

Tactical asset allocation—A potential recipe for disappointment

Tactical asset allocation—an approach to investing which involves attempting to bet on a winning asset class, avoid a losing asset class and time the market to maximise returns—is very difficult to do. The chart below shows the performance of various asset classes over the past 10 years. Asset classes that perform well one year may

perform poorly in the next. For example, emerging market equities went from high returns in 2016 and 2017 to low returns in 2023 (with varying returns during the years in between).

Key equity and bond index returns



Past performance is not a reliable indicator of future results.

Source: Vanguard calculations, data from 1 January 2015 to 31 December 2024, using data from Bloomberg, Thomson Reuters Datastream and FactSet. Global equities represented by the FTSE All-World Index, North American equities by the FTSE World North America Index, Emerging market equities by the FTSE All-World Emerging Index, Developed Asia equities by the FTSE All World Developed Asia Pacific Index, European equities by the FTSE All World Europe ex-UK Index, UK equities by the FTSE All-Share Index, UK government bonds by the Bloomberg Sterling Gilt Index, UK index-linked government bonds by the Bloomberg UK Govt Inflation-Linked UK Index, UK investment-grade bonds by the Bloomberg Sterling Aggregate Non-Gilts – Corporate Index, Global bonds (hedged) by the Bloomberg Global Aggregate Index (hedged in GBP). Performance shown is cumulative and denominated in GBP. It includes the reinvestment of all dividends and any capital gains distributions. The performance data does not take account of the commissions and costs incurred in the issue and redemption of shares. Basis of fund performance NAV to NAV.

The value of investments, and the income from them, may fall or rise and investors may get back less than they invested.

Glossary

Asset class: Different investment types like equities or bonds.

Bonds: This is a loan issued by a government, public-sector body or company. Bonds usually pay a fixed rate of annual interest—hence they are also known as fixed-income investments—while the original sum borrowed is typically repaid at a specific future date.

Equities: Another word for ordinary company shares, which represent an ownership stake in a business.

Index: An index typically measures the performance of a basket of investments that are intended to represent a certain area of the market. Indices are often used as benchmarks against which to evaluate the performance of an investment, such as a fund.

Investment risk information

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