

## Tactical asset allocation – A recipe for disappointment

Betting on a winning asset class and timing it to maximise returns is very difficult to do. The chart below shows the performance of various asset classes over the past ten years. You can see that persistence among asset classes is fleeting, with top-performing investments from one year often falling to the bottom of the rankings in subsequent years. For example, if you invested in European equities in early 2014 following a period of strong returns, you would have been disappointed to see the asset class fall to the bottom of the rankings that year.

### Key bond and equity index returns (%), ranked by performance

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
28.3	19.6	8.8	35.4	21.1	0.8	26.5	16.4	28.1	0.3	Top-performing asset class
24.0	18.8	5.5	34.1	17.2	0.5	22.3	13.0	20.0	-3.3	
21.0	14.6	5.3	29.6	16.9	0.1	21.2	12.8	18.3	-6.4	
20.8	12.5	4.0	25.5	13.8	-0.4	19.2	11.9	17.6	-7.3	
13.6	11.3	1.4	25.4	13.1	-2.2	15.9	11.3	4.0	-8.8	
1.6	7.9	1.0	21.2	11.3	-3.4	14.0	9.1	2.5	-9.4	Bottom-performing asset class
0.6	7.9	0.7	16.8	4.9	-7.6	11.0	8.9	1.0	-12.2	
0.0	2.8	0.5	12.3	2.4	-8.0	7.1	7.8	-1.5	-19.3	
-4.2	1.2	-1.1	10.7	2.0	-9.1	6.5	5.0	-3.3	-25.1	
-5.3	-1.4	-10.3	3.7	1.9	-9.5	6.3	-9.8	-5.3	-34.5	

### Past performance is not a reliable indicator of future results.

Source: Vanguard calculations, data from 1 January 2012 to 31 December 2022, using data from Barclays Capital and Thompson Reuters Datastream and FactSet. Global equities as the FTSE All World Index, North American equities as the FTSE World North America Index, Emerging market equities as the FTSE All-World Emerging Index, Developed Asia equities as the FTSE All World Developed Asia Pacific Index, European equities as the FTSE All World Europe ex-UK Index, UK equities as defined as the FTSE All Share Index, UK government bonds as Bloomberg Sterling Gilt Index, UK index-linked gilts as Bloomberg UK Govt Inflation-Linked UK Index, UK investment grade corporate bonds as Bloomberg Sterling Aggregate Non-Gilts – Corporate Index, Hedged global bonds as 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.

- Global equities
- North American equities
- Emerging market equities
- Developed Asia equities
- European equities
- UK equities
- UK government bonds
- UK index-linked gilts
- UK investment grade corporate bonds
- Hedged global bonds

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

### **Investment risk information**

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

Past performance is not a reliable indicator of future results.

### **Important information**

**If you have any questions related to your investment decision or the suitability or appropriateness for you of the product[s] described in this document, please contact your financial adviser.**

Nothing in this document is intended to, or shall be deemed to, establish or evidence any partnership or joint venture between Vanguard Asset Management Limited or any other Vanguard entity and the issuer of this document nor authorise the issuer of this document to make or enter into any commitments for or on behalf of any Vanguard entity.

The information contained in this document is not to be regarded as an offer to buy or sell or the solicitation of any offer to buy or sell securities in any jurisdiction where such an offer or solicitation is against the law, or to anyone to whom it is unlawful to make such an offer or solicitation, or if the person making the offer or solicitation is not qualified to do so. The information in this document is general in nature and does not constitute legal, tax, or investment advice. Potential investors are urged to consult their professional advisers on the implications of making an investment in, holding or disposing of shares of, and the receipt of distribution from any investment.

The information contained in this document is for educational purposes only and is not a recommendation or solicitation to buy or sell invest. Issued by Vanguard Asset Management, Limited which is authorised and regulated in the UK by the Financial Conduct Authority.

Issued in EEA by Vanguard Group (Ireland) Limited which is regulated in Ireland by the Central Bank of Ireland.

Issued in Switzerland by Vanguard Investments Switzerland GmbH.

© 2023 Vanguard Asset Management, Limited. All rights reserved.

© 2023 Vanguard Group (Ireland) Limited. All rights reserved.

© 2023 Vanguard Investments Switzerland GmbH. All rights reserved. 01/23\_261

**Connect with Vanguard®**  
global.vanguard.com

**Vanguard®**