

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 emerging market equities in early 2011 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

2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
20.3	17.4	28.3	19.6	8.8	35.4	21.1	0.8	26.5	16.4
16.7	15.5	24.0	18.8	5.5	34.1	17.2	0.5	22.3	13.0
6.5	12.8	21.0	14.6	5.3	29.6	16.9	0.1	21.2	12.8
5.8	12.3	20.8	12.5	4.0	25.5	13.8	-0.4	19.2	11.9
1.2	12.0	13.6	11.3	1.4	25.4	13.1	-2.2	15.9	11.3
-3.5	11.2	1.6	7.9	1.0	21.2	11.3	-3.4	14.0	9.1
-6.6	10.7	0.6	7.9	0.7	16.8	4.9	-7.6	11.0	8.9
-12.6	5.9	0.0	2.8	0.5	12.3	2.4	-8.0	7.1	7.8
-15.0	2.9	-4.2	1.2	-1.1	10.7	2.0	-9.1	6.5	5.0
-18.4	0.6	-5.3	-1.4	-10.3	3.7	1.9	-9.5	6.3	-9.8

Top-performing asset class
Bottom-performing asset class

Source: Vanguard calculations, using data from Barclays Capital and Thomson Reuters Datastream and FactSet. UK equities is defined as the FTSE All Share Index, European equities as the FTSE All World Europe ex-UK Index, Developed Asia equities as the FTSE All World Developed Asia Pacific Index, North American equities as the FTSE World North America Index, Emerging market equities as the FTSE Emerging Index, Global equities as the FTSE All World Index, UK government bonds as Bloomberg Barclays Sterling Gilt Index, UK index-linked gilts as Bloomberg Barclays UK Govt Inflation-Linked UK Index, Hedged global bonds as Bloomberg Barclays Global Aggregate Index (hedged in GBP), UK investment grade corporate bonds as Bloomberg Barclays Sterling Aggregate Non-Gilts - Corporate Index. Returns are denominated in GBP and include reinvested dividends and interest.

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

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

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