

Diversification

Diversification for investors simply means 'don't put all your eggs in one basket'. This enhances the security of a portfolio along with providing consistent long-term performance.

Diversification should occur on two fronts:

Asset class

The underlying asset classes are fixed interest securities, shares and property.

Within these asset classes there are many sectors, which allow further diversification to take place. Such sectors include Government, semi-Government and corporate securities, international investments, industrial, small companies and resource shares, and property investments.

Investment managers

Each group of managers will perform and respond differently to a given set of circumstances. The result of their response normally is seen after the event, not before. If you entrust only a portion of your investment to each manager then you are reducing the overall effect of any one decision.

To use the same fund manager for all of your investments, even if you diversify the asset classes, would be like placing your eggs in separate baskets and then asking one person to carry them all at one time. By matching managers with different styles we are able to potentially reduce the volatility of the investments.

General Advice Warning

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