

The importance of diversification

Investment markets can be unpredictable—what does well one year might not do well the next. That's why people often talk about diversifying.

Diversifying means spreading your money across different types of investments, rather than putting it all in one place. It's like the saying: don't put all your eggs in one basket. If one basket drops, all your eggs break. But if you spread them out, you're less likely to lose everything. This table shows how for example, Emerging Market Debt (EMD) Hard Currency was one of the worst performers in 2015. The next year, it was one of the best. Then the year after, it was somewhere in the middle. This shows how things can change quickly, and why understanding different investment types is important.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Asia Pacific ex Japan equities	16.68	19.10	27.49	18.86	15.91	34.96	25.13	5.04	25.70	20.37	27.59	12.75	18.85	27.76	55.89	Highest performing
EMD Hard Currency	11.48	18.30	25.95	14.64	5.74	33.25	20.64	1.14	21.64	18.66	19.49	0.29	15.42	26.33	27.49	
EMD Local Currency	9.14	16.94	24.80	12.51	4.70	31.14	16.92	0.50	20.04	15.82	18.27	-0.56	15.12	19.30	23.97	
Emerging Market Equities	8.51	16.72	20.79	10.71	3.50	31.11	13.25	0.20	19.11	12.43	17.22	-6.14	13.53	14.36	20.64	
European equities	6.52	15.54	20.41	9.40	1.80	28.82	13.24	-0.38	15.48	11.57	5.36	-6.84	12.59	12.12	17.33	
Gilts	5.98	12.42	6.67	9.21	1.25	27.34	13.06	-1.50	14.99	10.95	2.65	-7.08	9.79	10.39	16.02	
Global sovereign bonds	4.95	12.28	1.64	8.49	0.96	22.12	10.62	-2.24	14.56	9.09	2.23	-7.75	9.23	10.24	14.17	
Global corporate bonds	3.39	11.63	1.49	7.90	0.70	19.33	8.19	-2.66	14.32	9.05	0.68	-7.81	8.02	9.43	11.56	
Global High Yield	0.59	11.37	0.26	7.51	0.49	16.72	7.17	-3.95	12.35	8.88	-0.98	-9.23	7.98	5.28	11.05	
Global equities	-1.02	11.07	0.25	6.13	0.12	14.98	5.24	-4.47	11.13	8.44	-1.79	-11.65	7.87	3.29	10.02	
Gold	-3.47	9.98	-4.22	5.64	-0.68	12.27	4.86	-6.36	10.96	7.24	-1.99	-12.35	6.34	2.65	9.99	Lowest performing
Inflation linked bonds	-7.04	5.90	-5.37	2.73	-0.77	10.73	4.55	-7.46	10.60	4.61	-2.00	-15.26	5.84	2.46	7.00	
Japanese equities	-13.69	4.74	-5.58	1.95	-4.12	10.26	2.43	-7.96	9.09	4.51	-3.26	-17.79	3.56	1.71	5.02	
North American equities	-14.80	3.48	-6.53	1.16	-7.80	9.91	2.25	-8.57	7.15	4.19	-3.67	-18.10	3.53	-0.64	4.61	
UK Corporates	-14.97	3.43	-10.67	0.15	-9.99	5.83	1.95	-9.32	6.82	-0.48	-5.27	-19.27	2.51	-0.65	3.44	
UK equities	-18.55	2.91	-28.89	-0.23	-10.61	3.63	1.06	-9.51	5.55	-9.85	-7.91	-25.11	1.31	-4.02	0.52	

Source: Morningstar as at 30 June 2026. Please see full list of indices overleaf.



Key takeaways

- Investment markets are hard to predict - speak to an expert
- Investors may want to think about spreading investments across different asset classes
- When an asset class performs well in one year don't assume it will in the next

Past performance is not a reliable guide to future performance.

The value of investments can go up or down, and you might not get back what you originally put in. This information is for learning and general understanding only. It's not intended as advice or a suggestion to buy or sell any specific investments.

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	Group/Investment
Gilts	Bloomberg Sterling Gilts TR GBP
Inflation linked bonds	Bloomberg Wld Govt Infl Lkd TR HGBP
Gold	LBMA Gold Price PM GBP
UK Corporates	Bloomberg Sterling Agg Corp TR GBP
Global sovereign bonds	Bloomberg Gbl Agg Treasuries TR Hdg GBP
Global corporate bonds	Bloomberg Gbl Agg Corp 1229 TR Hdg GBP
Global High Yield	Bloomberg Global High Yield TR Hdg GBP
North American equities	FTSE AW North America NR GBP
UK equities	FTSE All Share NR GBP
Global equities	FTSE All World NR GBP
Japanese equities	MSCI Japan NR USD
European equities	FTSE Developed Europe ex UK NR GBP
Asia Pacific ex Japan equities	MSCI AC Asia Pacific ex Japan NR GBP
Emerging Market Equities	FTSE Emerging NR GBP
EMD Local Currency	JPM EMBI Global Hdg TR GBP
EMD Hard Currency	JPM GBI-EM Global Diversified TR GBP

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