

Putting your eggs in different baskets

You've probably heard the saying: 'don't put all your eggs in one basket'. This phrase neatly sums up one of the golden rules of investing – diversification.

Diversifying your investments across many different asset classes and geographies is the best way to control risk as it helps to smooth out the ups and downs of the financial markets. This way, one or two bad eggs shouldn't have too much of a negative impact on your overall portfolio.

This chart looks back at asset class returns since 2005. It is clear there have been significant differences in returns between the best and worst performing asset classes globally, with none consistently ranking top or bottom. There's really no way to be sure what will do best or worst from one year to the next, but diversification means you don't have to guess.

■ Global equity ■ Europe ex UK equity ■ UK equity ■ Global Bonds ■ Global HY credit* ■ Global Real Estate ■ Hedge Funds
■ US equity ■ Japanese equity ■ EM equity* ■ Global IG credit* ■ EM bonds* ■ Commodities ■ 60/40*

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
50%	25%	38%	10%	61%	25%	7%	23%	30%	23%	13%	33%	26%	3%	27%	18%	28%	30%	20%	28%
40%	19%	16%	5%	57%	24%	6%	19%	26%	21%	7%	33%	17%	1%	22%	15%	28%	13%	16%	20%
37%	16%	15%	-4%	34%	21%	5%	18%	22%	11%	6%	33%	14%	1%	21%	14%	28%	7%	16%	12%
29%	15%	11%	-4%	28%	20%	3%	17%	21%	11%	6%	30%	14%	-1%	18%	12%	20%	-7%	14%	12%
25%	12%	11%	-11%	25%	20%	3%	13%	18%	8%	5%	25%	12%	-2%	17%	12%	20%	-7%	13%	11%
24%	10%	10%	-12%	22%	17%	-2%	12%	12%	7%	4%	24%	11%	-3%	16%	9%	18%	-8%	12%	10%
20%	7%	9%	-14%	20%	16%	-2%	11%	8%	5%	1%	21%	11%	-3%	16%	8%	10%	-10%	8%	10%
20%	7%	7%	-15%	16%	15%	-2%	11%	7%	4%	1%	20%	7%	-4%	14%	7%	9%	-10%	8%	9%
18%	7%	6%	-21%	16%	13%	-5%	10%	2%	3%	0%	19%	7%	-4%	11%	5%	3%	-11%	7%	7%
14%	3%	5%	-25%	15%	13%	-6%	9%	0%	2%	-1%	19%	7%	-6%	11%	4%	2%	-12%	6%	6%
13%	1%	4%	-27%	7%	12%	-13%	5%	-3%	1%	-2%	15%	5%	-8%	11%	3%	-1%	-15%	5%	4%
7%	0%	2%	-28%	7%	7%	-14%	4%	-4%	0%	-3%	10%	2%	-9%	7%	-6%	-1%	-15%	4%	3%
5%	-7%	-6%	-29%	7%	6%	-14%	3%	-4%	0%	-10%	6%	-2%	-9%	5%	-11%	-2%	-16%	0%	3%
-4%	-10%	-8%	-36%	-4%	6%	-18%	-6%	-11%	-12%	-20%	2%	-7%	-9%	3%	-13%	-5%	-16%	-13%	-2%

Best performing asset class

Worst performing asset class

Past performance is not a guide to future returns. Source: Bloomberg, as at 31 December 2024. Total returns in GBP. Indices used: MSCI All Companies World Index (Global equity), MSCI USA (US Equity), MSCI UK (UK Equity), MSCI Europe ex UK (European Equity), MSCI Japan (Japan Equity), MSCI Emerging Markets (EM Equity), Bloomberg Global Treasury Total Return (Global Treasury), Bloomberg Global Aggregate Credit Total Return (IG Credit), Bloomberg Global High Yield Total Return (HY Credit), Bloomberg EM USD Aggregate Total Return (EM Credit), S&P Global REIT (S&P REITs), HFRX Global Hedge Fund (Hedge Funds), Bloomberg Commodity (Commodities). *EM = Emerging Markets, IG = Investment Grade, HY = High Yield, 60/40 = a typical investment portfolio of 60% equities and 40% bonds.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

This document is for Professional Clients and is not for consumer use.

All information as at 31 December 2024 and sourced by Invesco unless otherwise stated.

Views and opinions are based on current market conditions and are subject to change.

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