St James's Place

The value of diversification

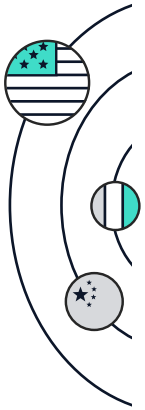
The practice of spreading investments across a range of markets and assets

Why does it matter?

Investing in a single company, sector or market is higher risk for investors.

Diversification can help manage risk and smooth returns over time.

By geography



Countries go through different economic cycles. When the US is up, China may be down. When China is up, the UK may be down.

Having a geographical spread of investments helps to provide protection against these ups and downs.

By sector

Different industries will perform differently depending on market and world events. E.g:



War
Best performers typically include defence, energy, commodities.

Recession
Utilities, consumer staples and healthcare do well.

Investing across sectors helps reduce risk and over exposure.

By asset class

Asset classes perform differently depending on external events.

Different mixes of asset classes will suit different risk appetites:



Cash – lowest volatility, lowest returns

Bonds – lower potential returns, lower risk

Equities – higher potential returns, higher risk

"Diversification is the only free lunch in investing"

– Harry Markowitz, Nobel Prize-winning economist.

Although diversification can mitigate some market volatility, it will not eliminate it. Investments can still rise and fall in value, particularly over the short-term, so you may get back less than you invested.

The 'St. James's Place Partnership' and the titles 'Partner' and 'Partner Practice' are marketing terms used to describe St. James's Place representatives. Members of the St. James's Place Partnership in the UK represent St. James's Place Wealth Management plc, which is authorised and regulated by the Financial Conduct Authority.St. James's Place Wealth Management plc Registered Office: St. James's Place House, 1 Tetbury Road, Cirencester, Gloucestershire, GL7 1FP, United Kingdom. Registered in England Number 4113955.

SJP approved 11/09/2026

SJP15895_OS B2 (09/26)