Venn Brown
Investment Research

Markets & Economics

Best versus worst

24th October 2024

ASX All Ordinaries

ASX:XAO

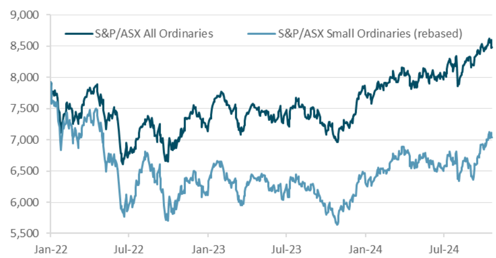
Sector	All
Num. constituents	487
Date	23-Oct-24
Value	8,476
52 week range	6,960 / 8,624
Market cap	$2,783b
Yield	3.3%

ASX Small Ordinaries

ASX:XSO

Sector	All
Num. constituents	199
Date	23-Oct-24
Value	3,191
52 week range	2,557 / 3,229
Market cap	$272b
Yield	2.3%

3-year Price Chart



Analysts

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Even the worst investor can perform well

We modelled three investment strategies to measure the impact market timing has on long-term investment performance. The three investment strategies invested $1,000 annually into the ASX All Ordinaries Index from 2001 to 2024.

The Best strategy invested the full $1,000 on the day the index reached the low point for the year. The Worst strategy invested the full $1,000 on the day the index reached its peak for the year. And the Daily strategy, invested the $1,000 spread evenly across every day the market was open throughout the year[1].

Over the period, each strategy invests a total of $24,000, with the best strategy outperforming the worst strategy by just +27%.

Table 1: After 24 years, the "best" investor is +27% ahead of the worst

	Portfolio value	IRR	versus worst
Best	$85,888	+9.5%	+27%
Daily	$75,349	+8.7%	+11%
Worst	$67,754	+8.0%	- %

Source: S&P Global, Venn Brown

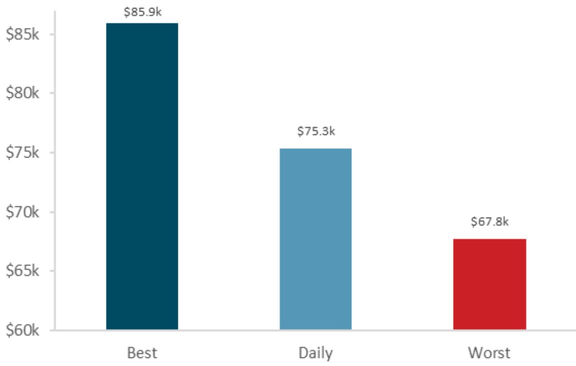
Even the worst strategy returned +8% per year

As shown in Table 1, the IIR for the worst strategy was 8.0% for the 24 years, compared to +9.5% for the best strategy and +8.7% for the daily strategy.

At the end of the period, the Best portfolio was worth $85,888, compared to the Worst, which totalled $67,754 (see Figure 1).

[1] $3.95 - $3.97 per day depending on the number of market days in the year. $4.90 each day for 2024 through to 18th October 2024

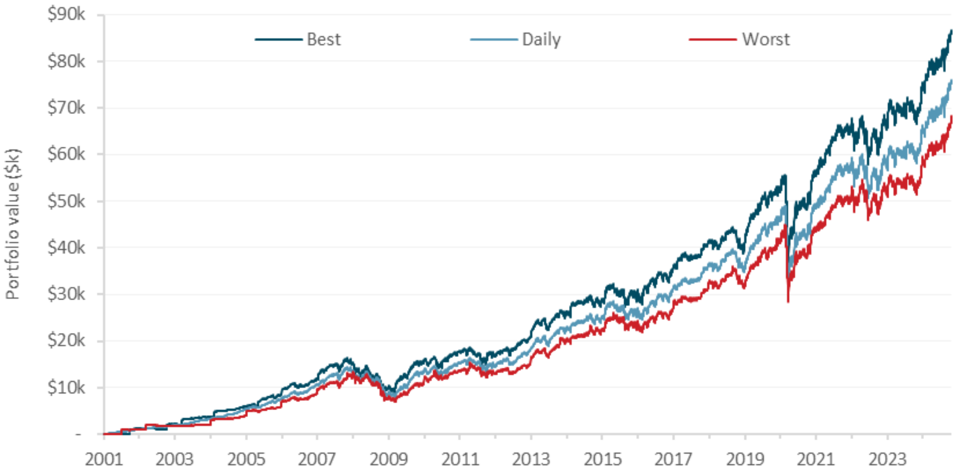
Figure 1: After 24 years, the best-timed portfolio was worth +27% more than the worst



Source: S&P Global, Venn Brown

Figure 2 shows the performance of the three portfolios over the 24-year period. Interestingly, the performance gap between the Best and Worst steadily grew from +18% in the first year to 28% by 2008 (the 8th year). From 2008 onwards, the performance gap remained relatively steady, peaking at 31% in 2009, before reaching a steady 27% from 2016 onwards.

Figure 2: Almost half the large-cap stocks have returned -20% to +20%



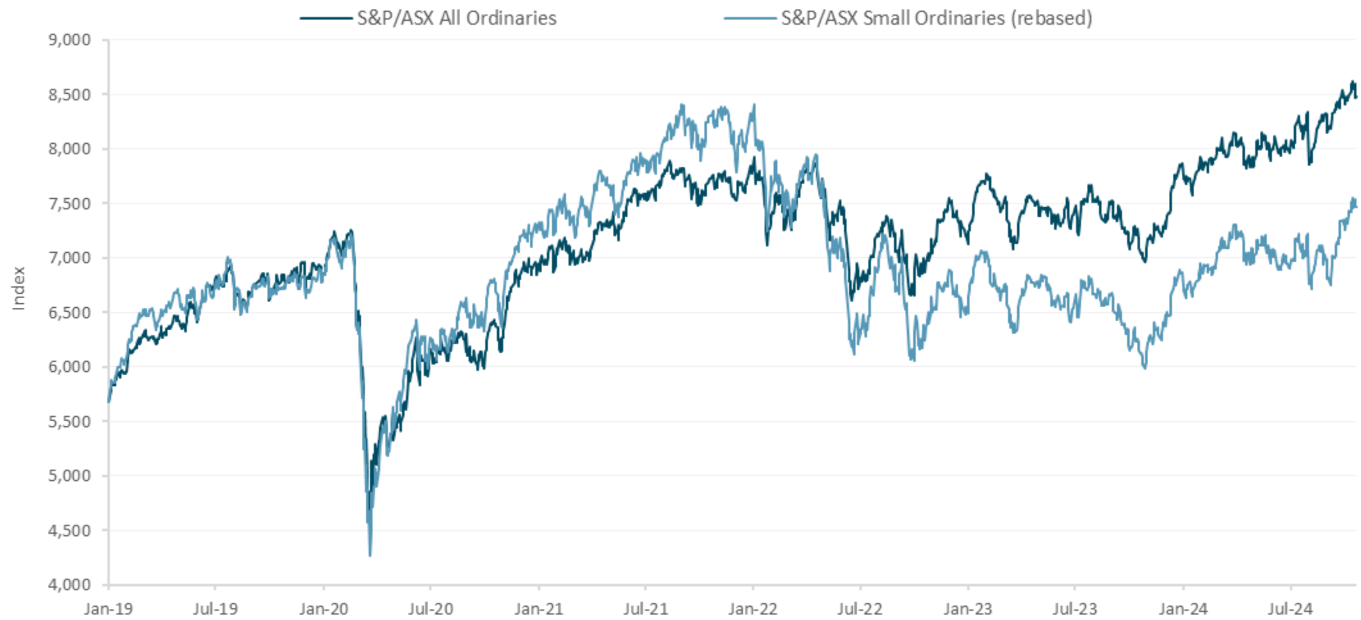
Source: S&P Global, Venn Brown

This surprising result illustrates that the long-term compounding outweighs short-term fluctuations, even when the intra-year trough-to-peak gap ranged from 17% to 85%. Across the 24 years, the trough-to-peak averaged 27%, with a median of 19%.

Table 2: The median index low to high was 19% over the 24 years

	Annual peak vs trough			Annual peak vs trough
Max	85%		**Avg**	27%
Min	14%		**Median**	19%

Index performance



Source: S&P Global

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