

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 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 is 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

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