OYAT
ADVISORS

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Gold and bonds as part of a balanced portfolio – A Swiss franc perspective on the 1971–2025 period

Executive summary

Exploring data from 1971 to 2025, this analysis considers what allocation of equities, bonds and gold delivered the best risk-adjusted outcome from the perspective of a Swiss franc investor. Fifty-five years of data suggest the following:

- Alongside equities, an allocation of about 25–35% to gold delivered the best risk-adjusted outcome, while cutting the worst drawdown by about 40%.
- Swiss bonds reduced volatility, but at a cost in returns: they earned 4.0% a year historically, against 7.5% for equities and 5.7% for gold, and today's yield of about 0.5% points to even less going forward.
- Combining all three assets, about 15–25% in gold proved optimal for almost any mix of equities and bonds: how much to hold in equities versus bonds is a matter of appetite for volatility, but the allocation to gold much less so.
- Gold and bonds complemented each other: bonds proved the steadier cushion in most years in which equities fell, gold the stronger one in inflationary crises such as 1973–74 and 2022.
- Neither asset could be timed using macroeconomic signals; allocations were best held at target and rebalanced periodically.
- Hedging foreign equities into francs reduced gold's optimal allocation only marginally (to about 31%), whereas excluding gold's repricing in the early 1970s reduced it more significantly (to about 20%).

For generations of investors, bonds have been the default complement to equities. The classic 60/40 portfolio – 60% in equities, 40% in bonds – remains the benchmark against which most balanced portfolios are measured. Gold, by contrast, remains an afterthought for most: according to research by the World Gold Council, privately held gold represents about 3% of global financial assets, and more than two-thirds of family offices report no gold exposure at all. Swiss households hold even less: about 1% of their financial assets, according to research by Incrementum. The question 'how much gold might one own?' remains a polarizing one, with answers typically ranging from 'none at all, it doesn't produce anything' to 'as much as possible, the fiat system is doomed'. As long-term owners of physical gold ourselves, we certainly have a view on the matter, and thought it worthwhile to put it to the test empirically.

To do so, we considered a typical Swiss investor and studied how a portfolio combining equities, gold and bonds would have fared between 1971 and 2025, measured in Swiss francs[1]. For each combination of assets, we asked three simple questions: what allocation delivered the best risk-adjusted outcome, what allocation maximized returns, and how much confidence can one place in the answers?

Why the Swiss franc perspective matters

The starting point is quite sobering. Since 1971, the U.S. dollar has lost about 3% a year against the franc, falling from CHF 4.31 to about CHF 0.82 today. Since gold is priced in dollars, it returned only 5.7% a year in franc terms, against 9.0% in dollar terms. Global equities, as measured by the MSCI World index, suffered the same fate, returning 7.0% a year in francs against 10.3% in dollars. Yet, as we will see, gold earned its place in a Swiss portfolio all the same.

Gold alongside equities

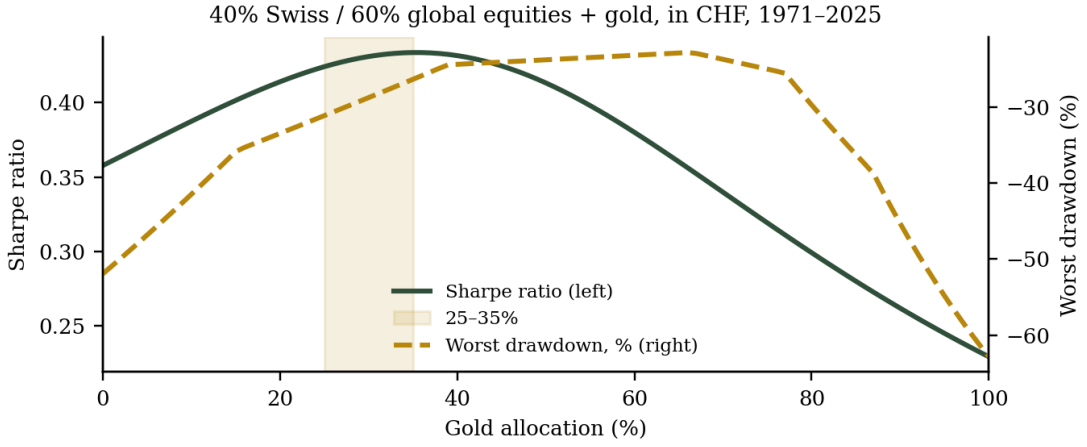
We assume that a typical Swiss investor holds 40% of their equities in Swiss stocks and 60% in global stocks – in line with recent research by UBS – and that the exposure to non-Swiss stocks is unhedged, as is often the case for private investors.

Over 1971–2025, this typical Swiss equity portfolio compounded at 7.5% a year in francs, with a volatility of 19%. Adding gold, up to a point, cost nothing in terms of returns – in fact, returns rose slightly – while volatility and drawdowns fell substantially: with 25% in gold, volatility declined from 19% to 15%, and the worst drawdown (based on annual data) shrank from −52% to −31%. The Sharpe ratio, which measures the excess return earned per unit of volatility[2], peaked at an allocation of about 35%, but it was remarkably flat anywhere between roughly 20% and 50%[3].

GOLD ALLOCATION	ANNUAL RETURN	VOLATILITY	SHARPE RATIO	WORST DRAWDOWN
0%	7.5%	19.1%	0.36	−51.9%
10%	7.7%	17.2%	0.39	−41.5%
20%	7.8%	15.8%	0.41	−33.5%
25%	7.9%	15.2%	0.42	−31.2%
30%	7.9%	14.8%	0.43	−28.8%
40%	7.8%	14.4%	0.43	−24.4%
50%	7.6%	14.7%	0.41	−23.8%

Oyat, based on Pictet, MSCI and Damodaran (NYU Stern); 40% Swiss / 60% global equities (unhedged) and gold, in CHF, rebalanced annually, 1971–2025; drawdowns based on annual data

Why has this combination worked so well? Gold priced in francs has had a low correlation with equities over the full period, although it has varied widely over time. It has also tended to offset currency losses on foreign holdings: when the dollar weakens, gold's dollar price tends to rise. For investors who hedge their foreign equities into francs, gold therefore had somewhat less work to do.



Oyat, based on Pictet, MSCI and Damodaran (NYU Stern)

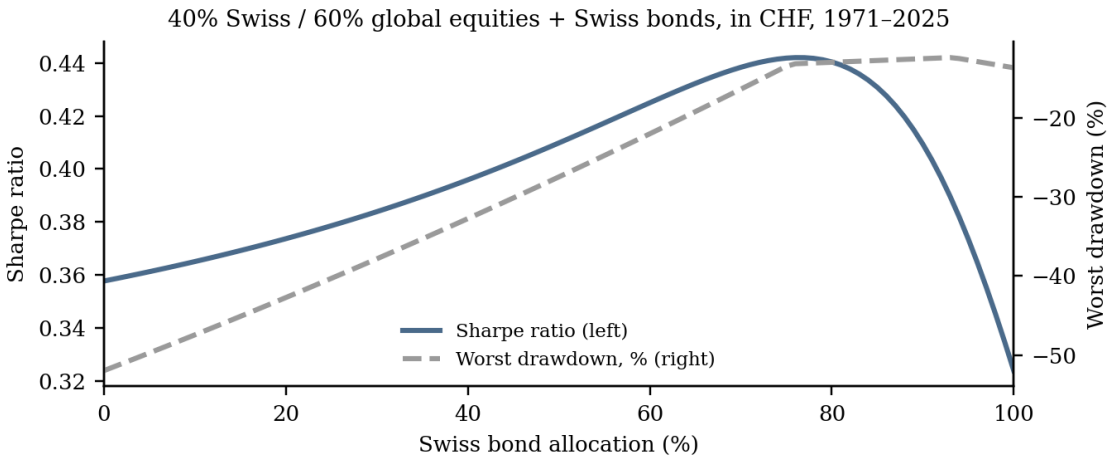
Two caveats are in order. First, the result depends on the starting point: in the years that followed the end of the dollar's convertibility into gold in 1971, gold's price roughly tripled in franc terms, and excluding those years lowers the optimal allocation to about 20%. Second, gold has not been a smooth ride: its returns have come in long, rare bursts, separated by long dry spells – most painfully from 1980 to 2001. Unlike bonds, gold also offers no yield to anchor expectations about its future returns, and after its strong run in 2024–25, its price is high by historical standards. To our minds, this argues for discipline in building an allocation, rather than against holding one.

Bonds alongside equities

Swiss bonds were remarkably stable, with a volatility of only 5% a year, but they also returned just 4.0% a year. Their low volatility dominates any purely mathematical optimization – the best risk-adjusted outcome of a portfolio of equities and Swiss bonds was achieved with about three-quarters in bonds[4] – but such a portfolio would have earned barely 5% a year, and it relies on bond returns that today's Swiss 10-year yield of about 0.5% simply cannot deliver.

BOND ALLOCATION	ANNUAL RETURN	VOLATILITY	SHARPE RATIO	WORST DRAWDOWN
0%	7.5%	19.1%	0.36	−51.9%
10%	7.3%	17.3%	0.37	−47.4%
20%	7.1%	15.5%	0.37	−42.7%
25%	7.0%	14.6%	0.38	−40.3%
30%	6.9%	13.7%	0.38	−37.8%
40%	6.6%	12.0%	0.40	−32.7%
50%	6.2%	10.3%	0.41	−27.5%
100%	4.0%	5.1%	0.32	−13.7%

Oyat, based on Pictet, MSCI and Damodaran (NYU Stern); 40% Swiss / 60% global equities (unhedged) and Swiss bonds, in CHF, rebalanced annually, 1971–2025; drawdowns based on annual data



Oyat, based on Pictet, MSCI and Damodaran (NYU Stern)

In other words, bonds have mainly acted as a dial: the more one holds, the lower both volatility and return. How far to turn that dial is first and foremost a question of one's tolerance for volatility and drawdowns.

Combining gold and bonds in a balanced portfolio

As one might expect, the mathematically best mix of the three assets, left entirely unconstrained, is heavily tilted toward bonds. This is a low-volatility artifact: Swiss bonds' very low historical volatility pulls a Sharpe-ratio optimization toward a bond-heavy portfolio. However, this comes at a significant opportunity cost in terms of return, as shown earlier. It is therefore far from a practical recommendation; a more useful view is the best mix of gold and bonds for a given minimum equity share.

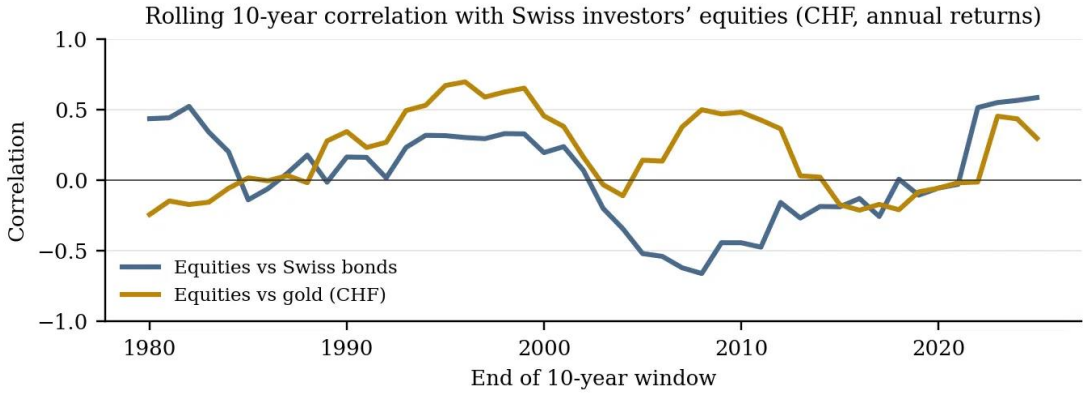
MINIMUM EQUITY SHARE	BEST MIX (EQUITIES / BONDS / GOLD)	RETURN	VOLATILITY	SHARPE RATIO	WORST DRAWDOWN
20%	20 / 65 / 15	5.6%	6.1%	0.53	−10.9%
30%	30 / 55 / 15	6.0%	7.3%	0.51	−11.4%
40%	40 / 40 / 20	6.6%	9.1%	0.49	−14.4%
50%	50 / 30 / 20	6.9%	10.7%	0.47	−17.4%
60%	60 / 15 / 25	7.4%	12.7%	0.45	−23.2%
70%	70 / 5 / 25	7.7%	14.4%	0.43	−28.5%
80%	80 / 0 / 20	7.8%	15.8%	0.41	−33.5%
90%	90 / 0 / 10	7.7%	17.2%	0.39	−41.5%
100%	100 / 0 / 0	7.5%	19.1%	0.36	−51.9%

Oyat, based on Pictet, MSCI and Damodaran (NYU Stern); 40% Swiss / 60% global equities (unhedged), Swiss bonds and gold, in CHF, rebalanced annually, 1971–2025; drawdowns based on annual data

Allowing all three assets to vary, gold's share was remarkably steady across two very different objectives. The mix with the best Sharpe ratio (0.53) held about 15% in gold, alongside 20% in equities and 65% in bonds, but earned only 5.6% a year. The mix with the highest return (7.9% a year) held about 25% in gold, alongside 75% in equities and no bonds at all, since Swiss bonds returned less than gold (4.0% vs 5.7% a year)[5]. And as the above table shows, between these two extremes gold stayed between 15–25% at almost every equity share, while bonds served as the main dial for adjusting volatility and return.

A relationship that changes

The diversification benefits of gold and bonds depend almost entirely on their correlation with equities, and these correlations are anything but stable. For rolling ten-year periods ending between the early 2000s and the mid-2010s, Swiss bonds proved a good hedge, with a clearly negative correlation with equities – an exceptional period that largely shaped today's conventional wisdom about the 60/40 portfolio. Since inflation returned in 2021–22, however, the correlation has jumped back to over +0.50, its highest level in our data. Gold's correlation with equities has also risen, although somewhat less so.



Oyat, based on Pictet, MSCI and Damodaran (NYU Stern)

To sum up

Fifty-five years of data suggest that, for a Swiss franc investor holding a typical mix of Swiss and global equities, gold has earned its place in a portfolio. Alongside equities, an allocation of about 25–35% would have improved risk-adjusted returns at no cost in returns, while cutting the worst drawdown by more than a third.

Allowing all three assets to vary, gold's share was remarkably steady – about 15% in the mix with the best Sharpe ratio and 25% in the mix with the highest return – with bonds serving as the main dial for adjusting volatility and return.

These results are sensitive to the inclusion of the early 1970s – excluding them lowers gold's optimal allocation to about 20% – and neither asset could be timed: what mattered was how much to hold, and the discipline to rebalance, either annually or whenever allocations drift meaningfully from target.

We have measured risk here by volatility and drawdowns, but volatility is not the same as risk, properly defined as the permanent impairment of capital. Seen in that light, gold's role as a store of value with no counterparty risk – rather than its effect on short-term portfolio fluctuations – may well be one of its most important contributions.

With very low Swiss bond yields currently, the 2022 inflation shock having shown that bonds and equities can fall together, and Swiss households holding less than 1% of their financial assets in gold, we suspect that many Swiss investors would benefit from taking a closer look at how they diversify the equity risk of their portfolios – a conclusion largely shared by a recent study published by the University of Zürich.

Notes

[1] Swiss equity and bond returns are nominal total returns in Swiss francs from Pictet Wealth Management's study of the long-term performance of Swiss equities and bonds (based on the Swiss Performance Index since 1992; for bonds, the Pictet Bond index until 2003 and the Swiss Bond AAA–BBB Total Return index thereafter). Global equities are represented by the MSCI World index (gross total returns in U.S. dollars; figures for 1999–2025 checked against MSCI and LSEG data, figures before 1986 backtested by MSCI), and gold by Damodaran's gold returns (NYU Stern); both are converted into francs using Federal Reserve exchange rates. Hedged returns add the difference between Swiss and U.S. short-term interest rates. OECD 3-month Swiss franc interest rates (via FRED) serve as the risk-free rate, with a 4% placeholder for 1971–73. Portfolios, including the mix of Swiss and global equities, are rebalanced annually unless stated otherwise; taxes are not modeled. The Swiss 10-year yield and the dollar-franc exchange rate refer to 21 October 2026.

[2] The Sharpe ratio is the return in excess of the risk-free rate divided by volatility. Figures depend on the period and on the frequency of the data used, and are only directly comparable within the same table or test.

[3] Across our robustness tests, the optimal allocation to gold generally fell between about 20% and 40%, and was lower only when the early 1970s were excluded. Resampling history in three-year blocks (3,000 alternative histories) gives a median optimal allocation of 35%, with half of all outcomes between 22% and 48%. Keeping 1971 as the start year and varying the end year between 1990 and 2025 gives 18–38%, and an investor re-estimating the allocation each year from 1991, using only the data available at the time, would have held 18–38% in gold and improved on equities alone. The results are similar for other equity mixes: 38% for Swiss equities only, 35% for a 50/50 mix, and 35% using the S&P 500 instead of the MSCI World index for global equities.

[4] About 76% with unhedged global equities and 68% with hedged ones. The best allocation to bonds also varied considerably depending on the period considered.

[5] With hedged foreign equities, gold's share was 15% in both mixes: 25 / 60 / 15 for the best Sharpe ratio (0.57) and 85 / 0 / 15 for the highest return (8.5% a year). For a given equity share, maximizing return would put the entire non-equity part into gold (for instance 40% in a portfolio holding 60% in equities), since gold out-earned Swiss bonds; the table therefore shows the mix with the best Sharpe ratio at each equity share. Combinations were tested in 5% steps. Resampling history in three-year blocks gives a median best mix of 15 / 70 / 15, with gold between 10% and 20% in half of all outcomes; starting in 1975, the best mix becomes 25 / 65 / 10.

Disclosure:

We have a beneficial long position in physical gold.

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