



Words of wisdom:

Do famous investment sayings hold water?



The good, the bad and the ugly of investment maxims

Our Well-known Investment Saying Evaluation (WISE) index provides an assessment of some well-worn financial aphorisms.

At the end of the year, Warren Buffett will retire as CEO of Berkshire Hathaway after 55 years at the helm. The ‘Sage of Omaha’ is renowned for stellar investment returns and a pithy turn of phrase. Buffett may be unique in having so consistently delivered industry-beating returns, but he isn’t the only one who can coin a memorable line about the markets.

His pending retirement has prompted us to rack our brains for the dozen most commonly used aphorisms masquerading as investment advice. Anyone who has spent time thinking and talking about markets will have heard most of the below.

In no particular order, our dozen are:

1	Cash is king	7	Buy the rumour, sell the fact
2	Don't put all your eggs in one basket	8	Don't fight the Fed
3	Time in the market beats timing the market	9	Be fearful when others are greedy
4	The trend is your friend	10	As safe as houses
5	Sell in May and go away	11	Buy low, sell high
6	Picking up pennies in front of a steamroller	12	You can't eat a relative sandwich

Some are genuinely useful; some are downright misleading. So, in this paper, we look to provide some structure: scoring them all for durability, reliability and insight to give them a total score out of 15 on our (WISE) index.

- **Durability:** how long has this phrase been in use, and how widely is it used today?
- **Reliability:** how consistently useful is the implied investment advice?
- **Insight:** how important is the wisdom behind the words?

The upshot of that exercise is summarised in the table below, where we’ve got a podium of medal winners at the top of the WISE index.

In third place, ‘be fearful when others are greedy’ is a good dynamic investment adage. Fear of bad investment outcomes is what drives unusually elevated risk premia. Identifying those periods in real time is difficult. The market is only gripped by fear when the fundamentals look poor, and greed only emerges when the fundamentals look sound. That is why our dynamic process places so much emphasis on analysing market sentiment.

In second place, we have good strategic investment advice. It is hard to argue against the assertion that ‘time in the market beats timing the market’ over the long run. There is an obvious friction with the market timing implicit in our bronze medal winner. We don’t think that tension is irreconcilable. Investors may wish to lean against the wind of market sentiment with the aim of smoothing returns, but nobody has a market-timing crystal ball. We believe that portfolio tilting through a dynamic asset allocation process can add value over time, but only if done in a consistent, rigorous and risk-aware framework. We work hard to avoid the trap of reckless prudence that can lead to too little investment exposure over time.

In our gold medal winning position, we have our WISE index champion: ‘don’t put all your eggs in one basket’. Ignoring the fact that it makes you extremely vulnerable to basket malfunction, and could leave you with egg on your face. Concentration risk should be avoided, whether that is in applying dynamic tilts or setting a strategic asset allocation. It may be our champion, but putting too much emphasis on this one saying would be to ignore its own appeal to diversification*. In the pages that follow we dive into each saying in turn to discuss their merits and any theoretical or empirical arguments that back them up.

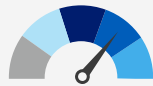
***It should be noted that diversification is no guarantee against a loss in a declining market.**

Maxim	Durability (5)	Reliability (5)	Insight (5)	Total	Podium
Cash is king	4	1	3	8	
Don't put all your eggs in one basket	5	4	5	14	
Time in the market beats timing the market	4	4	5	13	
The trend is your friend	4	4	3	11	
Sell in May and go away	4	2	2	8	
Picking up pennies in front of a steamroller	2	4	4	10	
Buy the rumour, sell the fact	3	4	4	11	
Don't fight the Fed	3	4	4	11	
Be fearful when others are greedy	4	4	4	12	
As safe as houses	3	3	3	9	
Buy low, sell high	4	3	2	9	
You can't eat a relative sandwich	1	3	4	8	



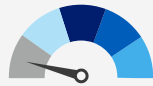
WISE
score:
8

Saying:
Cash is king



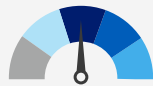
Durability: 4

Close to full marks. The first reference we can find is in 1890, in a self-help book for retailers. It appears as one of 12 wise business maxims alongside such other gems as 'keep everything in its proper place'.¹



Reliability: 1

Over the long run, cash returns have struggled to keep up with inflation. Ibbotson's database² gives an inflation-adjusted return on T-bills of just +70 basis points (bps) per annum over the past 100 years. This is substantially lower than other investable assets (equities, bonds or real estate). There's a reason that 'cash is trash' also circulates!



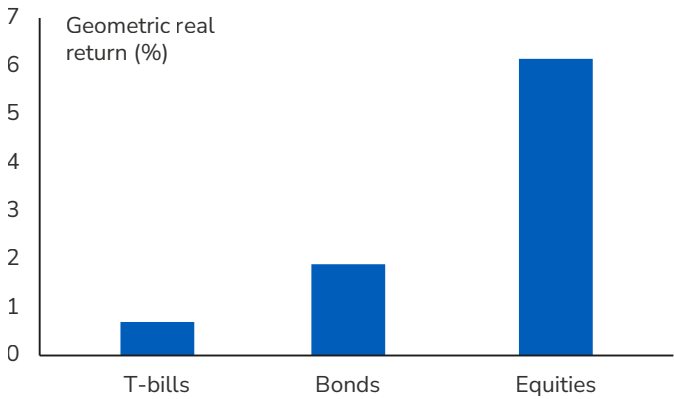
Insight: 3

Cash has an important place in most portfolios. It is useful for meeting unanticipated liquidity needs and, for tactically minded investors who cannot opportunistically leverage their portfolios, cash has an implicit option value. By holding a liquidity buffer, investors can deploy cash when market conditions are favourable.

However, like any option, cash's value is a function of the volatility of the asset you might purchase and the cashflow it throws off relative to the interest rate.

If you believe that high prices on risk assets are indicative of low (or even negative) expected excess returns going forwards then the option value of cash is greatly enhanced, but that's really making a statement about the usefulness of valuation indicators.

The real return on cash, bonds and equities 1926-2024



Source: Ibbotson's "Stocks, Bonds, Bills and Inflation", L&G.
Past performance is not a guide to the future.

1 Mclean (1890), "How to do Business, or the Secret of Success in Retail Merchandising" Jefferson Jackson, Chicago.

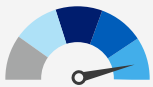
2 First published in 1976, Ibbotson's "Stocks, Bonds, Bills and Inflation" contains monthly returns on a range of asset classes since 1926.



WISE
score:
14

Saying:

Don't put all your eggs
in one basket



Durability: 5

This one can be first attributed to Cervantes in Don Quixote, dating it to 1605. That might be a 10 out of five for durability!

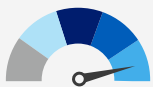


Reliability: 4

The Centre for Research in Securities Prices (affiliated to the University of Chicago) finds that a balanced portfolio of equities, bonds and bills delivers a better Sharpe ratio than a 100% equity portfolio over the past hundred years.³

Diversification⁴ is not a free lunch and only offers limited potential protection in a falling market. But it has the potential to materially lower portfolio risk by reducing vulnerability to single points of failure. That point is illustrated in the chart to the right, which draws on analysis from [a blog we published in 2023](#).

Over a 40-year investment horizon, we estimate that there is a better-than-even chance of suffering a 40% drawdown when invested in developed equities. In a well-diversified global multi-asset portfolio, we think that chance drops to just 5%.

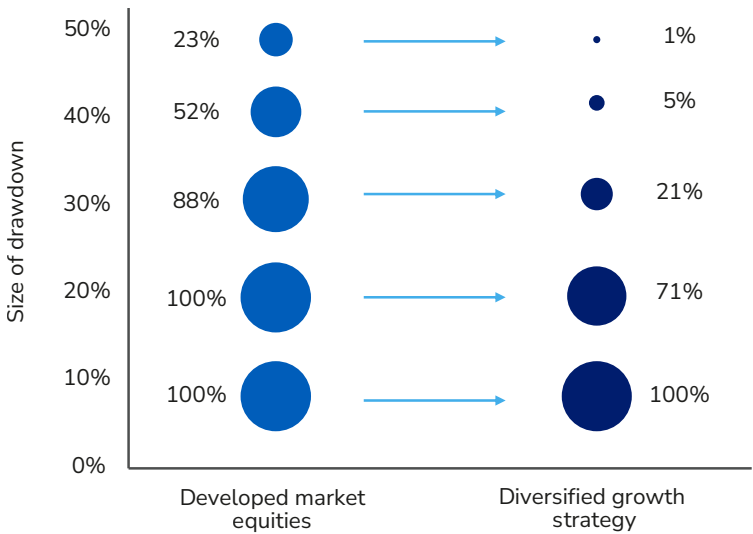


Insight: 5

A concentrated high-beta portfolio can deliver high returns over the long run. However, reliably picking where to concentrate exposure is a high-risk strategy.⁵ US equities have enjoyed strong outperformance over the past decade, but so did Japanese equities in the 1980s and emerging market equities in the 2000s.

Rather than picking the asset which we think is set to outperform over the next decade and taking concentrated risk exposures, we believe investors who diversify (and tilt to reflect their medium-term convictions) can potentially be consistently better rewarded.

Estimated drawdown probability over 40 years



Source: L&G analysis, drawing on research from our blog [“The equity rollercoaster”](#). Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

³ 2025 The Big Picture, Center for Research in Security Prices.

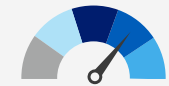
⁴ It should be noted that diversification is no guarantee against a loss in a declining market.

⁵ <https://blog.landg.com/categories/investment-strategy/the-equity-rollercoaster/>

WISE
score:
13

Saying:

Time in the market beats timing the market



Durability: 4

You've probably seen the chart 'What happens if you miss the best 10 days in the market?' It's a compelling and longstanding, often used to argue that staying invested at all times is the only rational strategy.



Reliability: 4

But here's what those charts don't show you: what happens if you avoid the worst 10 days? The gains from sidestepping the worst days can be even more powerful than the losses from missing the best.

The challenge is that the best and worst days tend to cluster – often during periods of heightened volatility. That means it is very difficult, or bordering on unrealistic, to be able to navigate this mix of being exposed to the best days and shielded from the worst.

That's where a more nuanced approach comes in. We wholeheartedly agree that long-term investing has the potential to offer benefits like compounding, reduced emotional decision-making, and participation in long-term market growth.

But that's only half the story. We believe a robust, risk-managed and diversified⁶ strategy can help reduce exposure to the most volatile periods – those very clusters of best and worst days. This doesn't mean trying to perfectly time the market. It means being adaptive.



Insight: 5

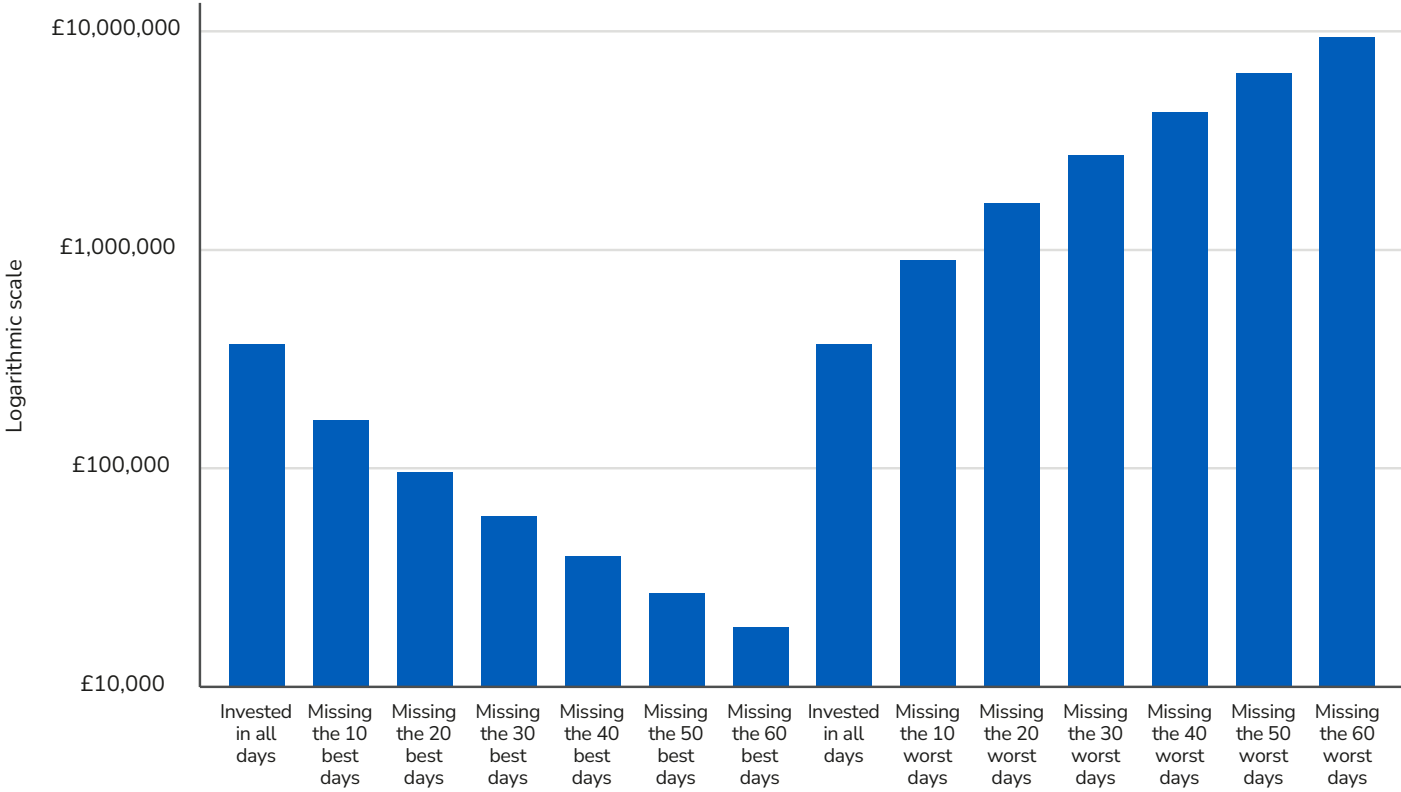
Markets evolve. So should portfolios. That can be by evolving a strategic approach over time to increase diversification, or by taking on a dynamic asset allocation approach. Dynamic approaches allow the portfolio to respond to changing conditions – shifting exposures across asset classes, regions, sectors and themes. These changes shouldn't be driven by emotion, but by a disciplined process focused on long-term outcomes.

Whether it's adjusting UK equity exposure post-Brexit or tilting toward emerging themes like AI, each move is designed to enhance returns or mitigate downside risk.

Time in the market is important, but it's not the whole story. The real power lies in combining long-term discipline with thoughtful adaptability.

As markets change, so should portfolios.

Value of £10,000 invested in the S&P 500 (logarithmic scale)



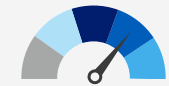
Source: L&G, covering period from 11 September 1989 to 30 June 2025.
The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

⁶ It should be noted that diversification is no guarantee against a loss in a declining market.

WISE
score:
11

Saying:

The trend is your friend



Durability: 4

Just as the Flower Power movement began to lose momentum in the 1970s, trend-following strategies began to flourish. The futures market was blooming with new contracts, and the adage ‘the trend is your friend’ is likely to have become part of the vernacular.

However, trend-following as an investment idea was seeded over a decade earlier by investor Richard Donchian shortly after WWII. Despite its relatively late bloom, similar approaches were used decades beforehand; including by the legendary late-19th to early-20th-century trader Jesse Livermore.

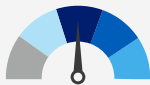


Reliability: 4

Investing for the long term is a philosophy that you will find many investors claim to abide by, but the behaviour of market participants suggests otherwise.

Many times in the past the industry has heard calls for ‘the death of trend-following’ and many investors have ditched the strategy, causing waves of fund closures.⁷ Maybe investors are harnessing a mantra closer to ‘the trend is your friend until the end, when it bends’?

But an interesting paper⁸ written this year covering data back to medieval times shows that the strategy has worked through the ages using medium-term look-back periods. So perhaps the weakness seen over the past decade or so is just a bump in the road on an otherwise successful investment journey.



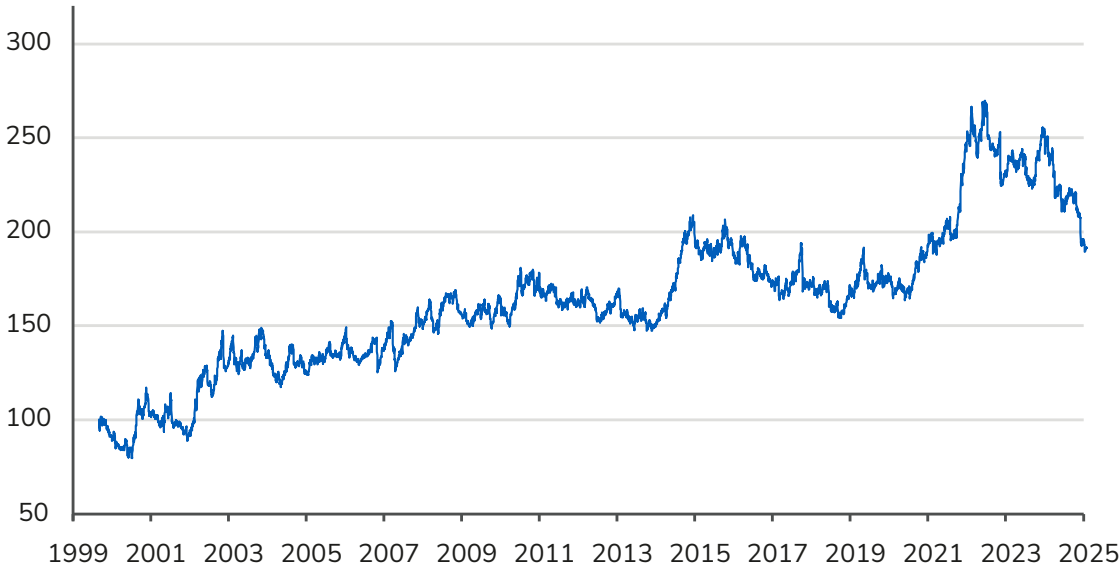
Insight: 3

The proverb is not a winner in and of itself. The aforementioned Jesse Livermore used trend-following (alongside other price-driven strategies) and blew his account up multiple times over his long career.⁹

It is incredibly important to be thoughtful in the implementation of trend as an investment strategy, and there are many design choices that determine the likelihood of success. Some of the important considerations include signal generation, look-back period, diversification, dynamic/static positioning, risk management approaches, and – for the asset-allocator over any serious time horizon – fees.

Our low-cost approach to trend-following couples dynamic medium-term signals with a strong risk management framework and pragmatic diversification*. Despite recent weakness felt across the trend-following industry (ourselves included) we are not yet ready to throw the baby out with the bathwater.

SG Trend Index returns over cash (indicative of trend-following performance)



Source: Bloomberg as at 30 May 2025.
Past performance is not a guide to the future.

***It should be noted that diversification is no guarantee against a loss in a declining market.**

⁷ “[Trend-following hedge funds’ future in doubt](#)”, Financial Times (2014).

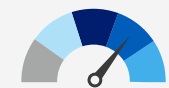
⁸ Safari, S., Schmidhuber, C. “[Trends and Reversion in Financial Markets on Time Scales from Minutes to Decades](#)” (2025).

⁹ Lefevre, E. “[Reminiscences of a Stock Operator](#)”. A roman a clef (1923).



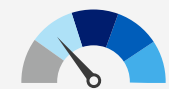
WISE
score:
8

Saying:
Sell in May and go away



Durability: 4

... and come back on St Ledger's Day. Although the first use of this phrase is hard to nail down, the frequently forgotten second half links it to a horse race in Doncaster that started back in 1776. Originating in the City of London, this phrase appears equal parts lifestyle advice and financial advice for investors of the time: better to enjoy the summer in the country than worry about your portfolio!



Reliability: 2

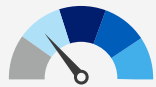
There is some surprising evidence in favour of this seasonal effect – surprising as there is little reason it 'should' work. Several studies¹⁰ have found evidence of lower returns in the summer months.

However, there are a couple of warning signs.

First, the evidence is not pervasive across all markets.

Second, the significance of seasonality in equity markets is a hotly debated topic (e.g. the January effect appears to be relegated to small companies and so largely untradable due to costs).

Third, there is a tendency to move the goalposts. A lot of papers look at returns from May to the end of October, while horse racing aficionados will know St Ledger's Day is typically held in September.



Insight: 2

As hinted at previously, this particular piece of colloquial wisdom lacks a robust foundation. Perhaps there was some logic back in the 18th century. When the wealthy citizens of London headed off to their country estates for the summer it probably did lead to lower liquidity and more difficulty trading.

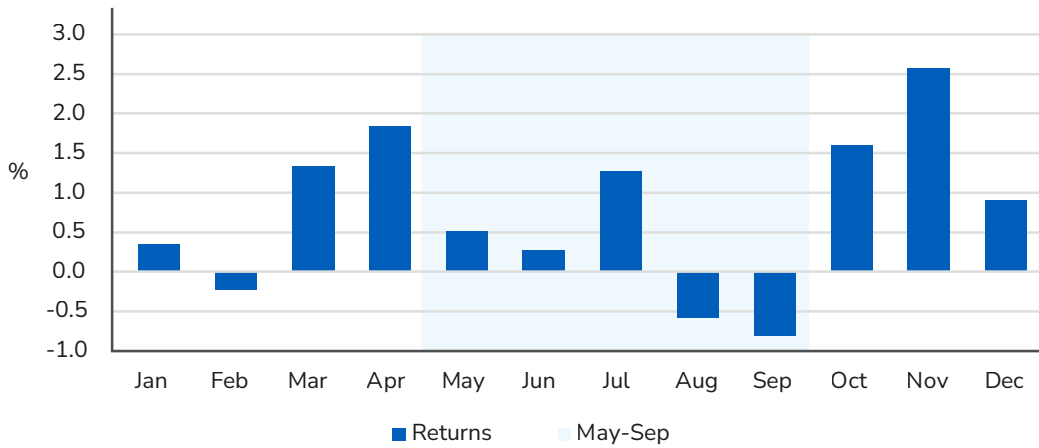
In today's financial markets there are very few assets we would expect to be so reliant on holiday calendars.

More generally, seasonality in financial markets features in several academic studies but is hotly debated. Of course, some commodities show seasonality but that is not necessarily a tradeable anomaly.

There is also a larger debate about the number of different 'anomalies' in finance and whether they replicate or are just a product of data mining by academics and practitioners.¹¹ Seasonality needs to be considered in this light: a possible feature, but one that often lacks a good economic rationale and isn't beyond doubt.

Philosophically, we look for risk premia that are underpinned by behavioural biases and structural inefficiencies.

Does that look seasonal to you?
Average S&P 500 returns by month since 1996



Source: Bloomberg, covering period from 1996-2024.
Past performance is not a guide to the future.

¹⁰ See, for example, Bouman, Sven, and Ben Jacobsen. 2002. [The Halloween Indicator. "Sell in May and Go Away": Another Puzzle](#). American Economic Review 92 (5): 1618–1635. Also, Hou, Kewei and Xue, Chen and Zhang, Lu, Replicating Anomalies (June 12, 2017). [Fisher College of Business Working Paper No. 2017-03-010](#), 28th Annual Conference on Financial Economics and Accounting, Charles A. Dice Center Working Paper No. 2017-10.

¹¹ Jensen, Theis Ingerslev and Kelly, Bryan T. and Pedersen, Lasse Heje, ["Is There a Replication Crisis in Finance?"](#) (January 30, 2021). NYU Stern School of Business.

WISE
score:
10

Saying:

Picking up pennies in front of a steamroller



Durability: 2

Popularised by Nassim Taleb in his 2007 book 'The Black Swan: The Impact of the Highly Improbable', this maxim is relatively new, even if the underling idea itself is not. Taleb himself spoke about the concept as it relates to carry at the start of the century in another of his books, and the distribution has since been named after him.



Reliability: 4

'Carry' is a trade that involves borrowing at a low interest rate and investing in an asset that provides a higher rate of return. As a concept, it can be applied in many asset classes, making generalisation of its performance difficult.

In currencies, empirical evidence¹² suggests that carry works (contradicting the theory behind the covered and uncovered interest rate parity concepts), but that it comes with reasonable correlation to risk markets. In other markets it's less clear.

That said, these comments are made on short back tests of merely 20 years; a warning flag for extrapolation.



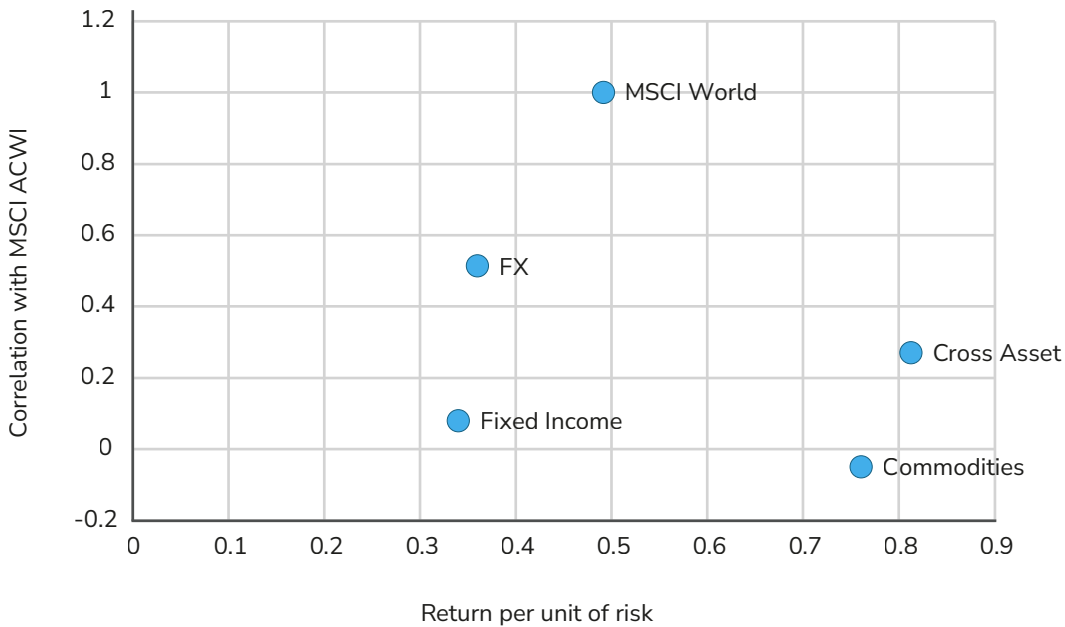
Insight: 4

Making up one of seven of our factors for scoring tactical trades, carry has a relatively prominent role in our process. In systematic risk taking, we tend to pair carry with other factors: in long-term models where valuations play a key role but can take a long time to play out, pairing with carry ensures our ongoing cost of running the strategy isn't overly punitive.

It's what has stopped us buying the yen in recent years, for example. In emerging market FX, where carry can be especially large, we first adjust for inflation differentials then pair it with trend-following and enhanced risk management, designed to cut positions when they start underperforming.

Combined across asset classes, we believe these strategies can provide strong risk-adjusted returns while maintaining relatively low co-behaviour with risk assets.

Bloomberg GSAM Carry indices (total return)



	Cross Asset	Commodities	FX	Fixed Income	MSCI World
Volatility	3%	4%	7%	3%	16%
Returns (ann)	2%	3%	3%	1%	8%
Return/Risk	0.82	0.76	0.36	0.34	0.49
Correlation with MSCI ACWI	0.27	(0.05)	0.51	0.08	1.00

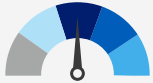
Source: Bloomberg GSAM Carry indices at 31 December 2004 to 31 December 2024.
Past performance is not a guide to the future.

¹² "Carry" by Ralph S. J. Koijen, Tobias J. Moskowitz, Lasse Heje Pedersen, Evert B. Vrugt.

WISE
score:
11

Saying:

Buy the rumour, sell the fact



Durability: 3

Although the first printed version of the phrase dates back to 1977¹³ from Robert B. Feduniak in the Financial World, it echoes the sentiment found in books like 'Reminiscences of a Stock Operator' by Edwin Lefevre, which dates back to 1923: "The Street at once begins to hear all kinds of bullish rumours... Urged by the deluge of bullish news items, the public begins to buy the stock."¹⁴



Reliability: 4

A study¹⁵ conducted for HEC Paris analysed 1,084 rumours covered by the US media and found that, during the days around the rumour coverage, cumulative abnormal returns increased by more than 10% on average.

Following the news publication, cumulative abnormal returns drift slightly downwards for all rumours, although, for true rumours, they remain flat. The majority of financial literature finds supportive evidence for the proverb. The second chart to the right illustrates that the strongest returns have increasingly come from buying ahead of index inclusion announcements, while post-announcement purchases yield diminishing gains, highlighting that acting on the rumour, not the news, is key to capturing value.

However, a study conducted by Harvard¹⁶ reveals heterogeneity in post-news behaviour, critically depending on the extremeness of fundamentals. They find that post-announcement reversal occurs for news with more extreme tail distributions, while routine events, such as earnings releases, register less post-news reversal.

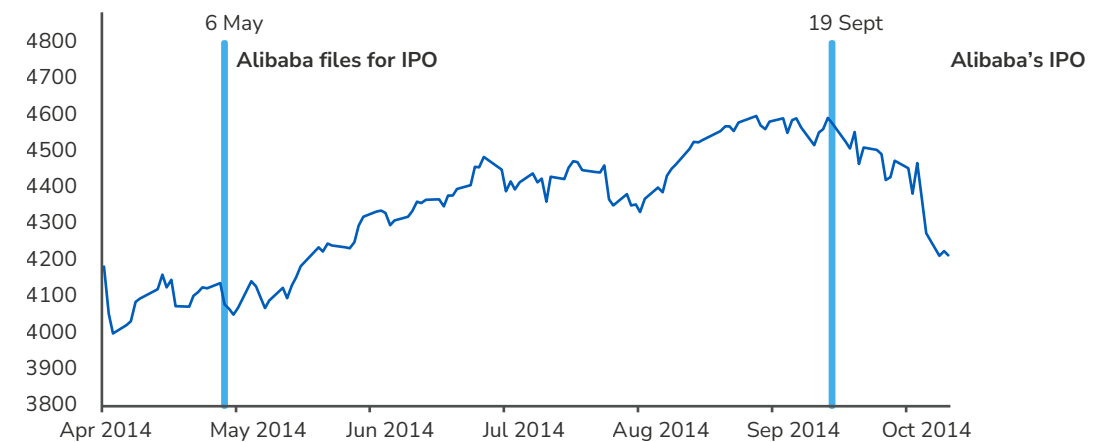
Therefore, this proverb is reliable in many cases, especially those where investors are most likely to rely on the representativeness heuristic, but it does not hold universally.



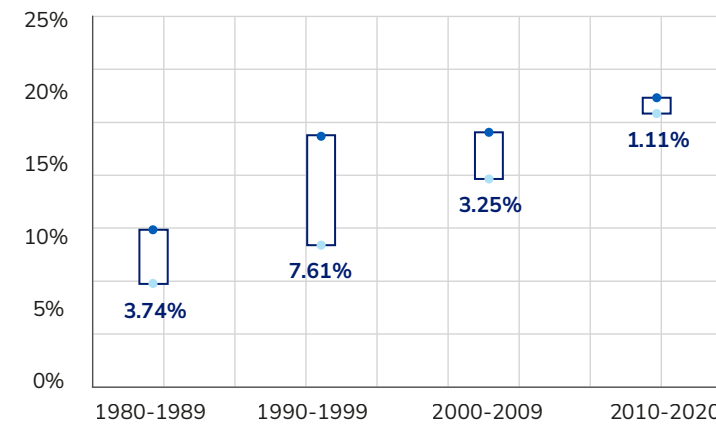
Insight: 4

Information is crucial for guiding resource allocation. The efficient market hypothesis suggests that stock prices reflect all relevant information promptly. Rumours, as a significant form of information, heavily influence investors' expectations, emotions and risk attitudes, playing a key role in asset pricing. Despite being unattributed or unconfirmed, investors often adopt a 'better safe than sorry' attitude, leading markets to act in anticipation of the event's realisation. This happens because 'nowhere does history indulge in repetitions so often or so uniformly as in Wall Street'. Therefore, experienced investors rationally discount the anticipation of the news, predicting that when the news is out, it will be too late to position for profit. More often than not, those who wait until the news is realised do, in fact, miss out. At the same time, however, when rumours are predominantly noise, stock prices can severely deviate from the true value of the asset. Even when rumours are true, studies find that mispricing significantly increases, illustrating the famous statement by Paul Samuelson that "Wall Street indexes predicted nine out of the last five recessions."

Nasdaq Composite Index throughout Alibaba* IPO, USD



Average cumulative pre- and post-announcement abnormal returns for stocks index inclusion



Difference in cumulative returns between 10 days after and 1 day to the news

- Cumulative returns from -100 days to +10 days
- Cumulative returns from -100 days to -1 day

Source: Bloomberg.

***For illustrative purposes only. Reference to a particular security is on a historic basis and does not mean that the security is currently held or will be held within an L&G portfolio. The above information does not constitute a recommendation to buy or sell any security. Past performance is not a guide to the future.**

¹³ "The Dictionary Of Modern Proverbs: Third Supplement" 2020.

¹⁴ Lefevre, E. "Reminiscences of a Stock Operator". A roman a clef (1923).

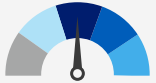
¹⁵ "Stock Market Rumors and Credibility" by Daniel Schmidt (2019).

¹⁶ "Extreme Events and Overreaction to News" by Spencer Yongwook Kwon and Johnny Tang (2023).

WISE
score:
11

Saying:

Don't fight the Fed



Durability: 3

This phrase suggests that investors should align their strategies with the policies of the US Federal Reserve (Fed) rather than opposing them. It was coined in 1970 by Martin Zweig, a finance professor and famed investor, to explain the strong correlation between Fed policy and the direction of the stock market.



Reliability: 4

The idea is that when the Fed's monetary policy is loose, markets tend to move higher, volatility is subdued and investors' risk is limited. Conversely, when the Fed tightens monetary policy, it can lead to market downturns.

It has stood the test of time through various economic fluctuations, proving to be reliable advice for investors since it was coined in 1970.



Insight: 4

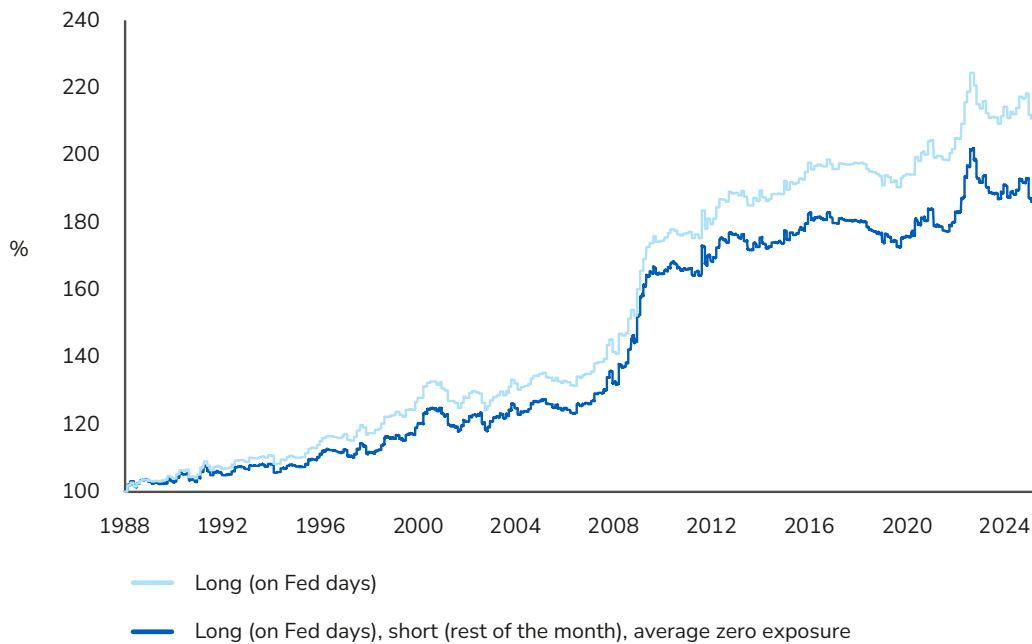
This phenomenon can result in financial markets rallying despite facing economic adversities. Within the Asset Allocation team, we are fully aware of this and incorporate it into our investment process and decision-making.

We also make use of another phenomenon around the Fed, which has been incorporated into a quantitative strategy that we call FedEx: the Fed delivers. FedEx is a long-only US equity strategy. It takes long positions on the days when the Fed meets and announces its monetary policy changes, which occurs approximately eight times a year. The objective is to capture the risk premium embedded in US equities during these specific days.

Historically, days on which monetary policy decisions are made have yielded outsized positive equity returns, as shown in the chart to the right.



FedEx: the Fed delivers



Source: L&G analysis of Bloomberg data covering 4 January 1988 to 30 June 2025.
Past performance is not a guide to the future.

WISE
score:
12

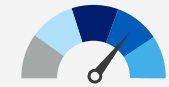
Saying:
**Be fearful when others
are greedy**



Durability: 4

In his 1986 annual shareholder letter, Warren Buffett spoke of ‘super-contagious diseases’. This was some 40 years before COVID-19, though. He was referring instead to the dangers posed to investors by fear and greed, noting his firm’s goal was to be ‘fearful when others are greedy’. He further observed a distinct lack of fear in markets at that point (Q1 1987), some six months before the dramatic Black Monday stock market crash.

Buffett was by no means the first to describe this principle. NM Rothschild (1777-1836) perhaps put it even more poetically during the Napoleonic War: “buy on the sound of cannons, sell on the sound of trumpets”. So this is a saying which has echoed down through history.



Reliability: 4

Backtests abound of sentiment gauges such as the American Association of Individual Investors’ weekly sentiment survey. Twelve weeks of a negative bull-bear spread (more bears than bulls), for example, have seen subsequent one-year forward returns for the S&P in excess of 10%, gaining on 80% of occasions in the sample. Measured differently, Morningstar analysis¹⁷ of ETF performance over the past 15 years suggest the bottom quintile of performers over the last 12 months outperform the top quintile over the next 12 and 24 months, with the signal decaying approaching 36 months. De Bondt and Thaler found similar results in the late 1980s using three- to five-year lookback windows¹⁸.

In other words, we believe that buying those areas shunned by investors can prove profitable. More anecdotally, the immediate and fearful aftermath of the Brexit vote, President Trump’s 2016 election, COVID-19 or the most recent trade worries all potentially presented profitable buying opportunities.



Insight: 4

It’s as a result of these sorts of signals that we spend a lot of time and effort establishing where we think investor confidence is high, and where that confidence might be misplaced.

That said, we do need to be a little careful in its application. The performance of momentum strategies, particularly in the equity space, does pose something of a challenge to this approach. The outperformance of popular trades, such as technology and US equities, has shown an extraordinary persistence in recent years. That’s encouraging us to deploy at least a bit of nuance in our contrarianism, considering the role of flows, passive investment and retail demand in underpinning the performance of popular trades.

Annualised forward returns of ETFs based on recent performance

	Past 12 months	Next 6 months	Next 12 months	Next 24 months	Next 36 months
All	12.8%	14.1%	12.4%	11.6%	12.1%
Bottom quintile	2.1%	14.4%	13.0%	12.0%	11.8%
Top quintile	23.2%	13.8%	11.6%	10.7%	11.9%
Correlation - all*	-	-0.17	-0.33	-0.62	-0.32
Past-12 mo. rtn. reg. coefficient**	-	-0.24	-0.32	-0.35	-0.11

Source: Morningstar, covering period from April 2009 to March 2024.

*Relative to past 12-month return.

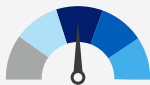
** Significant at 99% confidence level.

Past performance is not a guide to the future.

Assumptions, opinions, and estimates are provided for illustrative purposes only. There is no guarantee that any forecasts made will come to pass.

17 <https://www.morningstar.com/funds/is-contrarian-approach-etf-investing-right-you>

18 “Does the Stock Market Overreact?”, De Bondt & Thaler, The Journal of Finance, Vol 40, No 3 (Jul 1985).



Insight: 3

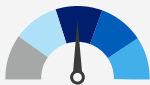
Housing might not be the 'safe' investment the saying suggests, but there's still some wisdom here. Property investments more broadly can be a great addition to a multi-asset portfolio. Having all your wealth tied to one asset leaves an investor vulnerable to changes in the price of this asset, which argues against using housing as the main source of savings.

And if an investor owns their home, filling an investment portfolio with housing risks an excessive concentration in one asset class.

But a global listed or unlisted property allocation may still be a suitable building block when constructing an investment portfolio. Far beyond only housing, global property allocations typically include offices, shops, distribution warehouses, industrial facilities, data centres and self-storage sites.

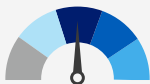
WISE
score:
9

Saying:
As safe as houses



Durability: 3

According to an 1859 Slang Dictionary, this phrase's foundations lie in the bursting of the railway bubble as "people began to turn their attention to the more ancient forms of speculation, which though slow were sure". This is apparently contested, but as we are not etymologists it is good enough for us.



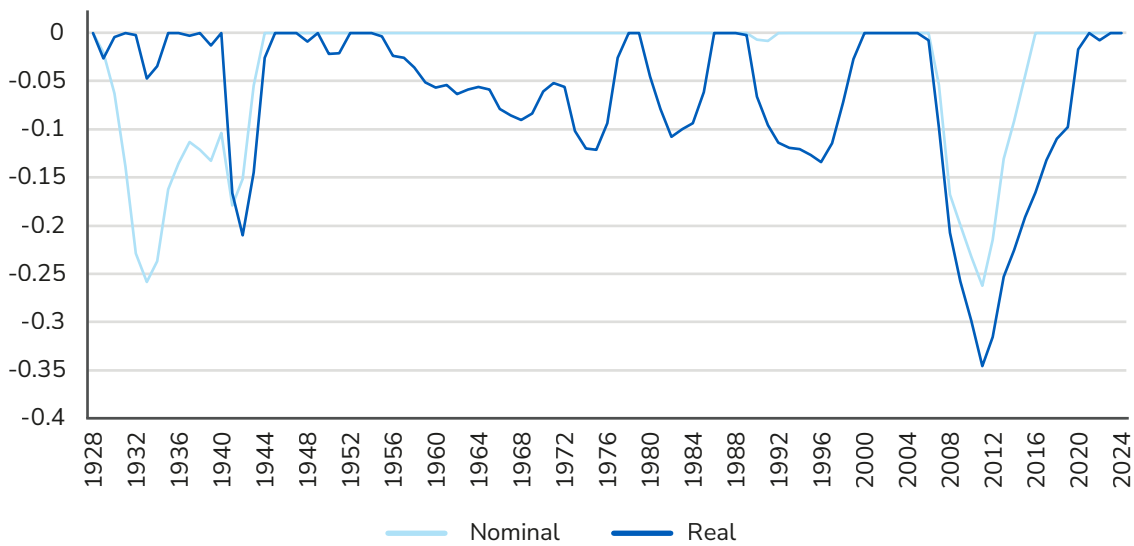
Reliability: 3

Total returns for housing are surprisingly hard to estimate. Those nice house price indices published by statistics agencies rarely account for the small fortune paid to fix that dodgy light fitting or leaky tap. Academic studies show differences of over 2% p.a. even using the same time period and countries.¹⁹

What they do have in common, though, is positive real returns when estimated over long periods. A pretty safe investment then? Maybe not entirely.

Along the way, housing has been subject to a few instances of subsidence (or negative returns in more traditional investing language), particularly when looked at on an inflation-adjusted basis. Don't forget that houses (and private real estate more generally) are infrequently traded and valued, so the day-to-day volatility seems low. But this is an artificial and well-known 'smoothing' effect that can't be relied upon over the long term.

US real estate drawdowns

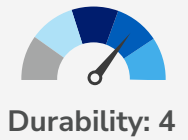


Source: Historical Returns on Stocks, Bonds and Bills: 1928-2024.
Past performance is not a guide to the future.

¹⁹ First published in 1976, Ibbotson's "Stocks, Bonds, Bills and Inflation" contains monthly returns on a range of asset classes since 1926. Chambers, David and Dimson, Elroy and Ilmanen, Antti S. and Rintamäki, Paul, [Long-Run Asset Returns](#) (October 10, 2024). Annual Review of Financial Economics, volume 16, issue 1, 2024.

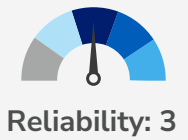
WISE
score:
9

Saying:
Buy low, sell high



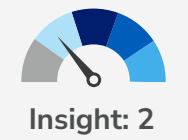
This is one of the oldest adages in investing, but its exact origin is unclear. Versions of the idea likely existed even in ancient times, but it became more common in the 20th century as stock markets and public investing grew.

The phrase is often attributed informally to Benjamin Graham, the father of value investing, although he may not have used those exact words.



The saying is simple, intuitive and, on the face of it, self-evidently wise. But as with many market clichés, its apparent clarity masks a host of practical and conceptual problems.

Back tests of market-timing strategies based only on valuation signals can struggle to generate substantial improvements in risk-adjusted returns. However, in our view, theory and our research show matters can be materially improved if combined with changes in risk (and potentially other signals).



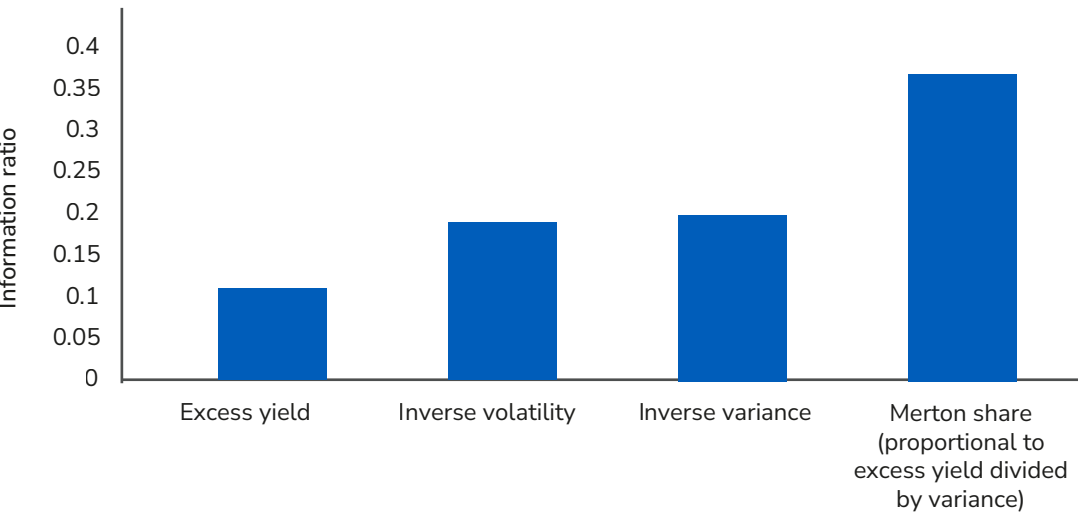
A key challenge is that what counts as ‘low’ or ‘high’ is rarely clear in real time. With hindsight, troughs and peaks look obvious – but only because the future is already known. Investors in the moment face uncertainty. Ex-post, anyone can draw a smooth line through a past return path and declare the turning points obvious. But that’s not analysis; it’s storytelling.

Even when we try to be systematic by looking at valuation metrics, what constitutes ‘cheap’ or ‘expensive’ can evolve. A valuation that once signalled opportunity may become the new normal. And scatter plots of subsequent returns versus starting valuations are statistical minefields that often lead to misinterpretations.²⁰

Finally, when it comes to portfolio construction, it’s easy to forget that expected returns are only half the story. Risk matters just as much. Investors may be surprised how little risk need fall to justify remaining invested despite rich valuations, or how little it need rise to defend holding back.

None of the this is to say valuations aren’t important, or that we shouldn’t attempt any market timing. It simply means that we require a more nuanced approach than the old cliché suggests.²¹

Risk efficiency of tilting strategies after removing market exposure, 1871-2024



Dynamic approach for US equities and cash

Source: Shiller data for US equities, L&G calculations as at 31 December 2024.
Past performance is not a guide to the future.

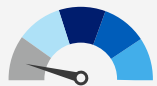
20 <https://blog.landg.com/categories/investment-strategy/equity-valuations-uncovered-part-2-valuation-regressions--handle-with-care/>

21 [ibid.](#)

WISE
score:
8

Saying:

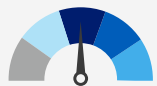
You can't eat a relative sandwich



Durability: 1

A low score compared with the others; there's seemingly no reference to relative sandwiches in Don Quixote. Though to be fair, sandwiches as we know them today wouldn't be invented for another 150 years.

Still, the real meat of the issue lies in the limitations of focusing on performance relative to benchmarks, rather than on client outcomes – a theme that gained traction in the wake of the global financial crisis.

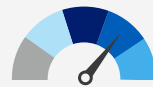


Reliability: 3

Investors are increasingly opting for managers that provide investment solutions to manage the overall asset allocation²² to benefit from more cohesive risk management and alignment with long-term investment objectives.²³

Constructing multi-asset portfolios with active asset allocation to deliver good long-term client outcomes is our bread and butter.

However, we do have some clients with a preference for a greater exposure to active managers for individual building blocks. The use of active managers in these funds follows a disciplined process, to ensure that we aim to use best-in-class active managers but also that the blend of active managers continues to be consistent with our broader asset allocation view.

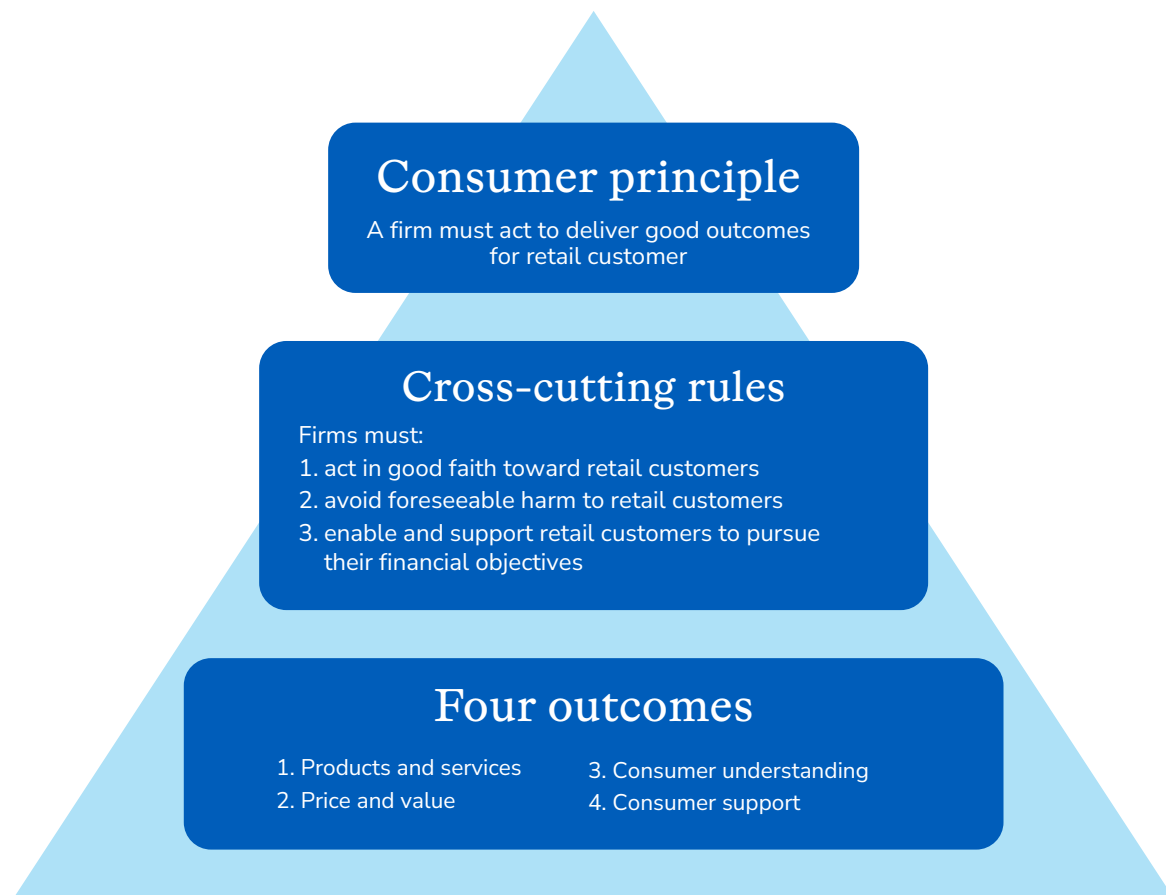


Insight: 4

Focusing on client outcomes is fundamental to the FCA's Consumer Duty. The principle that firms "must act to deliver good outcomes for retail clients" reinforces the tenet that client outcomes should be the core ingredient of what managers offer, rather than seeking a small slice of outperformance of a benchmark.

When it comes to multi-asset portfolios, too much focus on performance relative to a benchmark, such as market-cap equities, could lead to portfolios that are not well diversified and so perform badly in some market environments. As a team, we have a firm belief in the principles of diversification and active asset allocation. We spread our investments across multiple asset classes, resulting in more diversified portfolios that aim to achieve better client outcomes over a broad range of potential scenarios.

The FCA's focus on client outcomes



Source: FCA.

²² "Investment Management in the UK, 2023-2024", The Investment Association.

²³ Asset allocation is subject to change. The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

Contact us:

For further information about the Asset Management business of L&G, please visit am.landg.com or contact your usual L&G representative.



Key risk

The value of an investment and any income taken from it is not guaranteed and can go down as well as up, and the investor may get back less than the original amount invested.

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