

THE BENEFITS OF DIVERSIFICATION

Below is a table of the best and worst performing assets. You may be surprised and I doubt that you could recall this order before you looked, even though it has already happened. Just think about how difficult it must be to predict which type of asset class will be the best or worst performer in future. The good news is that you don't have to, because your financial planner and asset manager will use the power of diversification by mixing these assets into a portfolio that is suitable for you and the risk you are prepared to take.

Rank	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1	Property	Emerging Markets	Global Bonds	Emerging Markets	Global High Yield Bonds	UK Inflation-Linked Gilts	North America	Europe ex UK	Japan	Global Bonds	Asia Pacific ex Japan	Emerging Markets	North America	Global Bonds
2	Asia Pacific ex Japan	Global Bonds	UK Gilts	Asia Pacific ex Japan	Emerging Markets	UK Gilts	Europe ex UK	Property	North America	North America	Emerging Markets	Asia Pacific ex Japan	United Kingdom	UK Gilts
3	Europe ex UK	UK Inflation-Linked Gilts	Cash	Global High Yield Bonds	Property	Sterling Corporate Bonds	Asia Pacific ex Japan	North America	Asia Pacific ex Japan	UK Gilts	North America	Japan	Global Bonds	UK Inflation-Linked Gilts
4	Global High Yield Bonds	Asia Pacific ex Japan	UK Inflation-Linked Gilts	United Kingdom	Asia Pacific ex Japan	North America	Property	Global High Yield Bonds	UK Inflation-Linked Gilts	UK Inflation-Linked Gilts	Japan	Property	UK Inflation-Linked Gilts	Sterling Corporate Bonds
5	United Kingdom	UK Gilts	Japan	Europe ex UK	North America	Global High Yield Bonds	United Kingdom	United Kingdom	Property	Cash	Europe ex UK	Europe ex UK	Asia Pacific ex Japan	Cash
6	Emerging Markets	Cash	Sterling Corporate Bonds	North America	United Kingdom	Global Bonds	Japan	Sterling Corporate Bonds	UK Gilts	Sterling Corporate Bonds	United Kingdom	Global High Yield Bonds	Sterling Corporate Bonds	Japan
7	Cash	Europe ex UK	North America	Sterling Corporate Bonds	Europe ex UK	Property	Global High Yield Bonds	Cash	Sterling Corporate Bonds	Global High Yield Bonds	UK Inflation-Linked Gilts	Sterling Corporate Bonds	UK Gilts	North America
8	UK Inflation-Linked Gilts	Global High Yield Bonds	Global High Yield Bonds	Japan	UK Inflation-Linked Gilts	Japan	Sterling Corporate Bonds	Japan	Emerging Markets	Japan	Global High Yield Bonds	North America	Global High Yield Bonds	Europe ex UK
9	Sterling Corporate Bonds	Sterling Corporate Bonds	Asia Pacific ex Japan	Property	Sterling Corporate Bonds	United Kingdom	UK Inflation-Linked Gilts	UK Gilts	Global Bonds	Property	Global Bonds	UK Inflation-Linked Gilts	Europe ex UK	Property
10	UK Gilts	North America	Emerging Markets	UK Inflation-Linked Gilts	UK Gilts	Cash	Emerging Markets	UK Inflation-Linked Gilts	Europe ex UK	Europe ex UK	Sterling Corporate Bonds	UK Gilts	Property	Global High Yield Bonds
11	North America	United Kingdom	United Kingdom	Global Bonds	Global Bonds	Asia Pacific ex Japan	Global Bonds	Asia Pacific ex Japan	United Kingdom	United Kingdom	UK Gilts	Cash	Cash	Asia Pacific ex Japan
12	Global Bonds	Japan	Europe ex UK	UK Gilts	Cash	Emerging Markets	UK Gilts	Global Bonds	Global High Yield Bonds	Asia Pacific ex Japan	Property	United Kingdom	Emerging Markets	Emerging Markets
13	Japan	Property	Property	Cash	Japan	Europe ex UK	Cash	Emerging Markets	Cash	Emerging Markets	Cash	Global Bonds	Japan	United Kingdom

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You can see that some assets often go up or down at the same time, but by different amounts and also that some assets go up when others go down. This is known as 'correlation' and it means that it isn't as simple of having 'low risk' and 'high risk' assets. It is the correct mixture of assets that leads to the overall risk of your solution. An asset manager can build a solution suitable for your risk profile with nearly any combination of these assets, as long as the proportion and mixture is correct. Also, by avoiding selecting just one type of asset, you can effectively spread and therefore reduce the types of risk likely to impact your investments, since different asset classes are impacted differently.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
15.1%	20.1%	32.1%	71.6%	13.1%	18.8%	19.0%	18.0%	26.2%	8.0%	36.2%	11.8%	17.5%	10.1%
12.8%	13.4%	10.5%	67.5%	12.4%	14.4%	18.0%	13.5%	25.3%	3.6%	35.2%	7.9%	7.7%	10.0%
12.2%	13.0%	4.0%	60.1%	12.3%	8.6%	17.0%	10.1%	19.7%	3.3%	34.9%	7.0%	7.6%	2.2%
11.0%	12.9%	-1.9%	50.8%	12.0%	6.7%	15.8%	7.5%	18.6%	1.8%	32.0%	3.8%	5.6%	0.7%
9.9%	7.6%	-11.1%	47.4%	10.4%	5.9%	15.5%	6.4%	17.6%	0.5%	28.4%	3.7%	4.2%	0.7%
7.0%	5.7%	-12.5%	43.2%	7.5%	5.9%	14.4%	2.5%	13.9%	-0.1%	23.6%	2.9%	4.0%	-1.5%
4.9%	2.5%	-14.6%	31.1%	7.1%	2.4%	14.0%	0.5%	13.7%	-1.7%	20.4%	1.7%	3.7%	-3.1%
2.8%	-3.4%	-21.1%	30.4%	6.5%	1.4%	13.1%	-1.8%	13.2%	-3.7%	15.2%	1.2%	3.5%	-7.5%
1.5%	-3.7%	-22.4%	25.6%	5.6%	0.8%	10.6%	-2.5%	9.1%	-4.1%	12.8%	0.5%	3.1%	-7.7%
0.6%	-4.5%	-26.4%	10.6%	5.1%	0.5%	7.6%	-3.9%	7.8%	-4.6%	11.0%	0.5%	2.7%	-9.3%
-1.0%	-7.4%	-28.2%	4.3%	1.3%	-6.4%	6.7%	-6.5%	6.2%	-5.8%	6.6%	0.3%	0.6%	-10.7%
-4.3%	-15.7%	-30.8%	0.7%	0.5%	-8.2%	5.2%	-7.3%	2.5%	-8.4%	2.3%	-0.2%	0.1%	-13.2%
-8.8%	-16.5%	-32.8%	0.5%	-3.9%	-10.5%	0.5%	-9.9%	0.5%	-8.8%	0.4%	-5.0%	-0.4%	-19.0%

● Cash
 ● Global Bond
 ● Global High Yield Bonds
 ● Sterling Corporate Bonds
 ● UK Gilts
 ● UK Inflation-Linked Gilts
 ● Property
 ● Asia Pacific ex Japan
 ● Emerging Markets
 ● Europe ex UK
 ● Japan
 ● North America
 ● United Kingdom

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