



## Solid Historical Performance

Last week, I made the comment that asset prices are likely to appreciate over any reasonable timeframe, at least in nominal terms. Given the ongoing erosion of purchasing power, this is not a controversial statement.

The term “assets” covers various categories, including **real assets** such as commercial and residential real estate, commodities and precious metals. I now also categorize the relatively new “commodity”, bitcoin within this group. It also extends to **financial assets**, represented by shares in companies, which are essentially claims on future cash flows.

Over the past two decades, inflation in USD terms has ranged between 2% and 3%, although this is likely understated. Investors need returns well above inflation to effectively preserve and grow purchasing power. History has demonstrated that financial assets have generally been excellent stores of value, however as illustrated below, it’s not a straightforward matter.

The chart below gives insight into nominal gains from a range of global investment options. Gold, a precious metal with an exceptionally long history, generates zero cash flows but the price has compounded at 8,4% per annum over the last 20 years, providing a good real return.

Investing into a diversified global portfolio, represented by the All Country World index, yielded a respectable 7,5% compounded return. The single best country performance came from the US, driven by the stellar performance of IT shares. However, it’s crucial to note that the starting point 20 years ago was exceptionally low, with IT shares having fallen dramatically from their 2000 peak.

While emerging markets have provided decent, albeit volatile returns over 20 years, they have faced many headwinds over the last decade at least.

### Chart 1 : USD Returns Across a Range of Assets

	1 year (2023)	10 years	20 years
US inflation (CPI)	3.4	2.8	2.6
Gold	14.6	5.6	8.4
All Country World Index	22.2	7.9	7.5
US S&P500 Index	26.3	12.0	9.7
US Information Technology Index	52.6	19.5	13.4
European Top 50 Index	26.5	4.1	4.7
Japan Nikkei 225 Index	22.6	6.4	6.3
Emerging Market Index	9.8	2.7	6.8
China CSI300 Index	-11.1	4.3	8.1
JSE All Share Index	1.7	2.9	8.4

It’s not clear-cut which asset will produce the best return over the next 10 to 20 years, regardless of how diligently we attempt to analyse. Therefore we reflect on history and prioritise diversification.



### Ian De Lange CA(SA)

Chief Investment Officer

For guidance or assistance on the current markets and global investing, please reach out to Ian and our team directly on [global@seedinvestments.co.za](mailto:global@seedinvestments.co.za).

Follow Ian De Lange on Social Media

