The best performing shares over the past 20 years

Sharemarket trends

- **In these current uncertain times, investors are opting to leave more of their funds in cash rather than shares. However the fact remains that shares have out-performed all asset classes over the past 20 years. Since October 1991 total returns on Aussie shares have grown by 433 per cent or 22 per cent per annum.**
- **Using data supplied by CBA Quant, CommSec have identified the best performing major stocks over the past 20 years. Head and shoulders above the rest of the pack has been Fortescue Metals Group with returns up a phenomenal 248,624 per cent over the past 20 years, or 12,431 per cent per annum.**
- **Clearly Fortescue is an outlier. But of the current S&P/ASX50 companies, 28 have been listed consistently for the past 20 years. And none of the 28 companies have produced negative returns over the period. Forty-two of the current S&P/ASX50 companies have been consistently listed for the past decade and only 10 of the companies have produced negative total returns over the period.**
- **While investors are currently favouring cash, it's worth noting that If $100,000 had been invested in stocks at the end of 1990, it would have been worth $804,000 at the start of this year. The same $100,000 would have appreciated to just under $305,000**.

The big picture

- Investors are justifiably cautious in the current times. First there was the Global Financial Crisis (GFC) with banks and companies failing, dragging advanced economies into recession. In 2010 fiscal-driven economic recoveries were engineered, but since, European countries have struggled to finance high debts and deficits. As a result economies are faltering as they employ austerity measures, causing business and consumer confidence to dry up.
- Sharemarkets slumped over 2008, recovered over 2009, consolidated in 2010 and then weakened again over 2011. The response by investors has been to hold more of their funds in cash and bank deposits. In fact according to respondents in the latest consumer sentiment survey conducted by Westpac and the Melbourne Institute, the wisest place for savings was banks, in fact the reading on banks was the highest in 37 years.
- And while the preference for cash and deposits is understandable, it ignores the fact that shares have out-performed other financial assets over the long-term. The

BEST RETURNS PAST 20 YEARS
(from current ASX 50 companies)

		Return %	*Return % pa*
Fortescue Metals Group Ltd	FMG	248624.5	12431.2
Sonic Healthcare Limited	SHL	17754.3	887.7
Leighton Holdings Limited	LEI	3516.4	175.8
Wesfarmers	WES	2154.8	107.7
Commonwealth Bank of Australia	CBA	2099.2	105.0
Iluka Resources Limited	ILU	1663.7	83.2
Origin Energy Limited	ORG	1487.4	74.4
Woodside Petroleum Limited	WPL	1426.0	71.3
Australia and New Zealand Bank	ANZ	1390.8	69.5
QBE Insurance Group Limited	QBE	1285.9	64.3
Orica Limited	ORI	1136.4	56.8
Westpac Banking Corporation	WBC	1083.8	54.2
Rio Tinto Limited	RIO	1038.7	51.9
Oil Search Limited	OSH	1009.8	50.5
BHP Billiton Limited	BHP	963.5	48.2
Santos Limited	STO	916.8	45.8
National Australia Bank Limited	NAB	820.1	41.0
Newcrest Mining Limited	NCM	748.3	37.4
Coca-Cola Amatil Limited	CCL	663.5	33.2
Foster's Group Limited	FGL	488.5	24.4
Stockland	SGP	477.0	23.9
Suncorp-Metway Limited	SUN	408.5	20.4
News Corporation	NWS	371.8	18.6
Amcor Limited	AMC	334.6	16.7
Brambles Limited	BXB	222.1	11.1
Lend Lease Group	LLC	104.5	5.2
GPT Group	GPT	92.4	4.6
Alumina Limited	AWC	26.6	1.3

Source: CommSec, CBA Quant, Reuters, iress

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desire for capital preservation may dominate at present, but at some point longer-term investors will have to stand back and look at the big picture.

- The All Ordinaries Accumulation index records total returns on shares That is, it measures the capital appreciation on shares or the change in the share price together with dividends paid). Over the past 20 years the All Ords Accumulation index has risen by over 433 per cent or around 22 per cent a year. The S&P/ASX 50 total return was 453 per cent or 23 per cent per year.
- If $100,000 had been invested at the end of 1990, it would have been worth $804,000 at the start of this year. If the same $100,000 had been left in cash, it would now be worth just under $305,000.
- The rise in consumer prices over the past 20 years (inflation) was 68.2 per cent while prices rose 33.3 per cent over the past decade.
- Clearly investors need to apply different strategies at different times. A defensive or safety-first approach reigns currently. But when the fear recedes, investors in their 20s, 30s and early 40s need to refocus on what they want their portfolios to look like in 20 years from now.

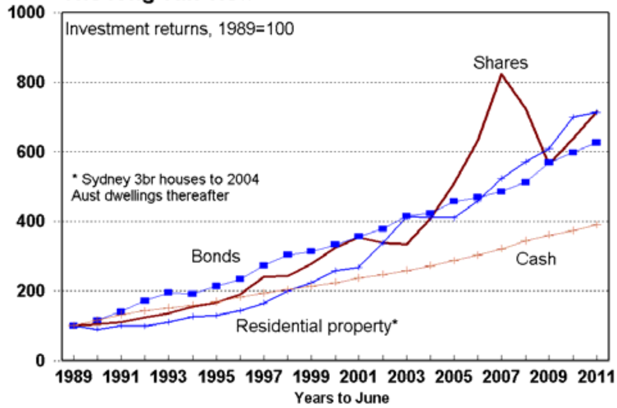
Methodology

- The aim was to look at total shareholder returns of the current S&P/ASX 50 companies over the past decade and past 20 years. The study was limited to current major companies to show how commonly held shares have performed over time. The focus was on total shareholder returns given the increasing importance of looking at dividends, share splits and buybacks rather than just share price appreciation.

The best performing shares over the past 20 years

- It may seem little solace for sharemarket investors battling the current volatile times. But tracking the best performing shares over the past 20 years and even the past decade does show the value of looking at the big picture.
- The out-performing stock over the past decade as well as the past 20 years was Fortescue Metals Group. Clearly Fortescue is an outlier. If an investor bought shares in Fortescue back in 1991, when it was then known as Allied Mining and Processing, and held them to today, total shareholder return would have been over 248,000 per cent or 12,400 per cent per annum.

The long-run view



Source: CommSec, REIA, RP Data, Iress

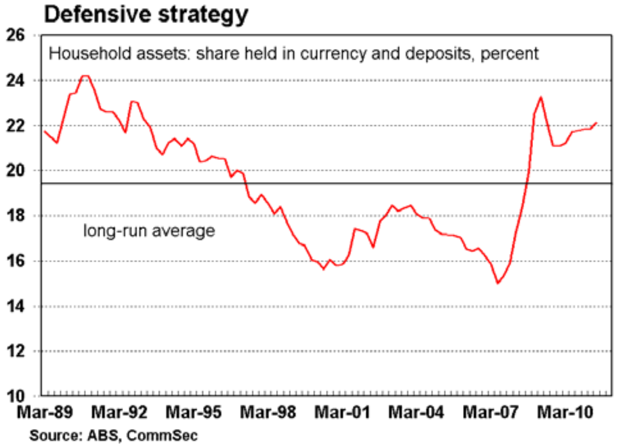
BEST RETURNS PAST 10 YEARS

(from current ASX 50 companies)

		Return %	Return % pa
Fortescue Metals Group Ltd	FMG	50829.2	5082.9
Newcrest Mining Limited	NCM	992.3	99.2
Oil Search Limited	OSH	856.8	85.7
Orica Limited	ORI	729.5	73.0
Origin Energy Limited	ORG	521.6	52.2
Iluka Resources Limited	ILU	450.4	45.0
BHP Billiton Limited	BHP	446.9	44.7
ASX Limited	ASX	357.6	35.8
QBE Insurance Group Limited	QBE	269.5	27.0
Woodside Petroleum Limited	WPL	226.4	22.6
Coca-Cola Amatil Limited	CCL	221.8	22.2
Rio Tinto Limited	RIO	214.8	21.5
Commonwealth Bank of Australia	CBA	205.0	20.5
Santos Limited	STO	199.9	20.0
Woolworths Limited	WOW	195.5	19.5
Leighton Holdings Limited	LEI	194.6	19.5
CFS Retail Property Trust	CFX	183.2	18.3
Westpac Banking Corporation	WBC	155.1	15.5
CSL Limited	CSL	135.4	13.5
Foster's Group Limited	FGL	121.9	12.2
Wesfarmers Limited	WES	115.9	11.6
Sonic Healthcare Limited	SHL	114.6	11.5
Computershare Limited	CPU	110.2	11.0
Australia and New Zealand Bank	ANZ	107.2	10.7
Transurban Group	TCL	106.1	10.6
Toll Holdings Limited	TOL	96.1	9.6
Amcor Limited	AMC	91.5	9.2
Insurance Australia Group Limited	IAG	60.8	6.1
National Australia Bank Limited	NAB	49.3	4.9
Stockland	SGP	36.7	3.7
Telstra Corporation Limited	TLS	23.3	2.3
Lend Lease Group	LLC	0.9	0.1
Macquarie Group Limited	MQG	-1.7	-0.2
Brambles Limited	BXB	-10.1	-1.0
Westfield Group	WDC	-21.7	-2.2
Qantas Airways Limited	QAN	-27.2	-2.7
Suncorp-Metway Limited	SUN	-27.5	-2.7
GPT Group	GPT	-30.0	-3.0
News Corporation	NWS	-30.4	-3.0
Mirvac Group	MGR	-34.6	-3.5
Alumina Limited	AWC	-42.5	-4.2
AMP Limited	AMP	-44.1	-4.4

Source: CommSec, CBA Quant, Reuters, iress

- To achieve these returns an investor would have needed a lot of foresight, luck and persistence. While certainly not every investor would be fortunate enough to have a stock like Fortescue in their portfolio, looking back over the past 10 and 20 years shows the value of maintaining a diversified portfolio.
- There are 28 stocks currently in the top 50 companies that have been listed for more than 20 years. And each stock has produced positive returns for shareholders over the period.
- Further, there was just one of the 28 stocks that failed to produce a return to cover inflation.
- Of the 28 stocks, five have delivered investors returns of more than 100 per cent per annum over the period: Sonic Healthcare, Leighton Holdings. Wesfarmers and CBA.
- Just on the raw price, shares in Wesfarmers rose from $4.68 in September 1991 to $32.68 at the end of September 2011 – a gain of 603 per cent or 30 per cent per annum. On a total return basis, Wesfarmers has lifted 2,155 per cent over the 20 years or 108 per cent a year.
- Interestingly while Wesfarmers has been an out-performer over the 20 years, it is in the middle of the performance pack over the past decade. And clearly property companies suffered badly in the GFC but out-performance up to 2007 by companies such as Stockland, GPT Group and Lend Lease ensured that they produced positive returns over the longer term.

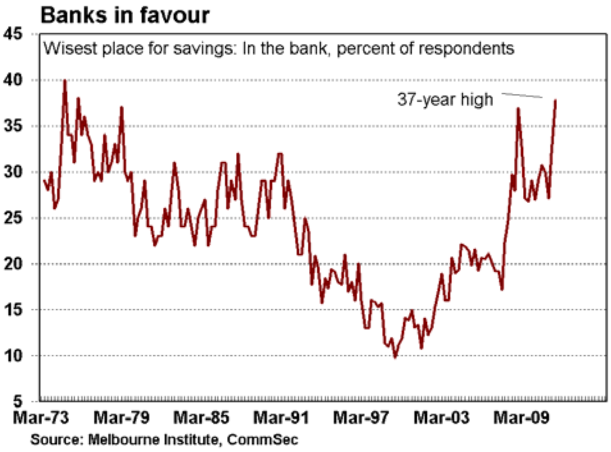


Source: ABS, CommSec

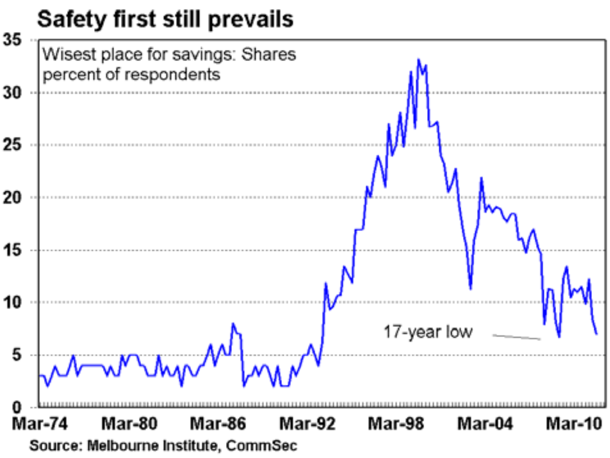
Source: Iress, CommSec

The best performing shares over the past decade

- Over the past decade Fortescue Metals Group was again the top performing stock, producing phenomenal returns of 50,829 per cent or 5,083 per cent per annum.
- However gold miner, Newcrest, produced stunning returns of 992 per cent over the decade followed by Oil Search (857 per cent), Orica (729 per cent) and Origin Energy (521 per cent).
- Only 10 of the 42 stocks produced negative returns over the past decade, with most experiencing the negative returns over the past three years as a consequence of the GFC. And only 12 of the 42 stocks failed to record real growth over the past decade.



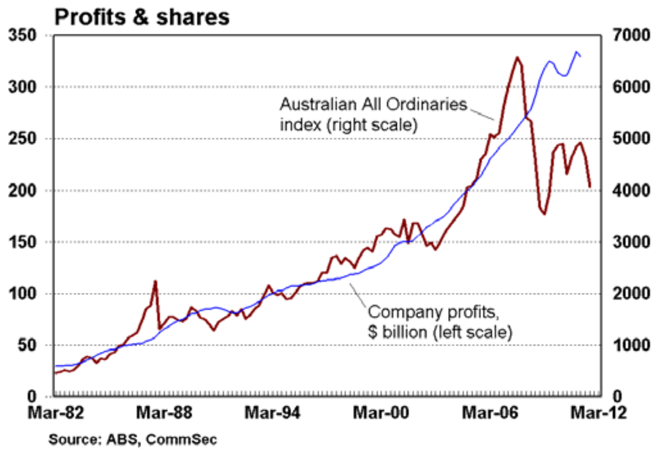
Source: Melbourne Institute, CommSec



Source: Melbourne Institute, CommSec

The value of focusing on the big picture

- If economies continue to grow then so will business revenues and profits. And as companies grow, this should be reflected in the share price and/or the return to shareholders.
- Currently the price-earnings ratio for Aussie shares stands at 11.07, below the long-term average of 15.7. The dividend yield stands at 4.98 per cent. Over the past 18 years the dividend yield has only been higher during the GFC (September 2008 to June 2009).
- The Australian economy is indeed growing and is expected to continue growing at a real pace of around 3 per cent per annum in coming years, or nominal growth pace of around 6 per cent a year. Mining and energy companies can reasonably expect to record faster nominal growth in revenues and profits, underpinned by strong demand in the Asian region, especially China and India.



- Domestic-focused companies will need to focus on containing costs and improving productivity if they are to continue producing solid growth in profitability and thus compete for funds against resources companies.
- Fortescue clearly has been an outlier over the last 10 and 20 years in producing stellar returns for shareholders. But as always it is a case of investors being alert in trying to find the 'next Fortescue' amongst the bevy of small mining and energy companies.
- And while you may miss out on identifying 'another Fortescue', a raft of major Australian companies has indeed produced solid returns over the longer-term. As always the importance is to select a broad, diversified portfolio of stocks and assets.
- A study of this type is clearly backward looking. But the point is to focus attention on longer-term returns. At some point the Europeans will get on top of their debt problems. Similarly the US – and it is worth noting that recent economic data has also been encouraging. At the same time the Australian economy is continuing to chug along, supported by rising incomes and demand in Asia.

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