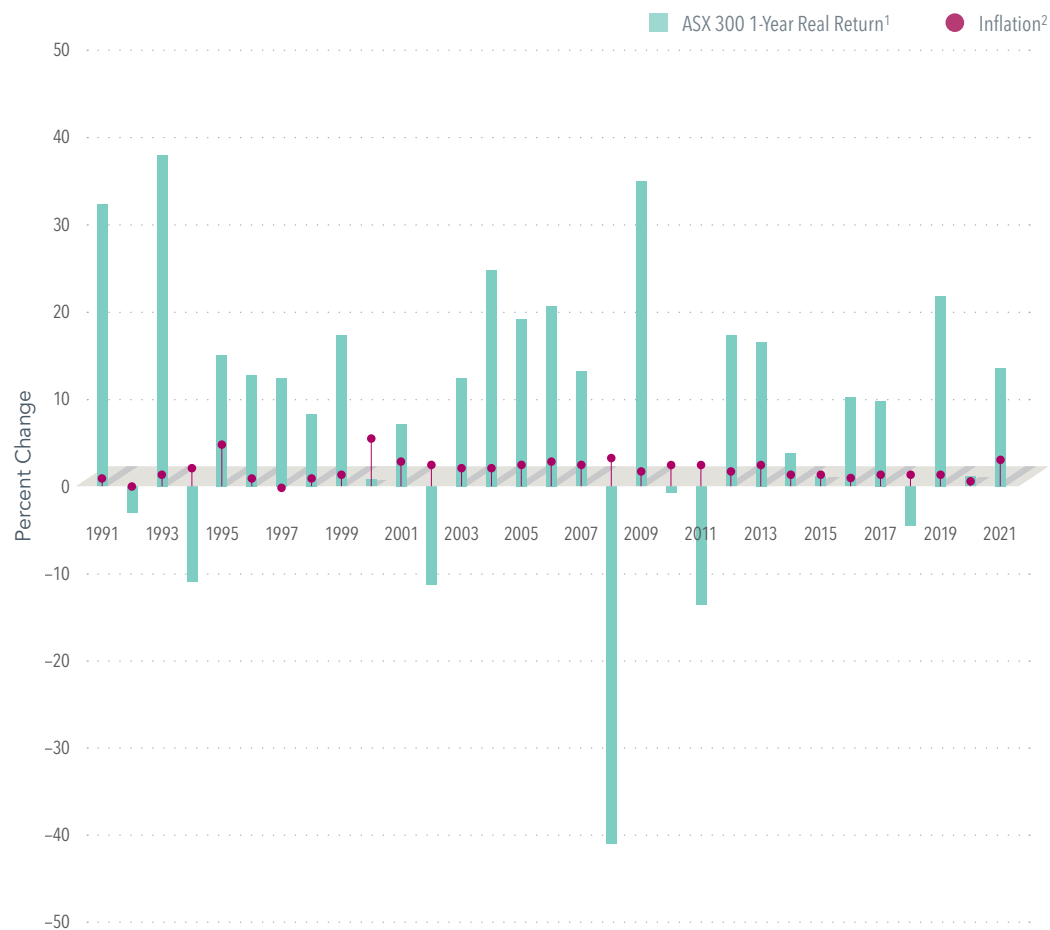


Will Inflation Hurt Stock Returns? Not Necessarily.

STOCKS VS. INFLATION



Investors may wonder whether stock returns will suffer if inflation keeps rising. Here's some good news: Inflation isn't necessarily bad news for stocks.

- A look at equity performance in the past three decades does not show any reliable connection between periods of high (or low) inflation and Australian stock returns.
- Since 1991, one-year returns on stocks have fluctuated widely. Yet the weakest returns can occur when inflation is low, and 24 of the past 31 years saw positive returns even after adjusting for the impact of inflation.
- Over the period charted, the ASX 300 posted an average annualised return of 7.65% after adjusting for inflation.

History shows that stocks tend to outpace inflation over time—a valuable reminder for investors concerned that today's rising prices will make it harder to reach their long-term financial goals.

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1. Real returns illustrate the effect of inflation on an investment return and are calculated using the following method:
$$\left[\frac{(1 + \text{nominal return of index over time period})}{(1 + \text{inflation rate})} \right] - 1$$
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 2. Based on non-seasonally adjusted 12-month percentage change in Consumer Price Index for All Items in Australia. Source: Australian Bureau of Statistics.

Past performance is no guarantee of future results. Short-term performance results should be considered in connection with longer-term performance results. Investing risks include loss of principal and fluctuating value. There is no guarantee an investment strategy will be successful. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

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