Perpetual knowledge bank series: Defensive Assets

By Perpetual Asset Management
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Asset classes are often split into two categories - growth assets and defensive assets - with the latter aiming to provide long-term stable returns to investors with lower volatility. Examples of defensive assets are fixed interest investments options, such as debentures and bonds, and cash investment options, which include bank and bank deposits.

These defensive or income assets tend to provide more stable, albeit lower returns over the long term than growth assets like shares or property. A diversified investment portfolio should combine both, ideally with exposure to multiple asset classes, markets market and regions. A further distinction is that defensive assets generally to provide a steady and/or stable income stream. The trade-off for investors is that these assets generally have lower investment risk, with more stable returns in the short term, but the potential for lower return over the longer term.

The general rule is the longer an investor's timeframe, the higher the level of growth assets you can include in your portfolio. However, if your primary need is for income and you need quick assets you can include in your portfolio. As always, the right type of investment depends on each individual investor's depend on each individual investor's investment objective, time frame and risk tolerance.