

Rudi's View: Ten Years Of All-Weather Model Portfolio

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A few weeks ago I was asked to provide some performance statistics for stocks held in the **FN Arena-Vested Equities All-Weather Model Portfolio**. Revisiting the early days of the Portfolio back in 2015 proved quite the illuminating exercise.

For starters, the number one stand-out performer proved not one I would have instinctively picked had I been asked the question beforehand. But numbers don't lie and there it was; Aristocrat Leisure ((ALL)) beating everything else over the ten years up until May this year.

I am well aware this company is not to everyone's liking or taste, and I certainly don't want to make this international giant in the gaming industry the posterboy of my research or the Portfolio, but I have no problem pointing out this company remains one of the strongest and most successful growth stories on the ASX; and it is a large cap company, proudly and solidly embedded inside the local Top 20.

But, when I do say numbers don't lie, we should all remain cognisant of the fact that starting and end points of our calculations are arbitrary and a lot of bias can creep in, also depending on how and when we measure returns.

Notes From A Ten-Year Journey

Back in May I simply went back in time by ten years, April to April, because the Portfolio has now completed its first decade of active existence. It soon dawned upon me, adding context and interpretation remains vital.

For example: I have repeated the exercise over the past weekend --June to June-- and this time the decade's all-round winner is ERP-SaaS services provider TechnologyOne ((TNE)), thanks to yet another strong rally over the past two months, whereas shares in Aristocrat Leisure lack clear momentum due to too many question marks about tariffs, the US dollar and the US economy.

The message to all of us remains the same: don't be too easily bamboozled by backward-looking calculations, also pay attention to context and details. As the starting point was ten years ago, changes at this stage of the period can have an outsized impact on the return calculations overall.

Having said so, I have absolutely no reason to complain and can also now report TechOne has become the first company in the All-Weather Portfolio that has generated a return of 1000%. Yes, that's not a typo.

One thousand per cent over the past ten years. (Dividends not included).

Second observation: This still doesn't make TechOne the best performer on the ASX overall. Shares in accountancy software platform Xero ((XRO)), which is equally in the Portfolio, have appreciated by nearly 1100% over the same period. Alas, the Portfolio added these shares a few years later, and also sold out and bought back in over time.

Not grabbing the full potential from Xero shares, even though they have been on my curated lists from the get-go, is shaping up as one of the key lessons I had to learn.

It's one of the reasons as to why I have become extremely reluctant to wave goodbye to great companies. Pro Medicus ((PME)) is no longer in the Portfolio and has equally contributed to that lesson learned.

Lucky me, all of REA Group ((REA)), WiseTech Global ((WTC)), Hub24 ((HUB)) and Xero have offered multiple opportunities to get back on board or accumulate more shares.

But the key lesson remains: be extra-extra careful when selling out. The market might not be as accommodating as you expect, and lest our very own doubts, discomfort and biases get in the way and form an invisible barrier that prevents us from buying back in.

Equally important: my research into High Quality All-Weathers and Growth companies on the ASX also serves to educate and to inform those investors and subscribers that are not afraid to steer away from simply buying banks and resources companies, and from beaten-down, lower quality options.



A Thing Of Beauty, A Joy Forever

Within this context, let's note the returns ex-dividends from the core holdings that have been held in the Portfolio throughout most of the 10-year period:

-TechOne	1000%
-Aristocrat Leisure	760%
-REA Group	491%
-NextDC ((NXT))	479%
-ResMed ((RMD))	432%

One look at that overview should convince every investor a **Buy-and-Hold strategy** remains as valuable and as valid as ever, despite many calls and predictions to the contrary (the Finance industry needs to make a return too, of course).

Having said so, my backward-looking exercise equally --and painfully-- highlighted how few ASX-listed companies are today able to show such numbers. As a matter of fact, the grand majority of stocks that make up the ASX200 have only generated a mere pedestrian-looking return over the same 10-year period (excluding dividends and franking).

A few random examples:

Shares in BHP Group ((BHP)), ex-dividends, have only appreciated by circa 36% over the past ten years. Granted, this is ex South32 ((S32)) and without dividends and franking, but that still doesn't close the gap (not by many miles). Shares in Rio Tinto have appreciated by 93%.

Harvey Norman ((HVN)) shares are up by a measly 15% only, not too dissimilar from National Australia Bank's ((NAB)) at 16%. Shares in Nine Entertainment ((NEC)) are up less than 5%.

There's a long list, and I genuinely emphasise it's a long list, of companies whose return is stuck deeply in negative territory, including AGL Energy ((AGL)), AMP ((AMP)), ANZ Bank ((ANZ)), Bank of Queensland ((BOQ)), Insignia Financial ((IFL)), Lendlease ((LLC)), Perpetual ((PPT)), Ramsay Health Care ((RHC)), Tabcorp Holdings ((TAH)), Telstra ((TLS)), and TPG Telecom ((TPG)).

Over that period, the ASX200 has delivered approximately 3.94% in price return per annum, or 8.33% including dividends. This translates into 46.7% ex-dividends or 123% including.

Translation: investors haven't done too badly from owning the likes of BHP, Rio Tinto or Commbank ((CBA)), but the real (out)performance, and index support, has come from the companies mentioned as they had to compensate for the long queue of index constituents for which a positive contribution has been either small, temporary, negligible or non-existent.

Is it too much of a stretch to conclude also this is why most professional fund managers find consistently beating the index is a bridge too far?

The Dummy Guide to investing in the share market clearly states buying undervalued, cheaply priced stocks is the one watertight strategy for superior longer-term returns, but what if that simply no longer works?

There's research out there that suggests only about 16% of active fund managers in Australia have beaten the ASX200

Accumulation Index (dividend re-investments included) over the decade past.

When 'Expensive' Is Not 'Expensive'

None of the companies that feature on my curated lists is ever genuinely cheaply priced, and the above mentioned Top Five certainly wasn't back in 2015 (not if we measure by low versus above average PE multiples), but that has been no impediment to outperforming the market by multiples.

Another eye-catching observation is the consistency in strong performances over long periods of time.

Witness, for example, the Portfolio's **Top Five performers over the past five years** (June to June):

-WiseTech Global	478%
-TechOne	368%
-Aristocrat Leisure	165%
-Goodman Group ((GMG))	130%
-REA Group ((REA))	117%

The same exercise over the **past three years**:

-Hub24 ((HUB))	301%
-TechOne	280%
-WiseTech Global	183%
-Xero ((XRO))	151%
-Car Group ((CAR))	96%

Extra note: all of Aristocrat Leisure, Goodman Group and Wesfarmers ((WES)) have kept pace with Car Group shares over the past three years and differences in share price gains are quite small.

Negative Surprises & Lessons Learned

For good measure, my selections of All-Weathers and High-Quality Growth companies have not remained 100% static since I embarked on this specific journey back in 2008.

Some companies have been ejected along the journey (Amcor, Ramsay Health Care, InvoCare, Seek), others disappeared through M&A (DuluxGroup and Veda Advantage), and some joined later in the process (Washington H Soul Pattinson ((SOL)).

In a number of cases, what used to look like a rock solid growth story has come unstuck in more recent times. Think Domino's Pizza Enterprises ((DMP)), but also IDP Education ((IEL)), Bapcor ((BAP)), Ansell ((ANN)) and Treasury Wine Estates ((TWE)), as well as CSL ((CSL)) and Woolworths ((WOW)).

The latter two remain included in my selection of All-Weathers, as well as in the All-Weather Model Portfolio, and probably have been more in focus by those who follow my research than, say, Hub24 or WiseTech Global; stocks that trade on above-average valuations but do (out)perform nevertheless.

One conclusion that stands from all of the above is that highly-priced Quality Growth stocks should not by default be avoided, certainly not with a longer-term horizon in mind.

To take a leaf out of the lexicon of your typical 'value' investor: some companies are highly priced for good reason, and that reason is many more fantastic returns over a long period of loyal ownership.

When asked about when/where to buy, I usually respond with wait for share price weakness. In the overwhelming number of cases, such weakness has proved an ideal scenario to get on board or to increase exposure. One excellent recent example was Pro Medicus shares in April this year.

Outside of such broad risk off periods, I personally tend to look at consensus targets on the FNArena website. I try to assess them intelligently, also taking into account any outliers in either direction that might distort the real picture.

While there's always context to add, and room for exceptions, traditionally a -10% gap between share price and target is what starts to pique my personal interest.

Model Portfolios, Best Buys & Conviction Calls

This section appears from now on every Thursday morning in a separate update on the website. See **Rudi's Views** for the archive going back to 2006 (not a typo).

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(This story was written on Monday, 23rd June 2025. It was published on the day in the form of an email to paying subscribers, and again on Wednesday as a story on the website).

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In addition, since FNArena runs a Model Portfolio based upon my research on All-Weather Performers it is more than likely that stocks mentioned are included in this Model Portfolio. For all questions about this: contact us via the direct messaging system on the website).

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