsistent performance doesn’t immediately justify a fixed or ‘set and forget’ approach to portfolio diversification (known as ‘Strategic Asset Allocation’), as it provides little flexibility to invest in better value opportunities or move away from high risk asset classes.

I believe holding a diversified portfolio made up of a broad mix of asset classes that work together, but which has the flexibility to react to the opportunities and risks that exist at different points in time, is the best approach to achieving your investment objectives. Close to home for many of us, Australian shares have lagged their global peers since 2009. It’s a big investment universe out there, so we should position your portfolio for where we see the best opportunities globally.

I’m confident that Morningstar are holding the right mix of global assets and cash to help you reach your investment objectives over the longer term, in a smoother and more consistent way.

Regards,

<Adviser>