ETFs for Market Downturns

How to Stay Resilient in Volatile Times.

justETF

Preamble

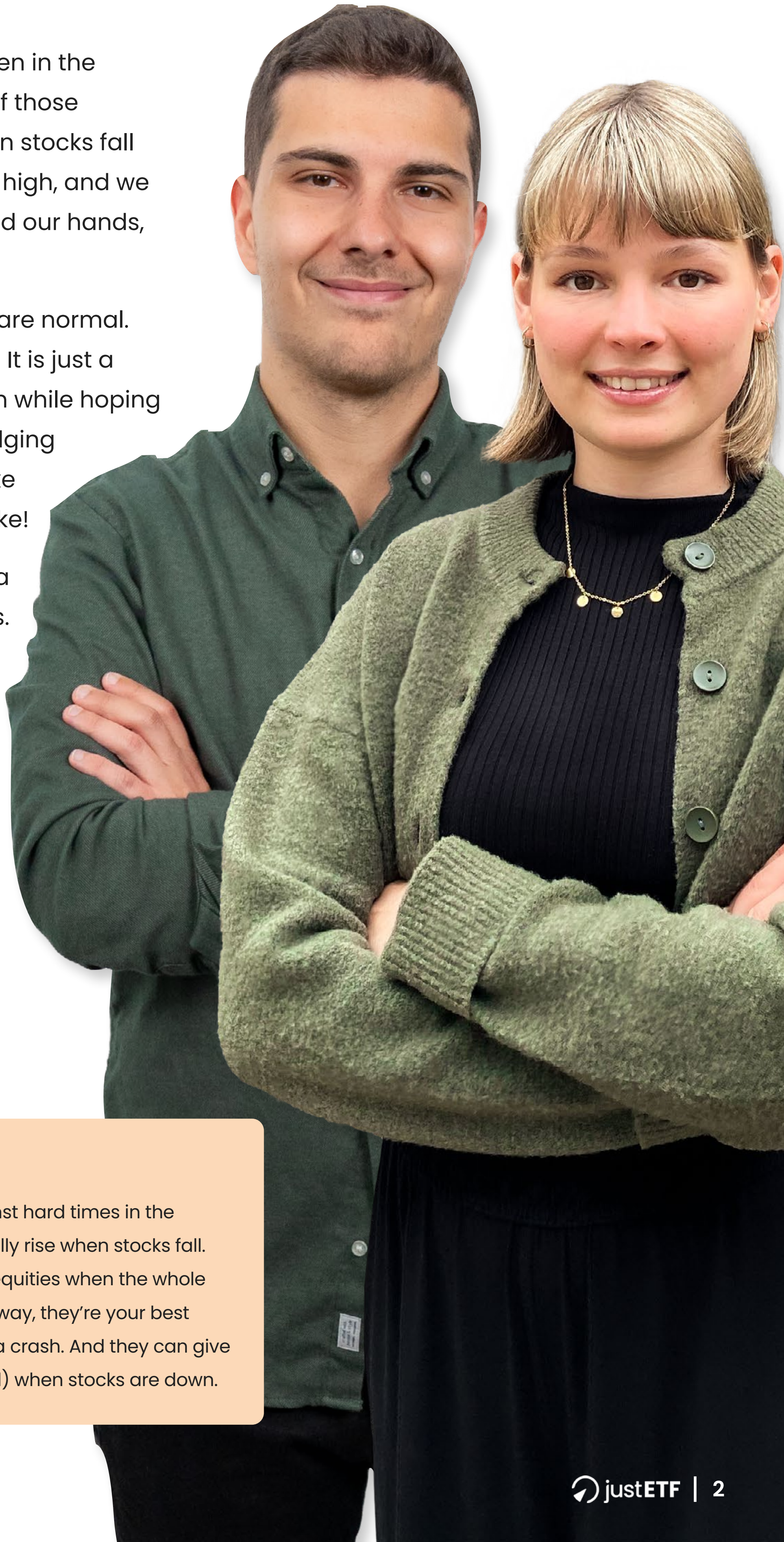
The first half year of 2025 has been in the clutches of a bear market. One of those recurring periods of decline, when stocks fall 20 % or more from their previous high, and we peek at our portfolios from behind our hands, as if watching a scary movie.

Granted, stock market reversals are normal. Indeed, they go with the territory. It is just a fact that you cannot grow wealth while hoping to avoid downturns like a kid dodging raindrops. But that does not make the portfolio hits any easier to take!

What does make them easier is a protective layer of defensive ETFs. The question is which defensive ETFs work best?

We have looked at the seven most recent bear markets and corrections to find out and put the best asset classes to the test. The answer may surprise one.

– Kia & Charlene



Defensive ETFs

These are the ETFs that diversify you against hard times in the stock market. They hold assets that typically rise when stocks fall. Or at least they don't fall as far as global equities when the whole world is going to hell in a handcart. Either way, they're your best chance of cushioning your portfolio from a crash. And they can give you a cause to cheer (or something to sell) when stocks are down.

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Part 01

Strengths and Weaknesses of the best defensive asset classes

This analysis focuses on the principal asset classes that play a central role in the strategic asset allocation of both private and institutional investors. All figures are in euros. The scope is deliberately confined to those asset classes that are readily accessible through organized capital markets in a transparent and cost-efficient manner, particularly by means of exchange-traded funds (ETFs). In contrast, off-market investment vehicles, such as private equity, are explicitly excluded from consideration. Please note that we are discussing alternatives to shares here. The MSCI World should therefore only be viewed as a benchmark and is not itself part of the ranking. First, here is our line-up of defensive ETF candidates:

Defensive asset class	Strengths	Weaknesses
Gold Volatility ●●●	• Can perform in a wide range of adverse conditions.	• Highly volatile. • Lower long-term expected returns than stocks.
Money market Volatility ●●●	• Lowest volatility defensive asset.	• Low long-term expected returns. • Low volatility limits upside during a crisis.
Long government bonds - EUR Volatility ●●●	• Flight to quality: long duration expected to be an advantage during demand-shock recessions.	• Highly volatile. • Highly vulnerable to unexpected inflation and steep interest rate rises.
Intermediate government bonds - EUR Volatility ●●●	• Flight to quality: medium duration, expected to be a moderate advantage during demand-shock recessions.	• Vulnerable to unexpected inflation and steep interest rate rises.
Intermediate US government bonds - unhedged Volatility ●●●	• Flight to quality +1. US bonds are traditionally viewed as a safe haven during a crisis. • Euro investors also benefit from the rise in the dollar during periods of global turmoil.	• Suffers when the dollar declines against the Euro. • Currency risk can negate flight to quality benefits if the dollar sells off during a crisis. • Vulnerable to unexpected inflation and steep interest rate rises.
Intermediate global government bonds - hedged* Volatility ●●●	• Flight to quality: diversified across developed markets. • EUR hedge nullifies currency risk.	• Vulnerable to unexpected inflation and steep interest rate rises.
Corporate bonds - EUR Volatility ●●●	• Higher yields compared to government bonds.	• Credit risk. • Vulnerable to unexpected inflation and steep interest rate rises.

*A global government bond ETF was not available in 2007, so this asset class does not feature in the Global Financial Crisis (GFC) comparison.

In the line-up, but possibly shouldn't be

While some people like corporate bonds because their yields are higher than their government debt cousins, high yields do not indicate sound defensive attributes.

High-quality government bonds are a useful defensive asset because their issuing country's finances are strong and they are thought exceptionally unlikely to default.

But even mega cap firms are more vulnerable to insolvency than countries. Especially as companies can't print money to pay their creditors in the last resort.

Thus, corporate bonds offer higher yields than government bonds (govies) because they are fundamentally a riskier asset. For that reason, they do not enjoy the flight-to-quality boost that powers government bonds through a crisis.

Still, corporate bonds are included in this analysis all the same because the thesis is tested in real-world conditions.

Not in the line-up

Short government bonds: A low yield, low volatility asset that performs similarly to money market ETFs. A fair assumption is that short maturity government bonds will do slightly better than money market products during demand-shocks, and slightly worse during inflationary shocks.

Commodities: Often the best defence against high inflation and supply-shock scenarios. Commodities outperformed all other assets in the line-up when post-Covid inflation wreaked havoc. But they performed the worst during the other crisis that are being looked at. That is because commodities suffered a 13-year bear market from 2008 to 2020. Now, any asset can endure a dreadful run like that, yet it is also fair to say that commodities are extremely volatile, and generally do not perform well during demand-shock recessions.

Index-linked government bonds: They were better than equivalent nominal bond ETFs during the recent inflationary shock but underperformed investor expectations. It would not be expected that they outperform nominal bonds during the other slumps considered in the following chapters.

Gold

Intermediate US government bonds - unhedged

Money Market

Corporate bonds - EUR

Long government Bonds - EUR

Intermediate government bonds - EUR

Intermediate global government bonds - hedged

Short government bonds

Commodities

Index-linked government bonds

Part 02

The two phases of a crash

The goal of choosing defensive assets is to have assets that perform better than equities under the two following conditions.

1. Peak of crisis

During the peak of a crisis, equities, usually show a low performance and are no fun to watch when people check their portfolios or want to make a sale.

Therefore, at least one defensive position in the portfolio should exist to relieve the pressure, by performing when stock losses are gravest.

2. Road to recovery

A financial crisis can only ever be clearly identified in hindsight. Historical data illustrates how equity markets eventually recover from their lowest points, often surpassing previous highs. From today's perspective, such developments may appear inevitable.

However, investors who experienced those periods in real time faced significant uncertainty regarding the duration and severity of each downturn. Some of the most severe market crashes have been marked by repeated bear market rallies—temporary recoveries in equity prices followed by further declines.

Approach to Evaluating Defensive Asset Classes

In such volatile environments, it is essential to include defensive asset classes that preserve capital and provide stability until a sustained recovery has taken hold. Incorporating these assets into a portfolio can help prevent the need to liquidate equity positions during unfavourable market conditions.

To identify reliable options, this analysis evaluates the performance of various asset classes under two key conditions experienced during every crisis: the peak of market stress and the subsequent recovery phase.

The resulting data will serve as the foundation for investors for selecting a robust set of defensive components for portfolio construction.

Before evaluating the overall performance of defensive asset classes, it is important to review how major market downturns have affected different types of assets over time.

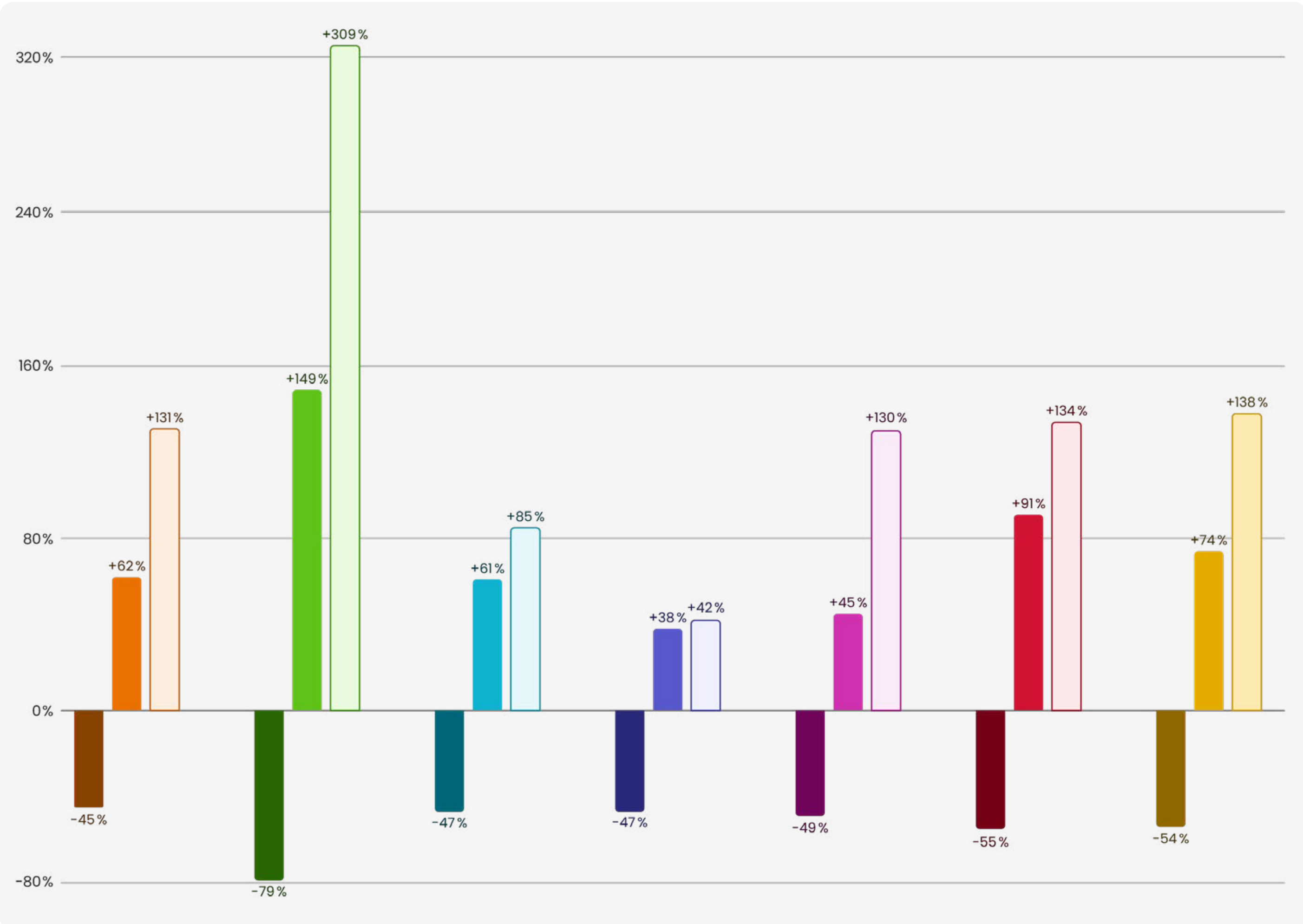
By analysing historical crises in chronological order—starting with the earliest—we can observe how the asset classes responded during periods of extreme stress and subsequent recovery. This perspective provides a meaningful foundation for identifying which asset classes have consistently offered resilience in times of crisis.

Part 03

Overview of historical market crashes

Before turning to the various crises of recent years, it is instructive to first consider earlier episodes of financial turmoil, situated in a period when exchange-traded funds (ETFs) did not yet play a significant role in the portfolios of most investors.

	Region	Start date	Low point Date	Duration until low point	Maximum drawdown	Compound return 24 months from low point	Compound return 60 months from low point
World War I	USA	Nov. 1916	Aug. 1920	3.8 years	-45 %	+62 %	+131 %
Great Depression	USA	Aug. 1929	Jun. 1932	2.8 years	-79 %	+149 %	+309 %
World War II	USA	Feb. 1937	Apr. 1942	5.2 years	-47 %	+61 %	+85 %
Oil Crisis	Global	Mar. 1973	Dec. 1974	1.8 years	-47 %	+38 %	+42 %
Dotcom Crash	Global	Apr. 2000	Sep. 2002	2.4 years	-49 %	+45 %	+130 %
Great financial crisis	Global	Nov. 2007	Feb. 2009	1.2 years	-55 %	+91 %	+134 %
Ø of all crashes[1]	–	–	–	**2.9 years**	**-54 %**	**+74 %**	**+138 %**



Part 04

Global financial crisis 2007–2008

In 2008, the investment bank Lehman Brothers filed for bankruptcy, marking a pivotal moment in the global financial crisis[2]. Nevertheless, the US subprime mortgage crisis had already begun to unfold well before this event and continued to exert significant influence on financial markets for several months thereafter.

The global financial crisis from 2007 and 2008 represents a significant market decline and stands out as the most pronounced downturn in the comparison. Nonetheless, historical data shows that even after severe losses, equity markets eventually recover. In the interim, defensive exchange-traded funds can help stabilise portfolio performance and mitigate the impact of volatility.

The best and worst performers during a selected period of time can be identified by selecting the relevant ETFs in the justETF search, choosing the "Compare selection in detail" option, and viewing the results in the bar chart format. The chart illustrates the cumulative returns of the selected ETFs from the beginning of the downturn to the trough.

Source: justETF ETF search, period under review: 15/06/2007-13/03/2013. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Gold
2. Intermediate US government bonds - unhedged

ETF-Losers during Peak Crisis:

1. Corporate bonds - EUR
2. Money Market

Although gold and US government bonds demonstrated the strongest performance during the last three major market downturns, it is worth noting that similar underlying conditions prevailed across these periods. As a result, investor preferences remained largely consistent in their allocation to these particular asset classes.

However, the repeated outperformance of gold and treasuries during this specific era should not overshadow the potential strengths of other defensive assets. Under different market conditions, alternative defensives may prove more effective. That said, corporate bonds performed in line with prior expectations, while money market ETFs demonstrated a more limited role during periods of acute market stress compared to other defensive asset classes.

Road to Recovery

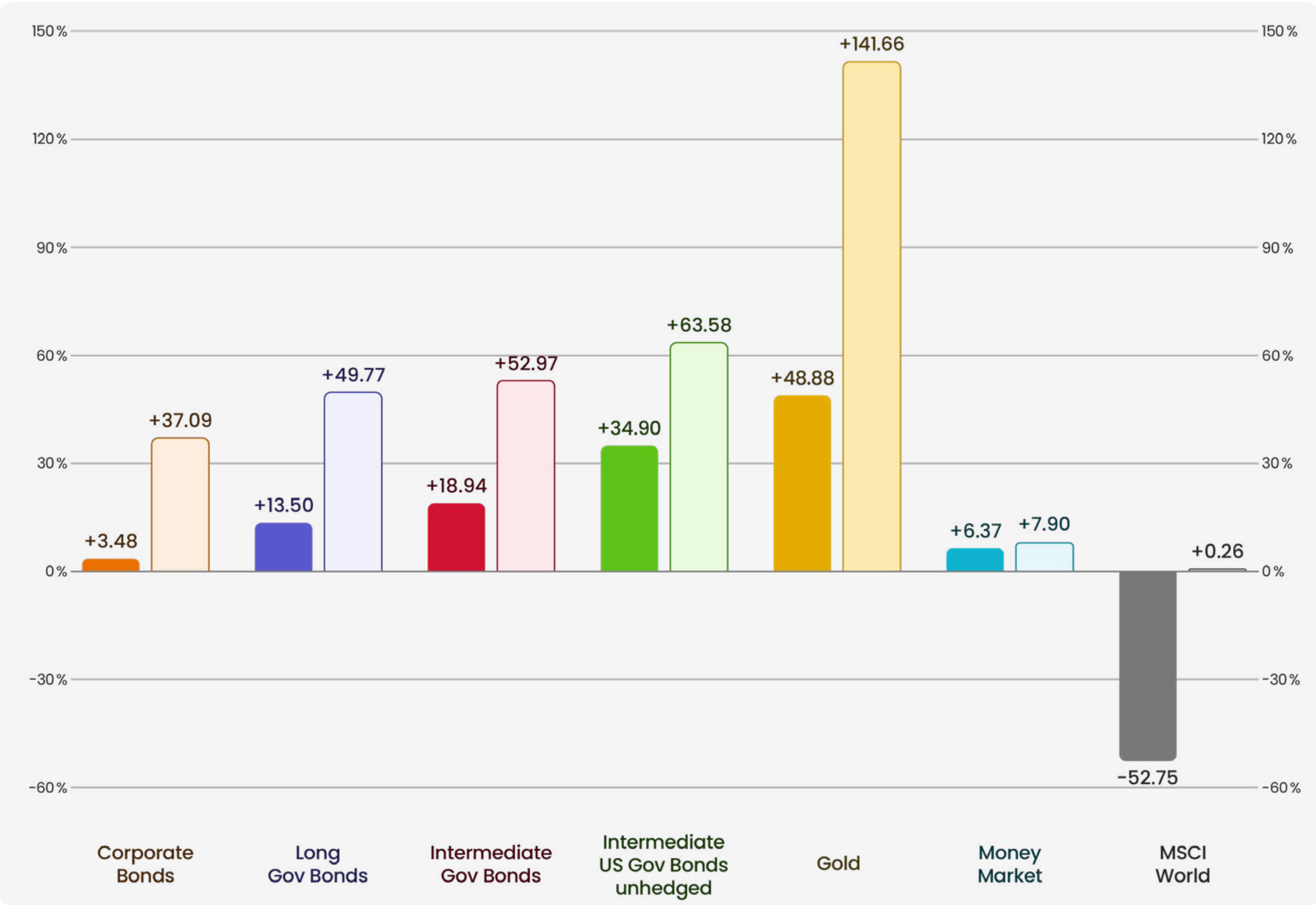
ETF-Winners during Recovery:

1. Gold
2. Intermediate US government bonds - unhedged

ETF-Losers during Recovery:

1. Money Market
2. Corporate bonds - EUR

Unusually, the pecking order does not change between peak crisis and the recovery period during the GFC. In the aftermath of the market trough, traditional crisis assets such as gold and government bonds were able to further consolidate their relative gains, while equities required a longer period to recover to their pre-crisis levels.



Source: justETF ETF comparison, period under review for peak crisis: 15/06/2007-09/03/2009, period under review for road to recovery: 09/03/2009-13/03/2013. All figures in euros.

Part 05

European Sovereign Debt Crisis 2010–2012

Hardly had the global financial crisis been contained when the next debt crisis emerged. This time, several Southern European member states of the European Union found themselves in acute financial distress[3].

From a market perspective, this slump was a quick dip. It is the GFC that was the big one. The swift intervention of the European Union succeeded in stabilizing financial markets within a relatively short period of time.

Source: justETF ETF search, period under review: 26/04/2010-25/11/2010. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Intermediate US government bonds - unhedged
2. Gold

ETF-Losers during Peak Crisis:

1. Money Market
2. Corporate bonds - EUR

Top-performing ETFs during the peak of the crisis included gold and unhedged intermediate-term US government bonds. In contrast, money market instruments and euro-denominated corporate bonds registered the weakest performance.

Notably, despite the context of the European Sovereign Debt Crisis, euro-denominated government bonds still delivered positive returns. This underscores the strength of the flight-to-quality effect, even in the region at the centre of the turmoil. Although the Eurozone faced its most severe challenges during this period, sovereign bonds denominated in euros continued to offer a degree of diversification. By comparison, money market and corporate bond ETFs in euros ranked among the lowest-performing assets.

Road to Recovery

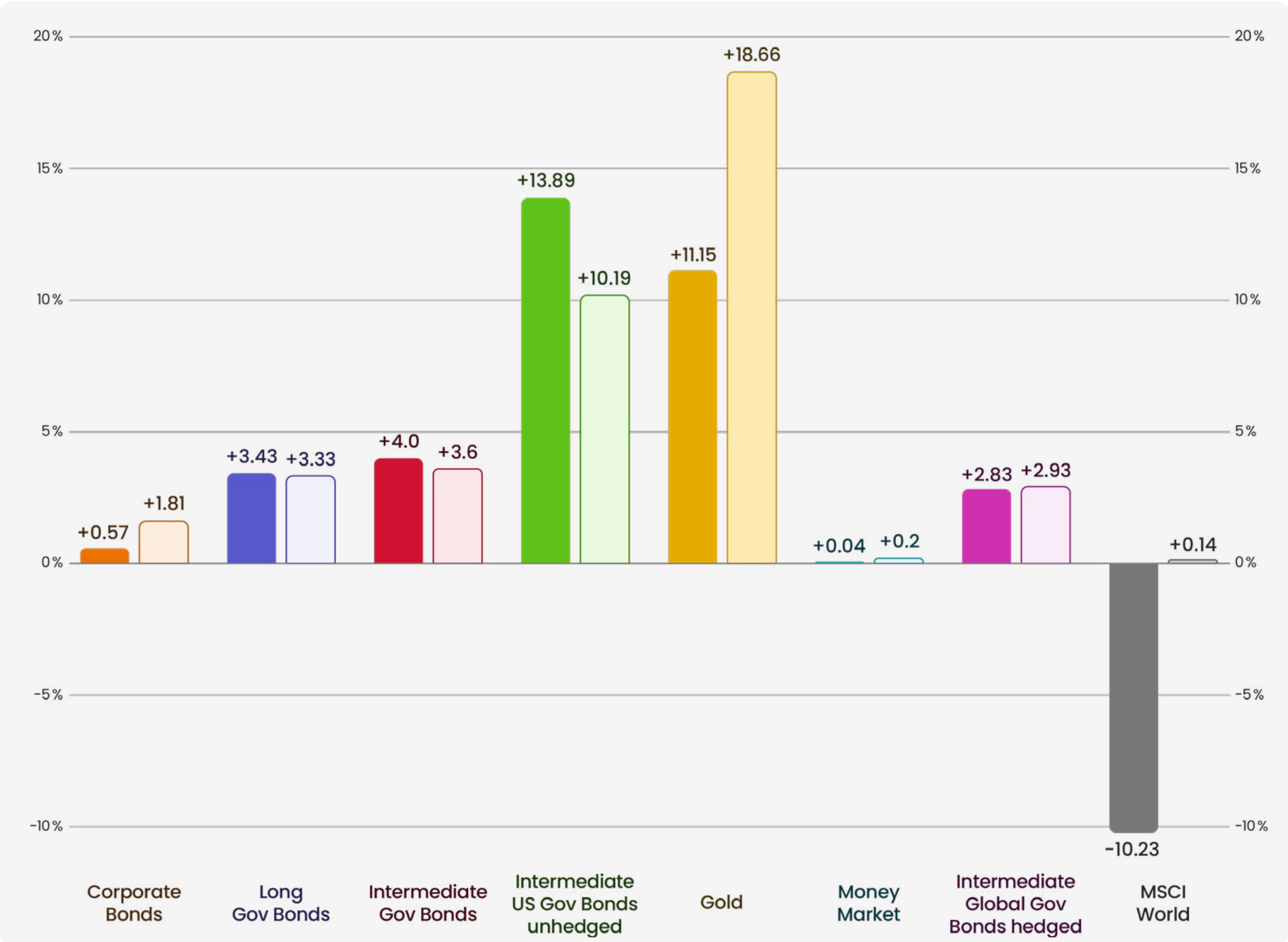
ETF-Winners during Recovery:

1. Gold
2. Intermediate US government bonds - unhedged

ETF-Losers during Recovery:

1. Money Market
2. Corporate bonds - EUR

Gold has the potential to deliver exceptionally strong performance during periods of market stress. However, its behaviour is highly variable, and such outcomes cannot be relied upon in every crisis scenario.



Source: justETF ETF comparison, period under review for peak crisis: 26/04/2010-05/07/2010, period under review for road to recovery: 05/07/2010-25/11/2010. All figures in euros.

Part 06

US debt-ceiling crisis 2011

In August 2011, the United States lost its triple-A credit rating for the first time, following a downgrade by the rating agency Standard & Poor's. This event triggered a short-term shock in the financial markets[4]. The bear market of 2011, along with the preceding correction in 2010, can be viewed as aftershocks of the Global Financial Crisis. Together, they illustrate the characteristics of a rolling crisis, marked by successive periods of market stress that test investor resilience.

Such chain reactions highlight the advantages of adopting a systematic investment approach—such as cost-averaging—rather than attempting to time the market based on predictions.

In reality, very few market participants anticipated the onset of the Global Financial Crisis, and even fewer were able to accurately assess whether the downturns in 2010 and 2011 would remain limited in scope or develop into more severe market collapses.

Source: justETF ETF search, period under review: 17/02/2011–13/03/2012. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Gold
2. Intermediate US government bonds - unhedged

ETF-Losers during Peak Crisis:

1. Money Market
2. Corporate bonds - EUR

Gold tends to perform strongly in periods when the broader financial system is under significant strain, as was the case during the Global Financial Crisis and the subsequent related downturns.

In contrast, the weakest-performing defensive assets in this comparison delivered only limited benefits. While they may offer situational advantages, their overall performance does not support allocating a substantial portion of a portfolio to them.

Road to Recovery

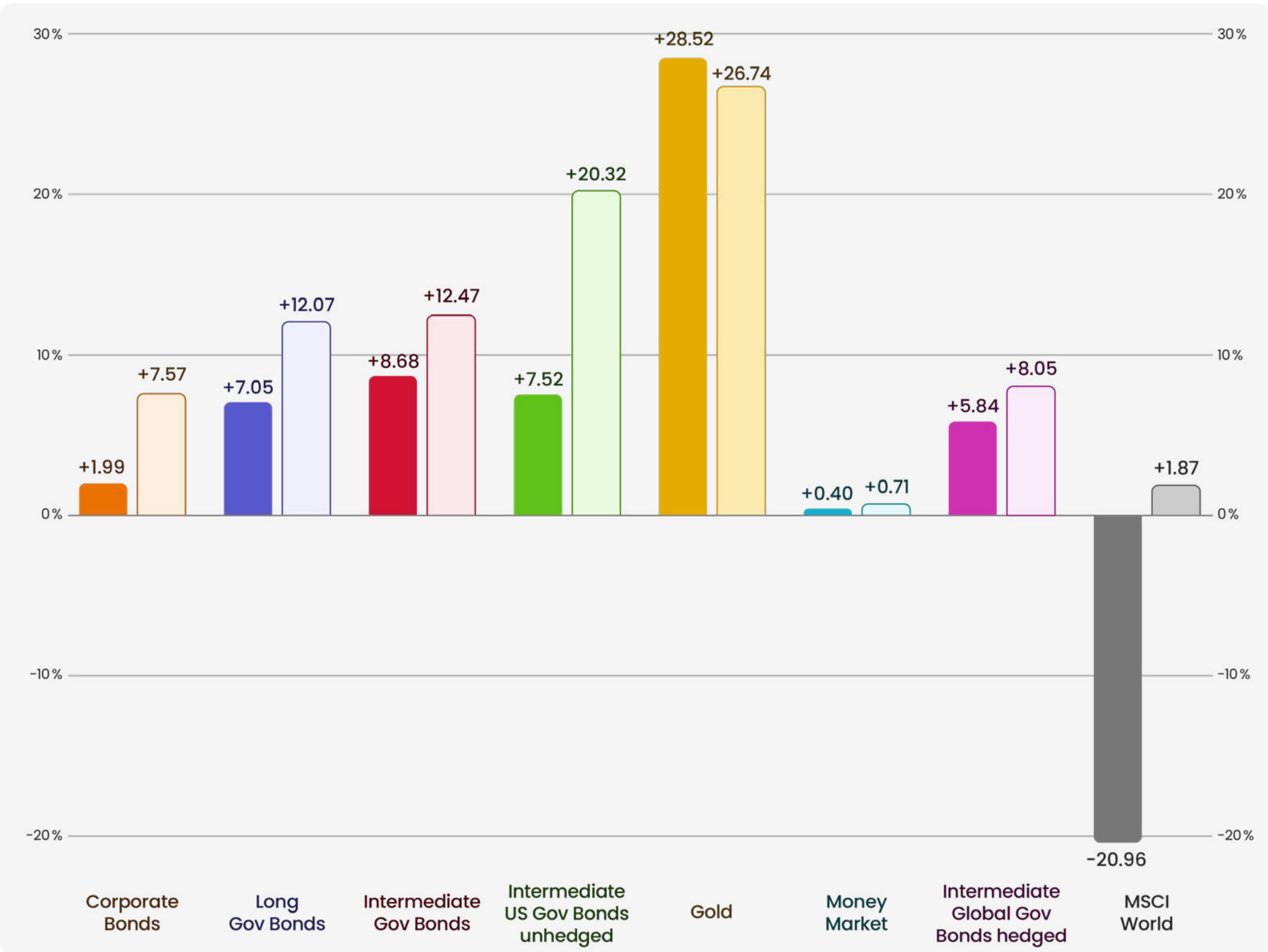
ETF-Winners during Recovery:

1. Gold
2. Intermediate US government bonds - unhedged

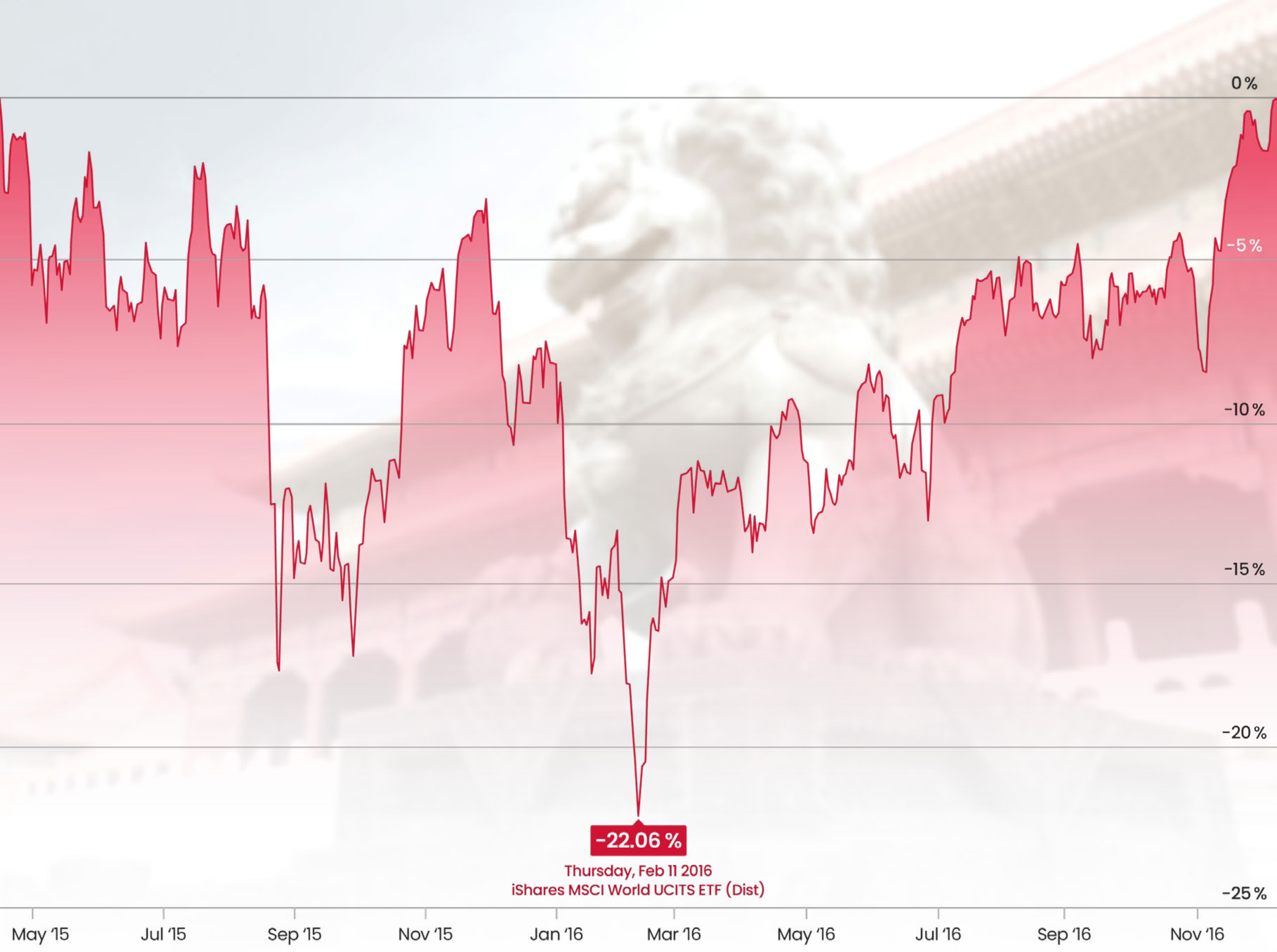
ETF-Losers during Recovery:

1. Money Market
2. Corporate bonds - EUR

Unhedged US government bonds performed well during this period, as concerns over Eurozone sovereign debt intensified in the aftermath of the Global Financial Crisis.



Source: justETF ETF comparison, period under review for peak crisis: 17/02/2011-22/08/2011, period under review for road to recovery: 22/08/2011-13/03/2012. All figures in euros.



Part 07

Stock market crash in China 2015–2016

In the summer of 2015, the stock market bubble in China burst and the market lost around 30 % of its value within only a few weeks[5]. Prior to this, Chinese equities had experienced substantial gains, yet the correction that followed resulted in pronounced market volatility and significant capital losses.

Major stock market reversals occur with notable frequency. In many cases, no more than two to three years separate the end of one market contraction from the beginning of the next. At times, these phases may even overlap or occur in rapid succession.

Source: justETF ETF search, period under review: 15/04/2015–09/12/2016. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Intermediate global government bonds - hedged
2. Intermediate government bonds - EUR

ETF-Losers during Peak Crisis:

1. Money Market
2. Gold

Though global bonds are rarely the best asset, they are typically positive at peak crisis when the slump is caused by falling demand.

The doubts about long bonds continue to grow, and gold cements its reputation for fickleness.

Road to Recovery

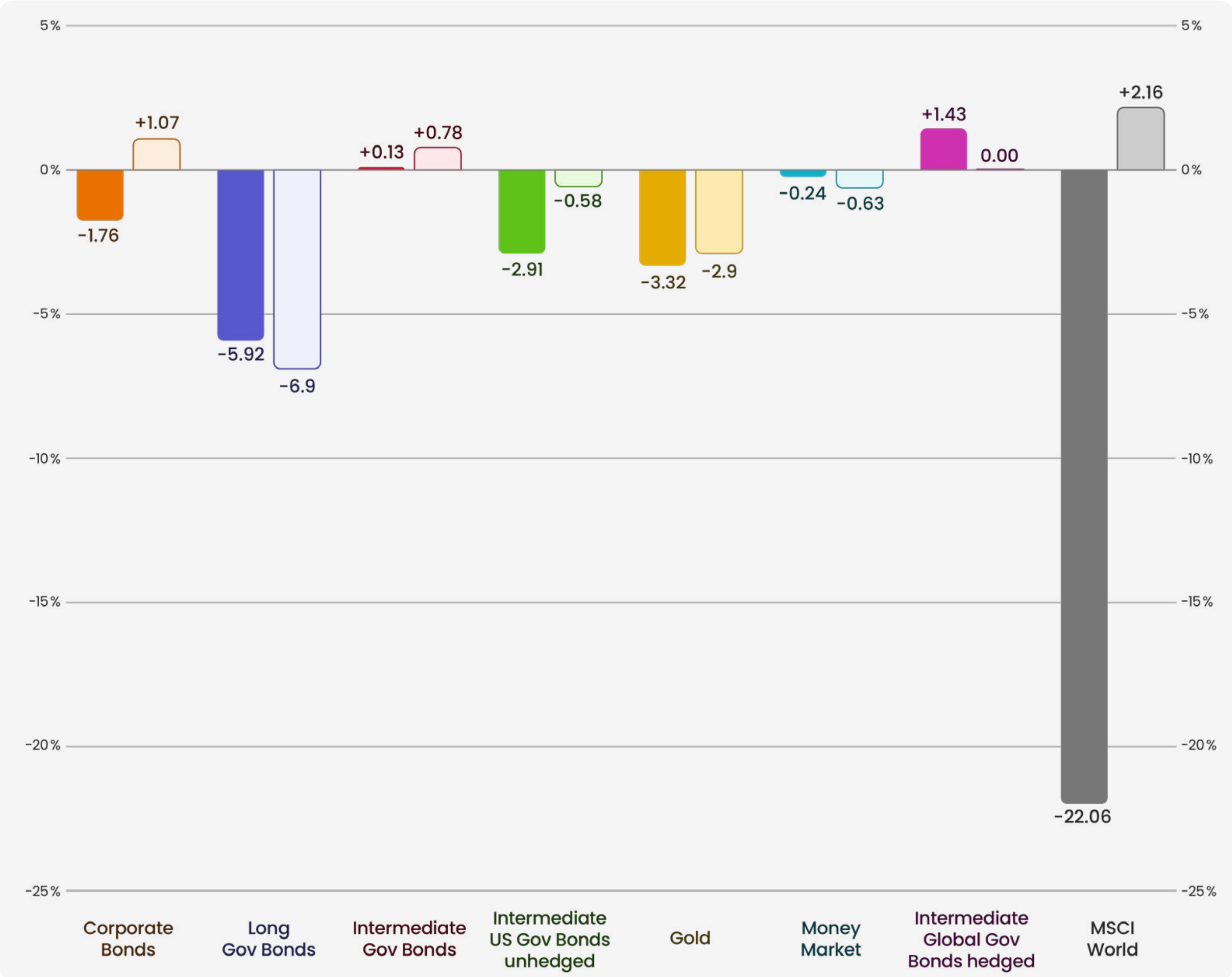
ETF-Winners during Recovery:

1. Corporate bonds - EUR
2. Intermediate government bonds - EUR

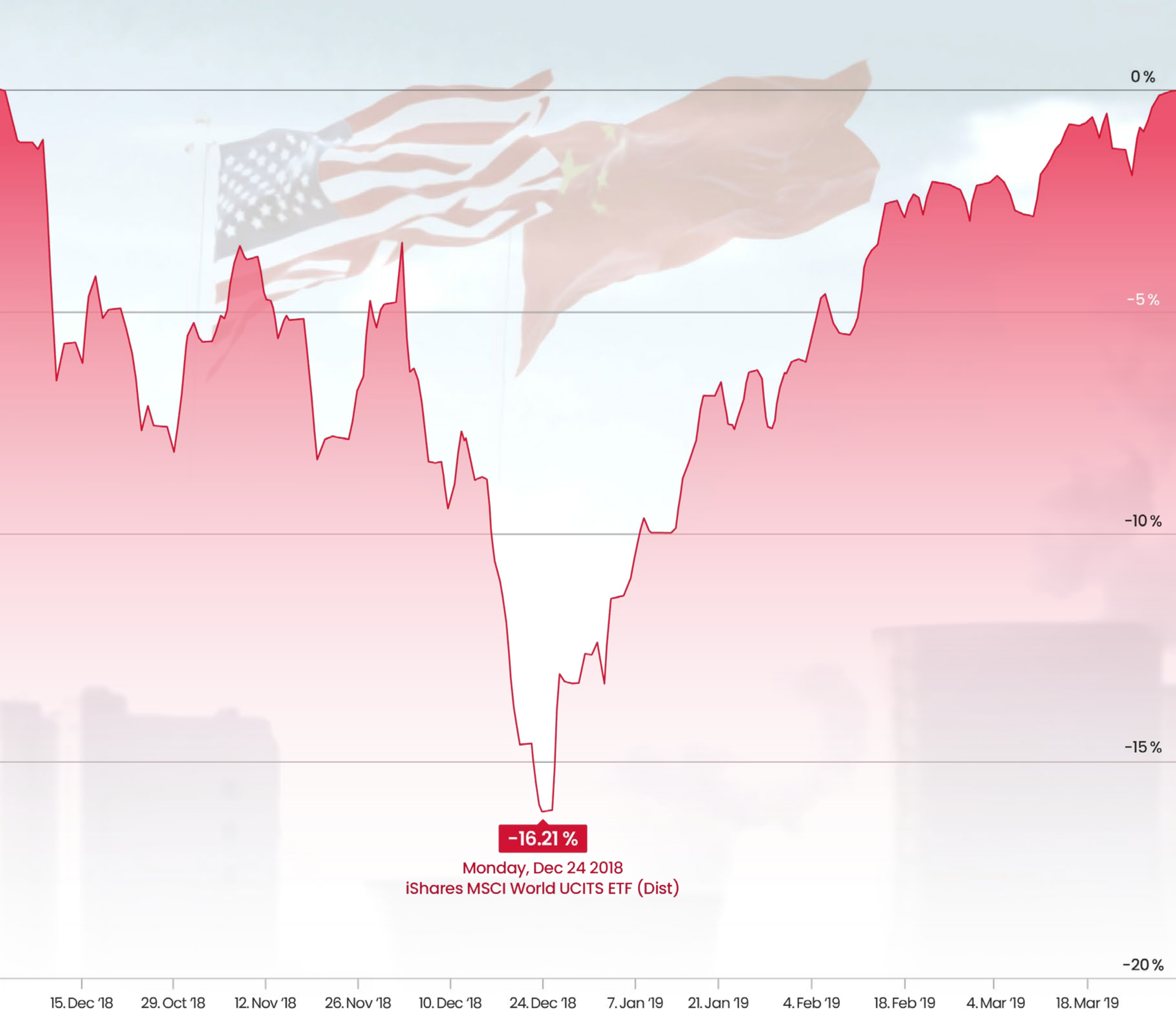
ETF-Losers during Recovery:

1. Money Market
2. Gold

A rare win for corporates. Every asset has its day in the sun. Even intermediate government bonds performed well during this crisis, serving as a reliable stabilizing anchor within the portfolio.



Source: justETF ETF comparison, period under review for peak crisis: 15/04/2015-11/02/2016, period under review for road to recovery: 11/02/2016-09/12/2016. All figures in euros.



Part 08

China trade war 2018

In 2018, the United States adopted a more aggressive trade policy toward China, culminating in the summer of that year and triggering a downturn in global equity markets[6].

This one was the perfect Christmas gift. A -16 % stock market correction, that hit bottom on December 24th!

Source: justETF ETF search, period under review: 02/10/2018-01/04/2019. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Gold
2. Intermediate US government bonds - unhedged

ETF-Losers during Peak Crisis:

1. Corporate bonds - EUR
2. Money Market

Gold and US Treasuries do well again. A pattern is emerging. The weaker candidates are also making themselves known. Unlike during the previous China crisis, gold established itself as the best alternative asset in the trade war with the United States that began in 2018.

As all asset classes performed relatively well, the money market lagged behind in relative terms — even though its stable performance perfectly reflected the profile for which it is known.

Road to Recovery

ETF-Winners during Recovery:

1. Gold
2. Intermediate US government bonds - unhedged

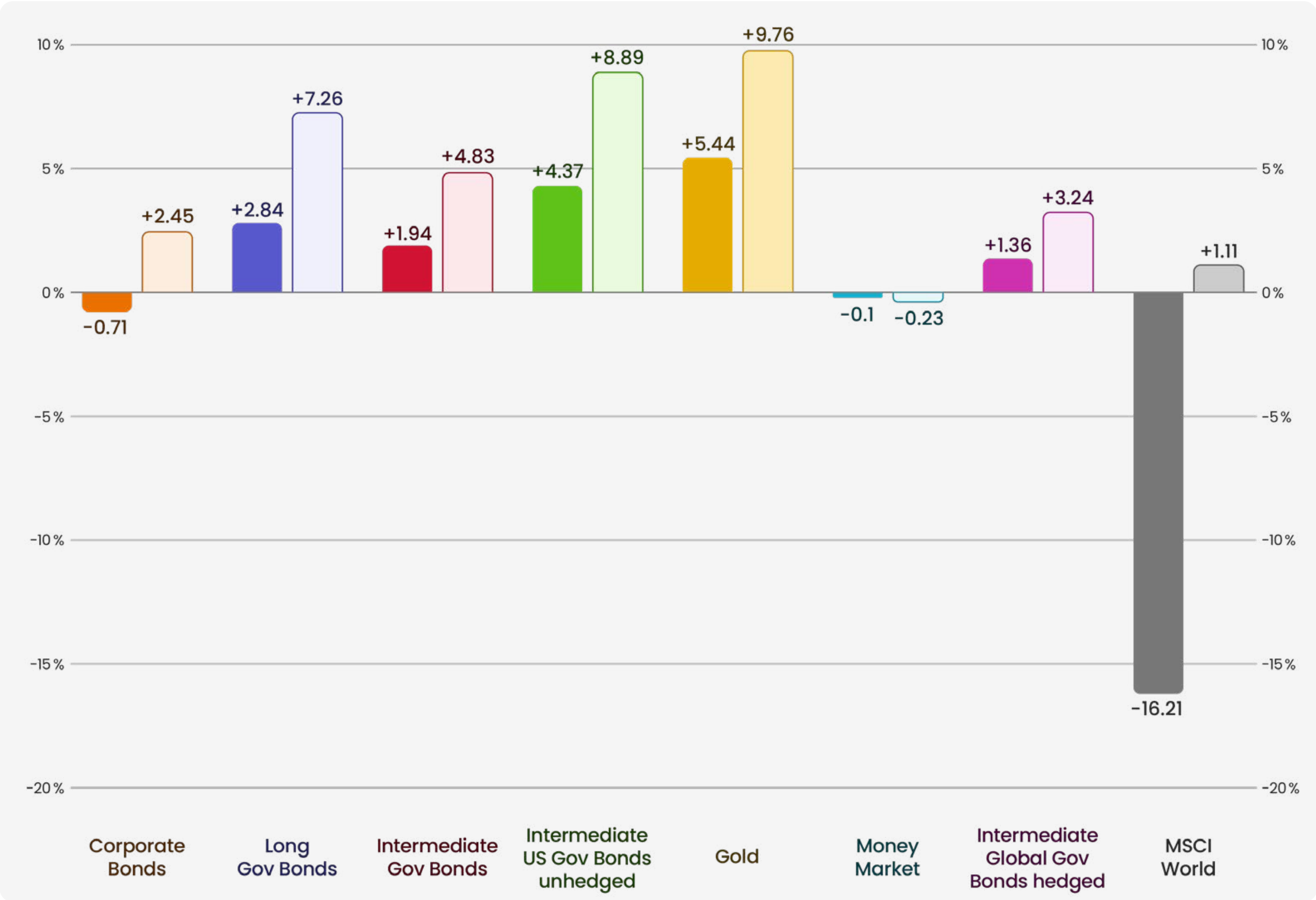
ETF-Losers during Recovery:

1. Money Market
2. Corporate bonds - EUR

During the recovery phase, gold and unhedged intermediate-term US government bonds performed best, while euro-denominated money market instruments and corporate bonds lagged.

Although hedging to the investor's home currency typically reduces exchange rate risk, favourable currency movements can give unhedged US Treasuries a temporary edge. However, currency fluctuations can also erase gains, as a weaker US dollar may turn strong bond performance into losses for euro investors.

Overall, unhedged exposure entails additional risk, and the outlook for the weakest performers remains subdued.



Source: justETF ETF comparison, period under review for peak crisis: 02/10/2018-24/12/2018, period under review for road to recovery: 24/12/2018-01/04/2019. All figures in euros.

Part 09

COVID-19 crisis 2020

Perhaps the most severe crisis of our time occurred in late 2019 and early 2020, when the coronavirus shook financial markets worldwide in a way that was almost unprecedented[7].

Source: justETF ETF search, period under review: 19/02/2020-07/01/2021. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Intermediate US government bonds - unhedged
2. Intermediate global government bonds - hedged

ETF-Losers during Peak Crisis:

1. Corporate bonds - EUR
2. Gold

US government bonds fulfilled their typical role during this period, benefiting from a flight-to-quality dynamic. The concurrent appreciation of the US dollar further supported returns for euro-based investors, as the euro weakened.

In contrast, corporate bonds were the weakest-performing defensive asset class during the early phase of the COVID-19 crisis. Heightened concerns about credit risk led to fears of increased defaults among companies facing pandemic-related disruptions. However, the crisis did not fundamentally threaten the long-term economic viability of major Eurozone economies such as Germany or France.

Road to Recovery

ETF-Winners during Recovery:

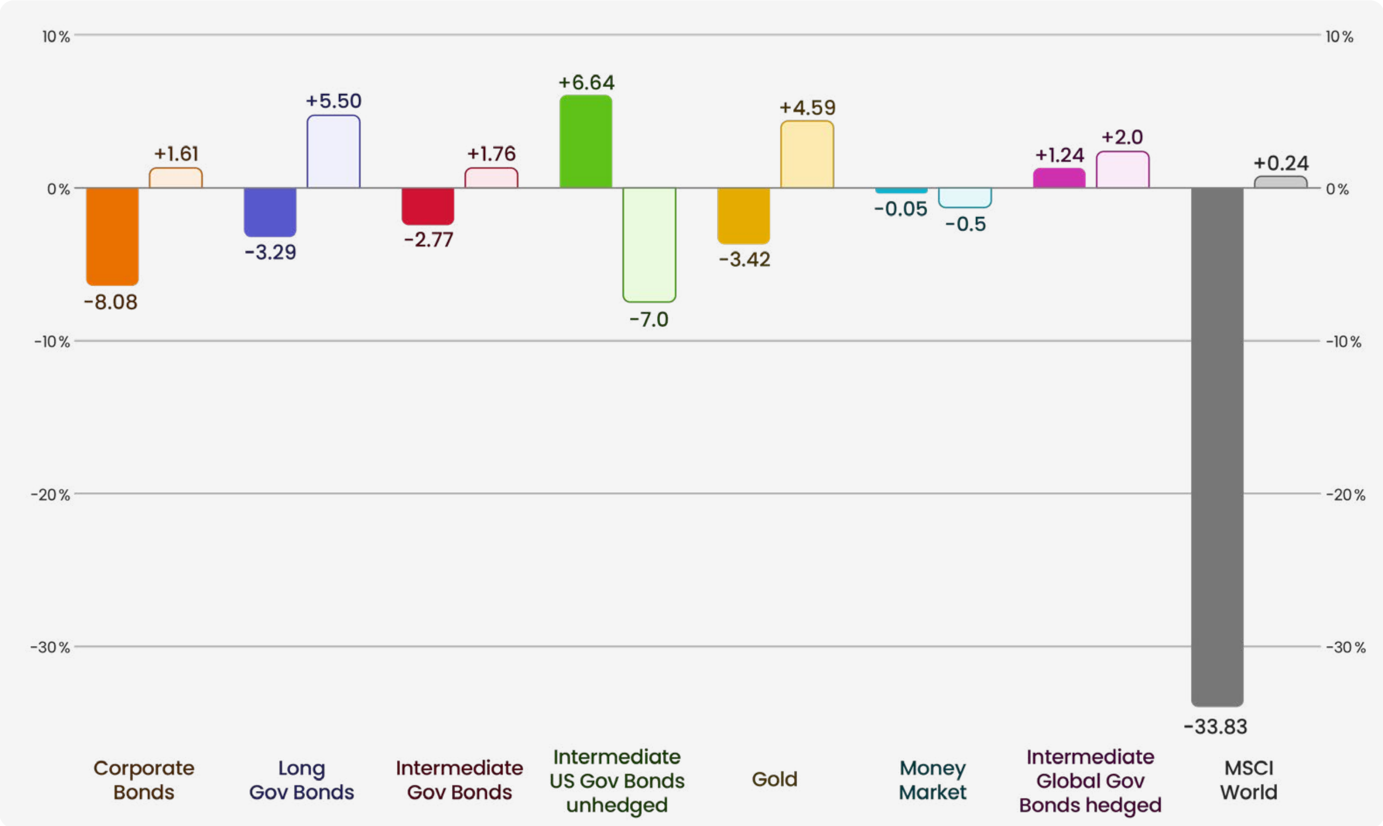
1. Long government Bonds - EUR
2. Gold

ETF-Losers during Recovery:

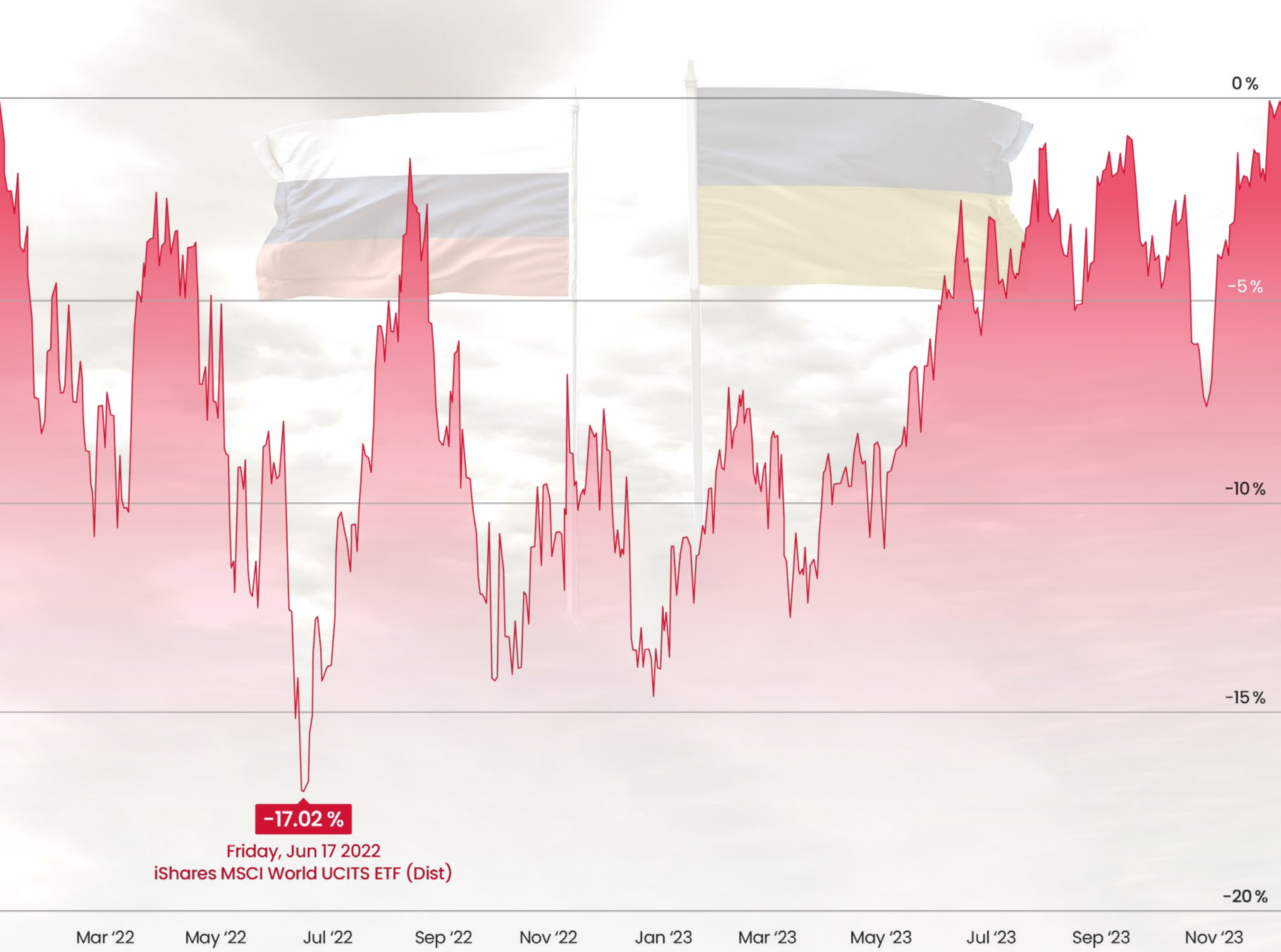
1. Intermediate US government bonds - unhedged
2. Money Market

Long-duration bonds moved from being weak performers in 2022 to leading defensive assets during the COVID-19 crash, driven by falling interest rates and expansive monetary policies. In 2022, rising rates reversed this trend, showing the two-sided nature of long-duration bonds. Gold performed well in both periods, underlining its unpredictability.

Unhedged U.S. government bonds, however, posted losses due to currency risk, as the dollar weakened against the euro after the initial crisis surge. Money market instruments also underperformed during falling rates but benefited in 2022's rising-rate environment, highlighting how they and long-duration bonds can balance each other's weaknesses.



Source: justETF ETF comparison, period under review for peak crisis: 19/02/2020-23/03/2020, period under review for road to recovery: 23/03/2020-07/01/2021. All figures in euros.



Part 10

Russia/Ukraine war & inflation 2022-2023

On February 24th, Russian troops marched into Ukraine, leading to the first war in Europe in decades[8]. This did not leave the markets unaffected, either.

This slump is triggered by an inflationary shock - the only one so far during the ETF era.

High inflation hammers stocks and nominal bonds, so most of the defensive ETFs stalled in 2022.

Source: justETF ETF search, period under review: 04/01/2022-06/12/2023. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Gold
2. Money market

ETF-Losers during Peak Crisis:

1. Long government bonds - EUR
2. Intermediate government bonds - hedged

Long-duration bonds underperformed equities during this period, while gold delivered the strongest returns by a considerable margin.

The performance of bond ETFs declined in direct relation to their duration: the longer the duration, the weaker the result. This is because long-term bonds offer fixed interest payments (coupons) that become less attractive when yields rise. To remain competitive, their market prices must fall more sharply than those of shorter-duration bonds.

By contrast, short-term bonds—including ultra-short money market instruments—mature more quickly. This allows ETF managers to reinvest proceeds into new bonds offering higher yields, thereby adjusting more rapidly to rising interest rates.

The same principle applies to fixed-term savings products: shorter maturities are generally preferable when interest rates are increasing, while longer maturities tend to be more advantageous when rates are declining.

Road to Recovery

ETF-Winners during Recovery:

1. Gold
2. Money Market

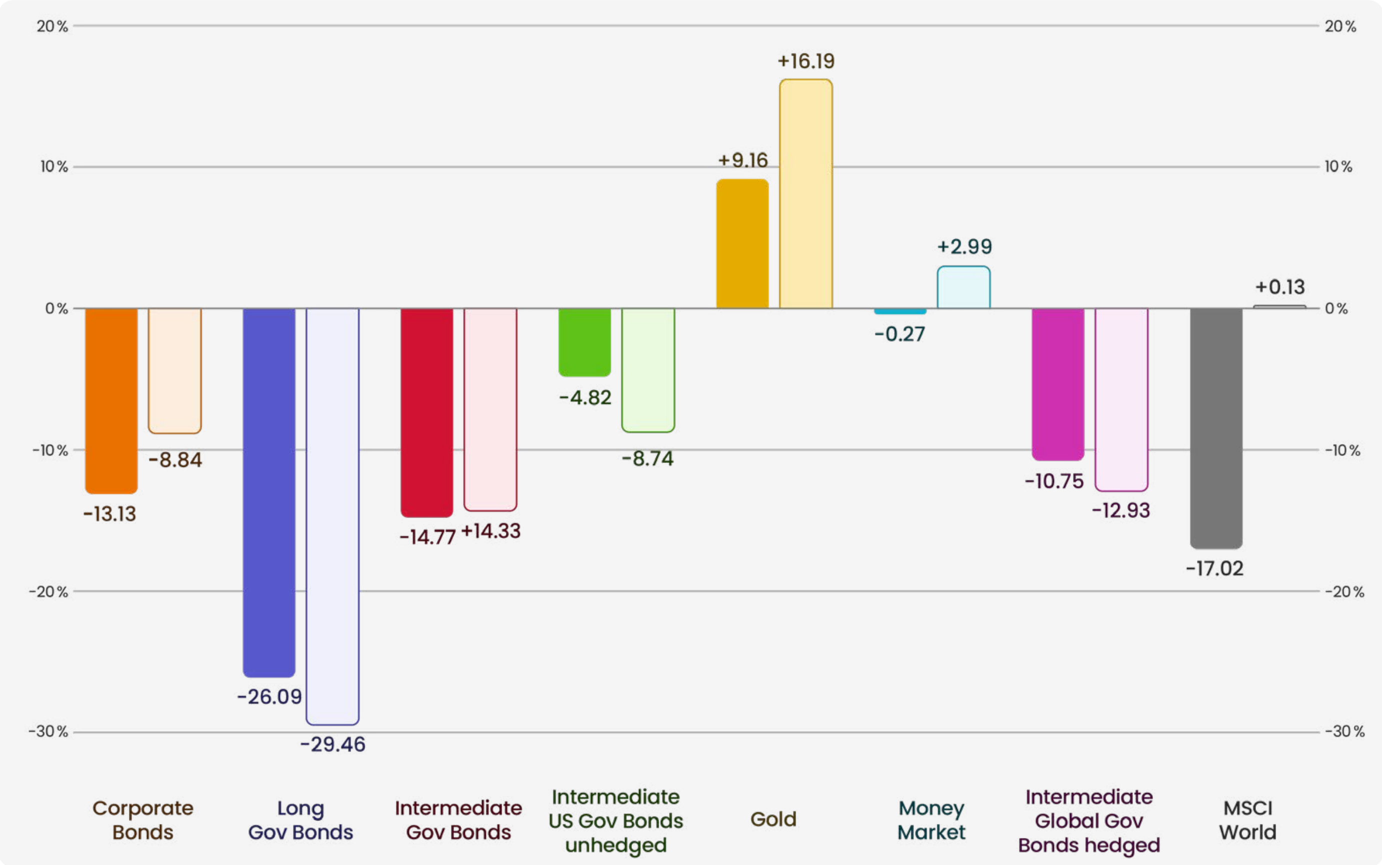
ETF-Losers during Recovery:

1. Long government Bonds - EUR
2. Intermediate government bonds - EUR

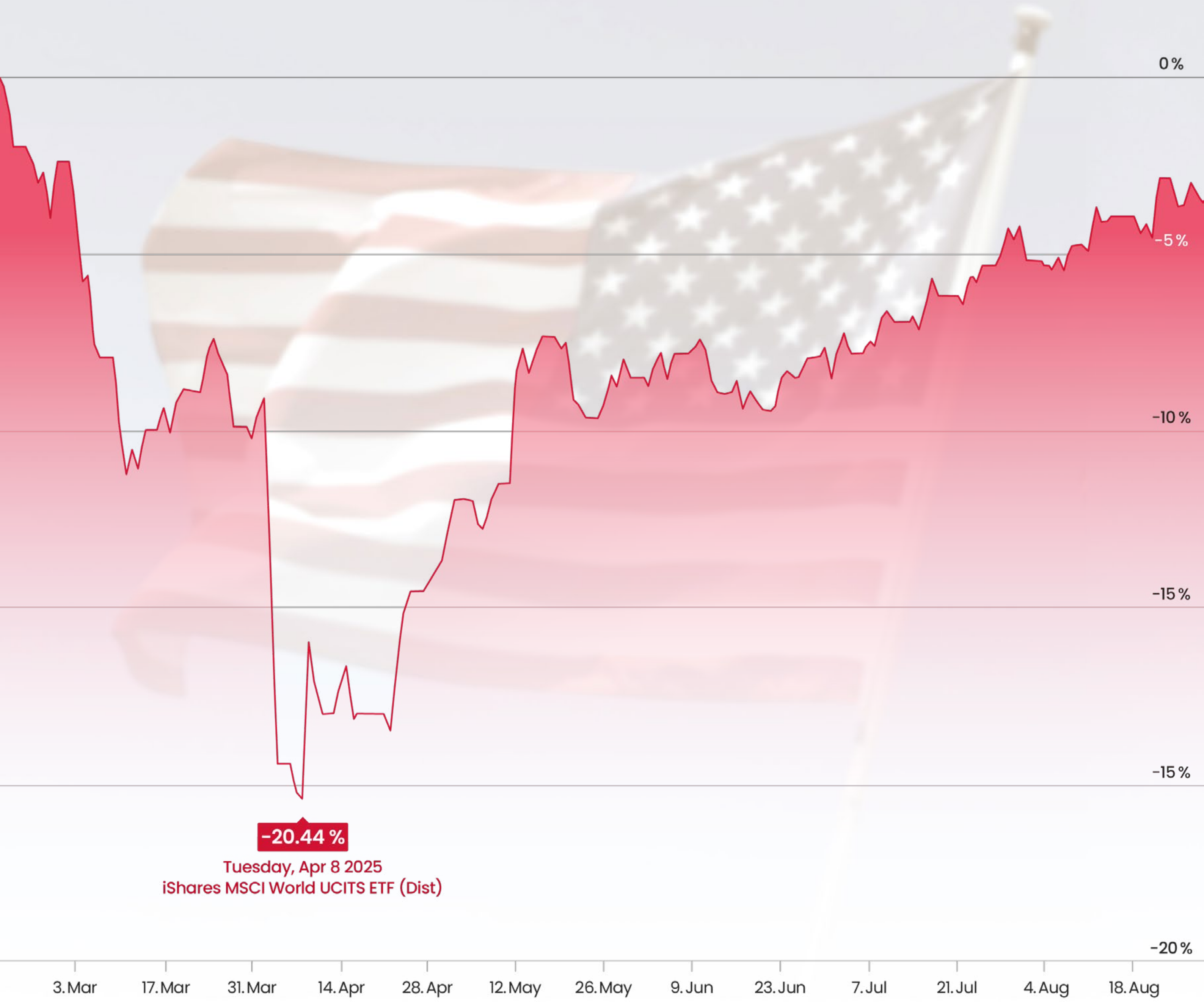
Gold and money market exchange-traded funds recorded the strongest performance during this period, while most bond categories experienced significant losses.

Long-duration bonds once again ranked among the weakest-performing assets.

Nominal bonds tend to underperform in periods of rising inflation, as their fixed interest payments lose purchasing power. However, bonds typically deliver more stable results during downturns, driven by falling demand rather than inflationary pressure.



Source: justETF ETF comparison, period under review for peak crisis: 04/01/2022-17/06/2022, period under review for road to recovery: 17/06/2022-06/12/2023. All figures in euros.



Part 11

Trump tariff crash 2025 ongoing

In spring 2025, President Donald Trump, having recently been inaugurated for his second term, shocked financial markets with sweeping tariff proposals affecting nearly all major trading partners[9].

Global equities reached their most recent bear market low on 8 April, recording a decline of 20.44 % from the highest point of the downturn to date. As of this writing, equity markets have not yet fully recovered the losses sustained since their previous peak on 19 February 2025.

Source: justETF ETF search, period under review: 19/02/2025–31/08/2025. All figures in euros.

During this period of equity market weakness, the selected defensive ETFs responded as seen below. Global equities reached their most recent bear market low on 8 April, recording a decline of 20.44 % from the highest point of the downturn to date. As of this writing, equity markets have not yet fully recovered the losses sustained since their previous peak on 19 February 2025.

During this period of equity market weakness, the selected defensive ETFs responded as seen below. The chart presents multiple data points, but it serves as a clear illustration of patterns typically observed during stock market reversals.

Global equities, represented by the grey line, declined more sharply than any of the defensive assets, at least until reaching their lowest point on 8 April. Between the peak on 19 February and the trough on 8 April, all defensive assets outperformed equities.

There was, however, a brief period in late February and early March when gold, shown as the yellow line, declined more steeply than equities. Gold subsequently recovered, before falling again following the 2 April announcement of new tariffs by the United States administration. It then moved in line with equities down to the bear market low on 8 April.

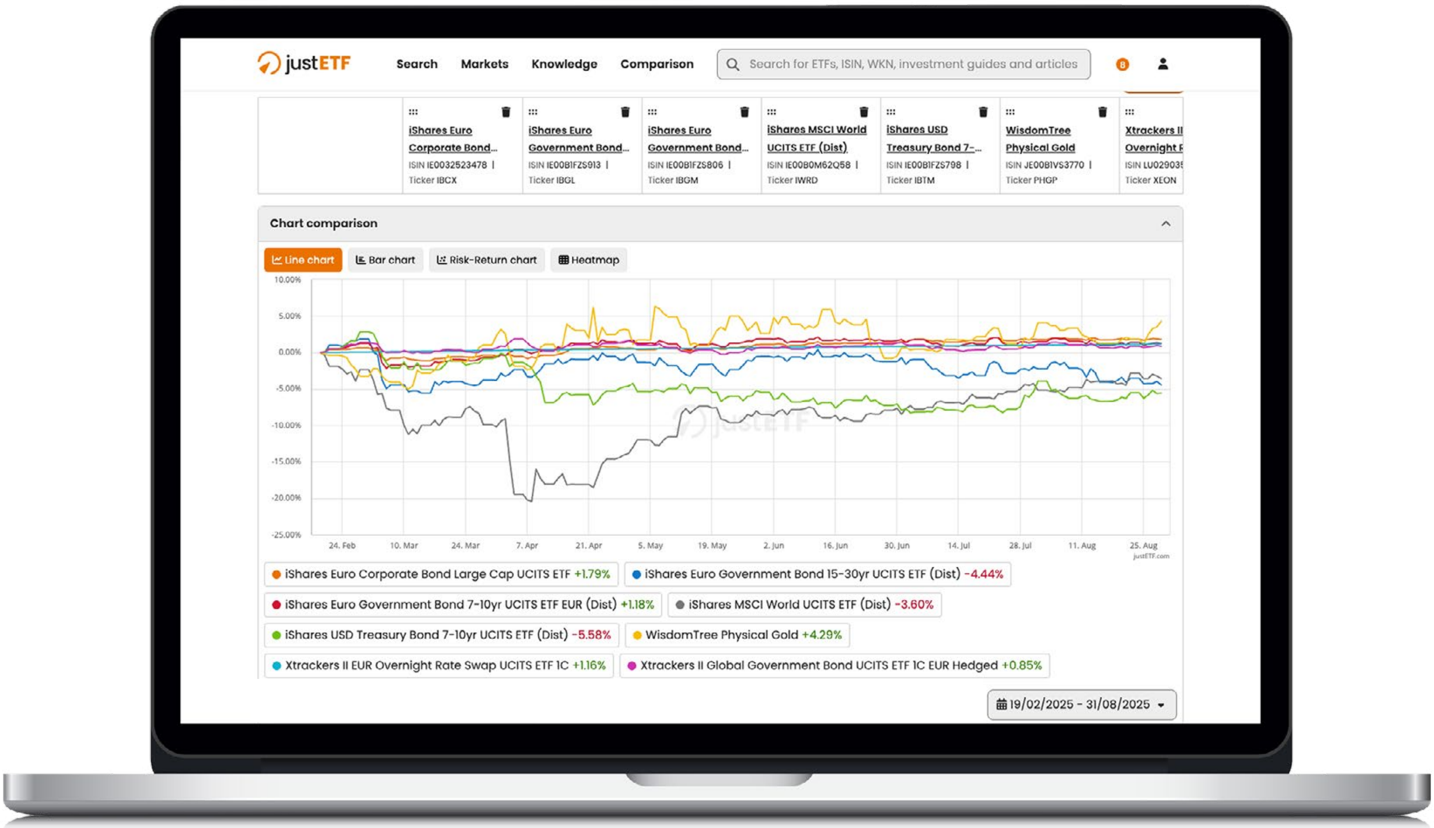
Ideally, defensive assets rise when equities fall. This is largely reflected in the performance of the bond indices during the sharp equity market decline from 2 April onwards. However, no defensive asset maintains consistent positive performance across the entire period.

Long euro-denominated government bonds (mid-blue line) and United States government bonds (green line) remained in negative territory for most of the timeframe, although their losses were smaller than those of equities. Defensive assets fulfil their purpose when they protect part of a portfolio from equity-scale losses; ideally, they deliver positive returns, but even a smaller negative return can help limit overall portfolio drawdowns.

It is therefore not unusual for defensive assets to record losses during a crisis. This does not indicate that they are failing to serve their function.

Money market instruments (light-blue line) remained broadly flat throughout the period, demonstrating their appeal as low-volatility holdings. However, they tend to show limited growth during market upturns as well. Their defining characteristic is stability: they neither lose significantly nor generate substantial gains.

For this reason, an overweight allocation to money market exchange-traded funds can be detrimental to long-term portfolio growth, as low volatility typically translates into lower expected returns.



Source: justETF ETF search, period under review: 19/02/2025-31/08/2025. All figures in euros.

Peak Crisis

ETF-Winners during Peak Crisis:

1. Intermediate global government bonds - hedged
2. Money market

ETF-Losers during Peak Crisis:

1. Long governtment bonds - EUR
2. Gold

The strongest performers during this period were hedged intermediate global government bonds and money market instruments. While these two asset classes proved most effective in this instance, their performance varied across other crises examined in this analysis.

It is also important to note the weakest performers in each downturn. Although gold delivered relatively modest results on this occasion, its position is expected to strengthen in subsequent periods under review.

Road to Recovery

ETF-Winners during Recovery:

1. Gold
2. Corporate bonds - EUR

ETF-Losers during Recovery:

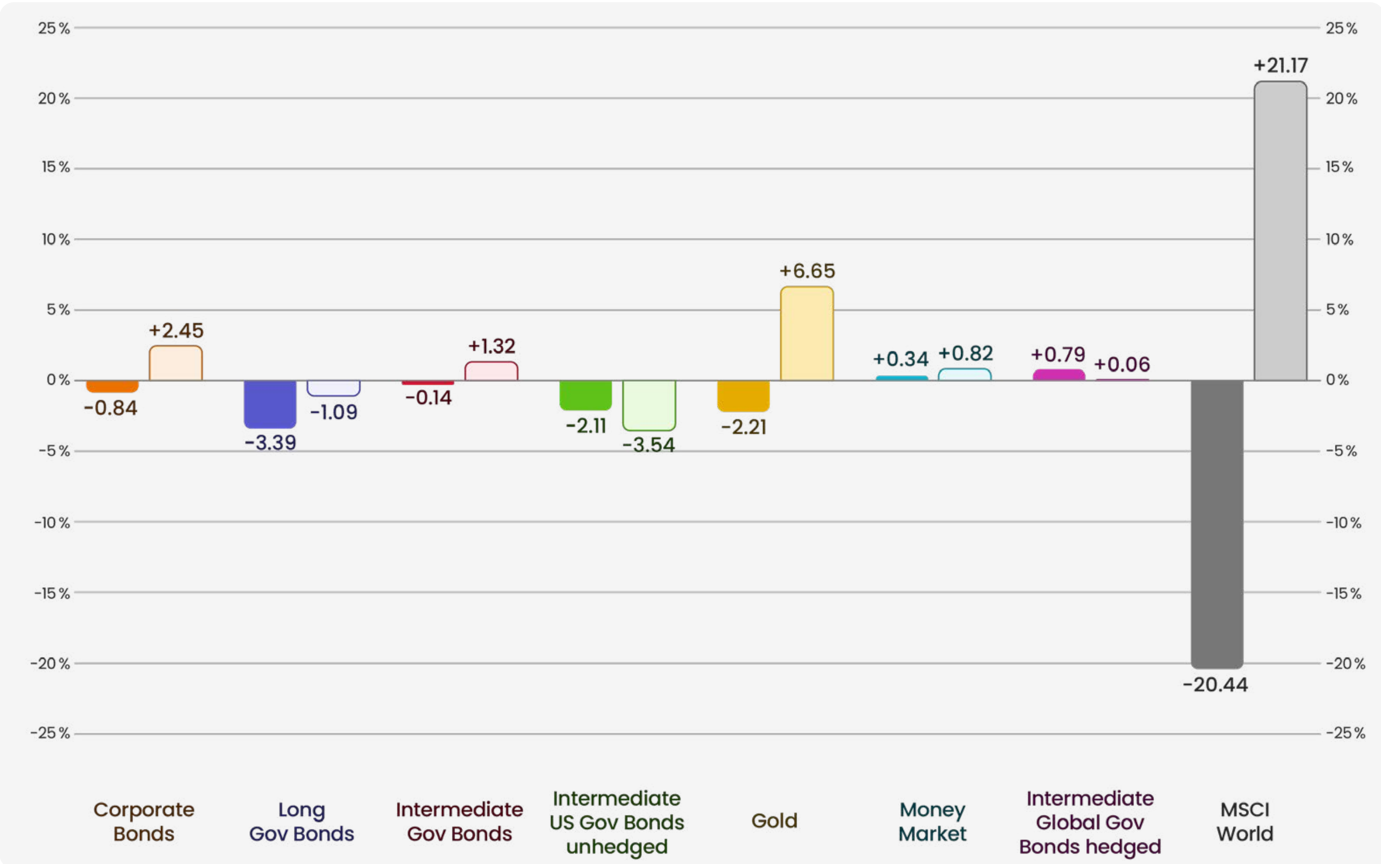
1. Intermediate US government bonds - unhedged
2. Long government Bonds - EUR

Gold delivered only limited gains during the equity market decline but performed strongly in the subsequent recovery.

US government bonds, also known as US treasuries, recorded the weakest performance in this period—a result of notable significance. Under typical conditions, unhedged US treasuries tend to benefit during equity market sell-offs, as global investors seek out the safest available assets.

However, during the so-called Trump Tariff Crash, an unusual pattern emerged: investors also began selling treasuries. Bond prices fell, yields rose, and the cost of servicing US debt increased.

Although policy direction was subsequently reversed, the decline had already taken effect. This episode serves as a clear reminder that no defensive asset delivers consistent positive performance in every market environment.



Source: justETF ETF comparison, period under review for peak crisis: 19/02/2025-08/04/2025, period under review for road to recovery: 08/04/2025-31/08/2025. All figures in euros.

Part 12

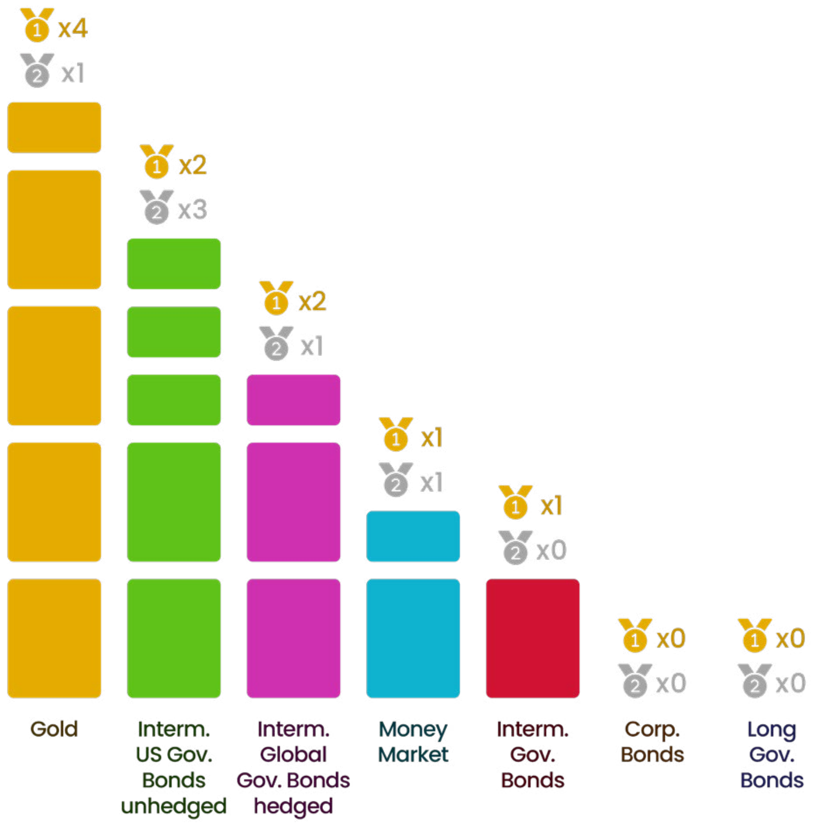
Overview of the best ETFs in crises

Peak Crisis

Best defensive assets

Gold ranks at the top of the comparison, demonstrating the most consistent defensive performance during periods of equity market weakness in the 21st century. However, this has not always been the case; for example, gold did not hold this position during the 1980s and 1990s.

The data also show that intermediate government bonds, particularly those from the US and globally hedged portfolios, frequently rank among the strongest performers during crises, underscoring their importance as part of a defensive mix. Money market instruments, while never taking the top position, still proved relatively stable with several second-place finishes, reflecting their low volatility and capital preservation role.



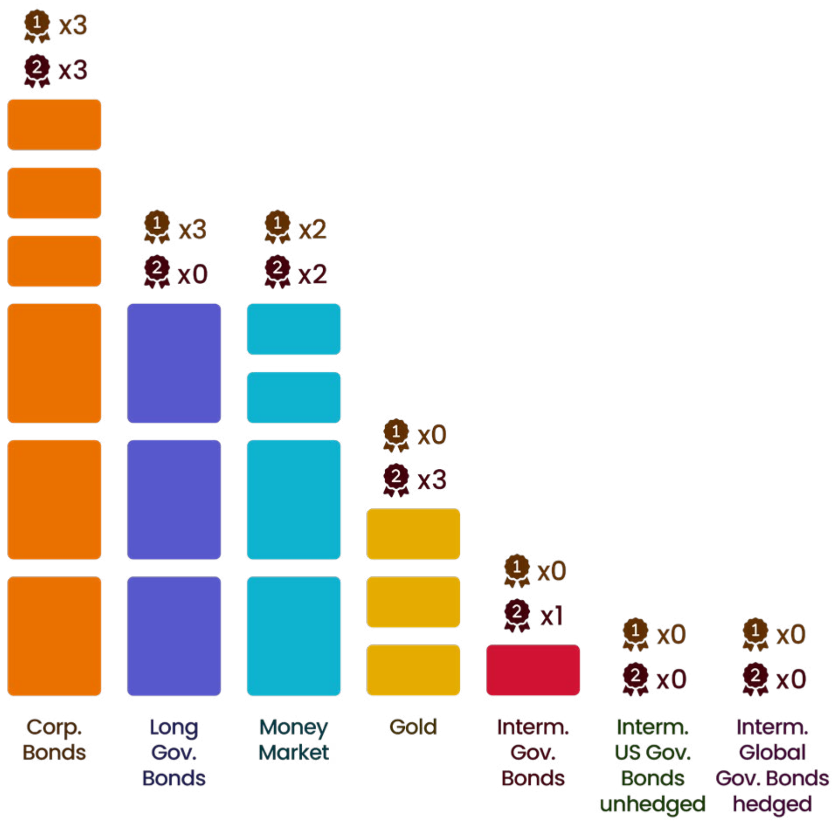
Worst defensive assets

Corporate bonds are not well suited as defensive diversifiers, as their performance depends on the creditworthiness of the same companies whose equities tend to decline during periods when defensive assets are most needed.

The uneven results of long-duration bonds and money market ETFs can largely be attributed to their positions at opposite ends of the fixed-income duration spectrum. Intermediate-term government bonds appear to occupy a more balanced position within this range.

However, money market ETFs tend to outperform nominal bonds during periods of elevated inflation. Interestingly, while gold ranked as the best defensive asset in most crises, it also appears among the weaker performers in several cases, underscoring its dual nature and sensitivity to specific market conditions.

This contrast highlights that even historically strong safe havens can show considerable variation across crises, reinforcing the importance of combining multiple defensive assets within a portfolio.



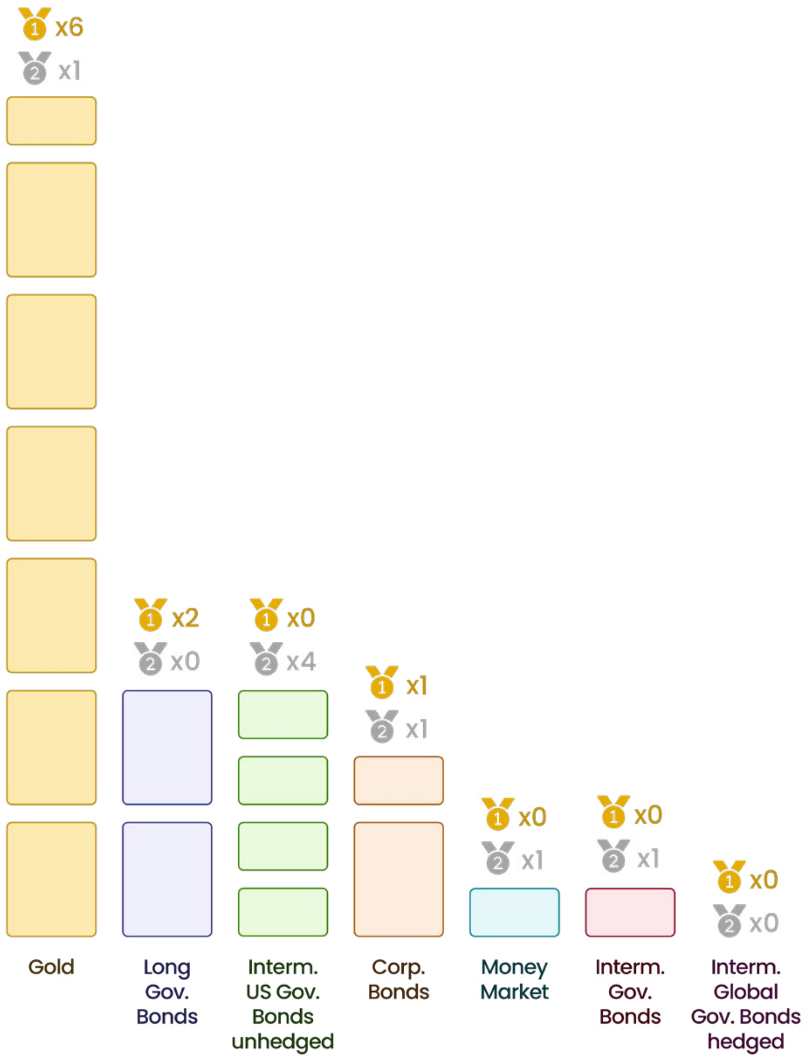
Source: justETF ETF search, period under review: 19/02/2025-31/08/2025. All figures in euros.

Road to recovery

Best defensive assets

The Road to Recovery check confirms the previous findings. Gold once again stands out as the strongest defensive performer, leading in six out of the examined recovery periods. This suggests that gold not only protects capital during market downturns but also tends to hold its relative strength as markets begin to recover. In contrast, government bonds—particularly intermediate US bonds—frequently occupy the second position, reflecting their steady but less pronounced performance once risk sentiment starts to improve. Corporate and long-term government bonds, on the other hand, occasionally benefit from declining yields in the aftermath of crises, but their success appears less consistent.

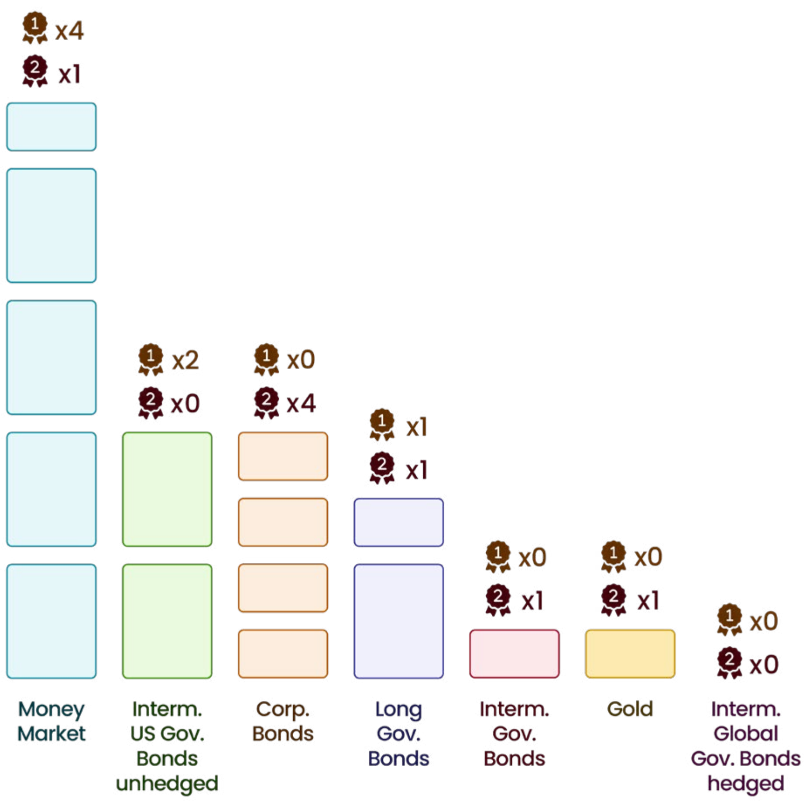
Overall, the results reinforce gold's dominant role across both peak crisis and recovery phases, while highlighting that high-quality bonds continue to serve as valuable stabilizers during the transition back to growth.



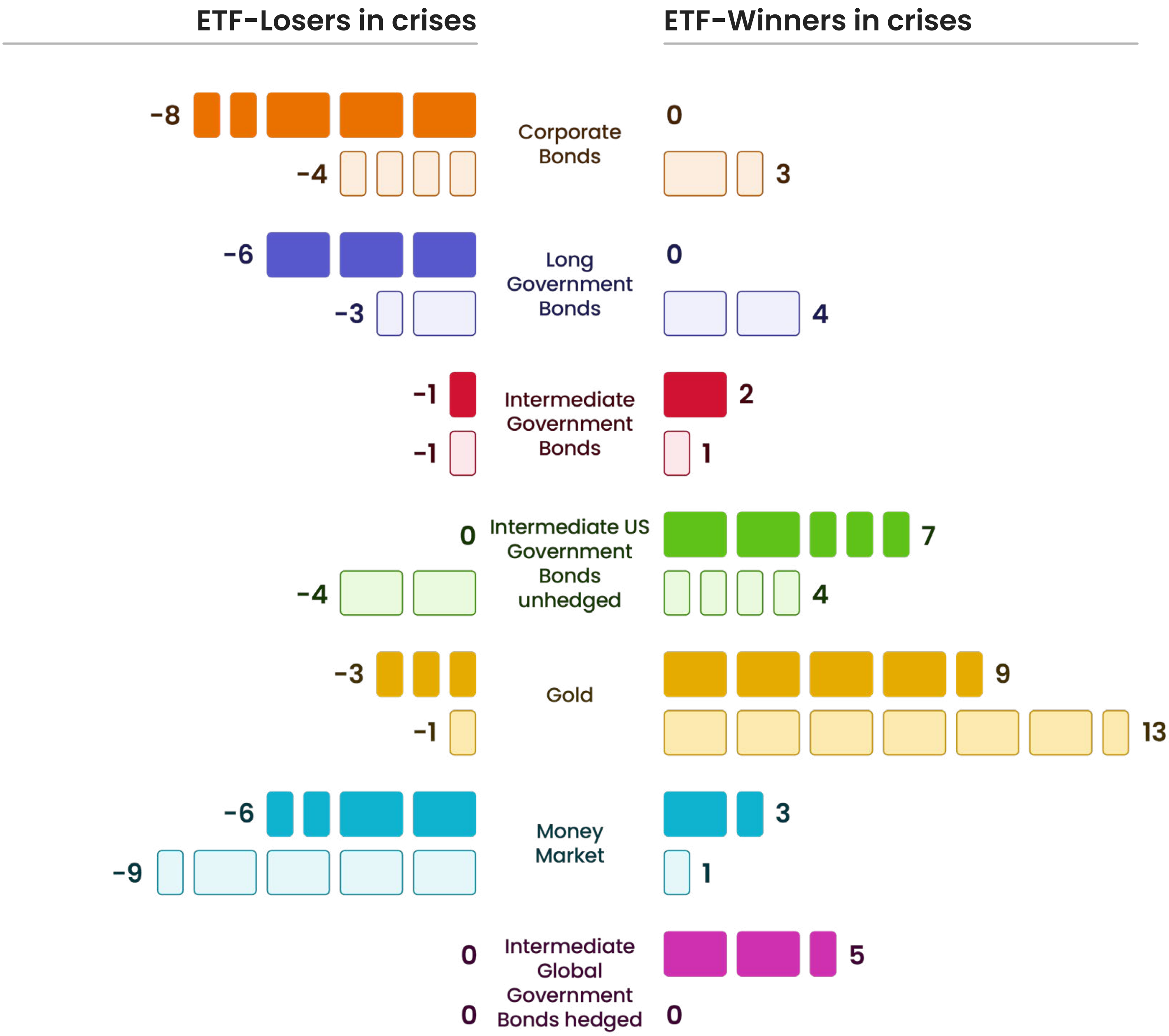
Worst defensive assets

During the recovery phases, money market instruments appear most frequently among the weakest defensive assets, taking the lowest rank in four of the observed periods. This outcome reflects their limited return potential once markets begin to rebound, as their stability comes at the cost of minimal yield.

Long-term government bonds also show relatively poor performance during recoveries, likely due to rising interest rates that typically accompany improving economic conditions. Corporate bonds, while often among the weaker assets, tend to recover more quickly as credit spreads tighten, though this effect varies across cycles



Source: justETF ETF search, period under review: 19/02/2025-31/08/2025. All figures in euros.



Conclusion

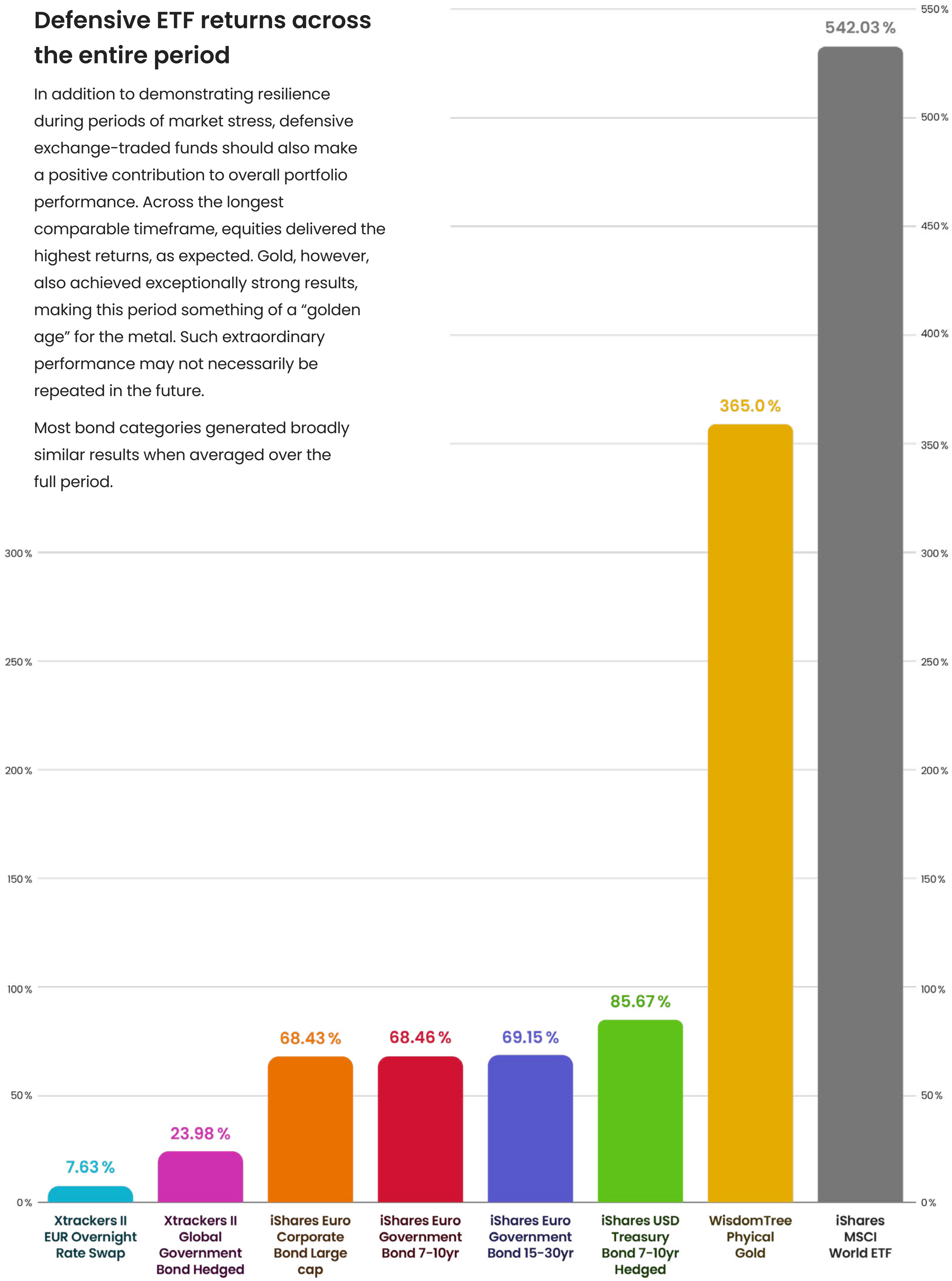
Overall, the data indicate that assets offering strong capital preservation during crises, such as money markets or long-duration bonds, tend to lag once the recovery begins—highlighting the cyclical trade-off between protection in downturns and participation in rebounds.

But there is one last test that could alter the rankings...

Defensive ETF returns across the entire period

In addition to demonstrating resilience during periods of market stress, defensive exchange-traded funds should also make a positive contribution to overall portfolio performance. Across the longest comparable timeframe, equities delivered the highest returns, as expected. Gold, however, also achieved exceptionally strong results, making this period something of a "golden age" for the metal. Such extraordinary performance may not necessarily be repeated in the future.

Most bond categories generated broadly similar results when averaged over the full period.



Source: justETF ETF comparison, Cumulative returns from the following period: 20/10/2008-31/08/2025. (This time period enables us to include global government bonds in the comparison.) All figures in euros.

Risk-Adjusted Returns and Diversification within Defensive Portfolios

Notably, global government bonds performed poorly overall. Given that their defensive characteristics were not materially stronger than those of intermediate (7–10 year) euro-denominated government bonds, the latter may be the more attractive option on this basis.

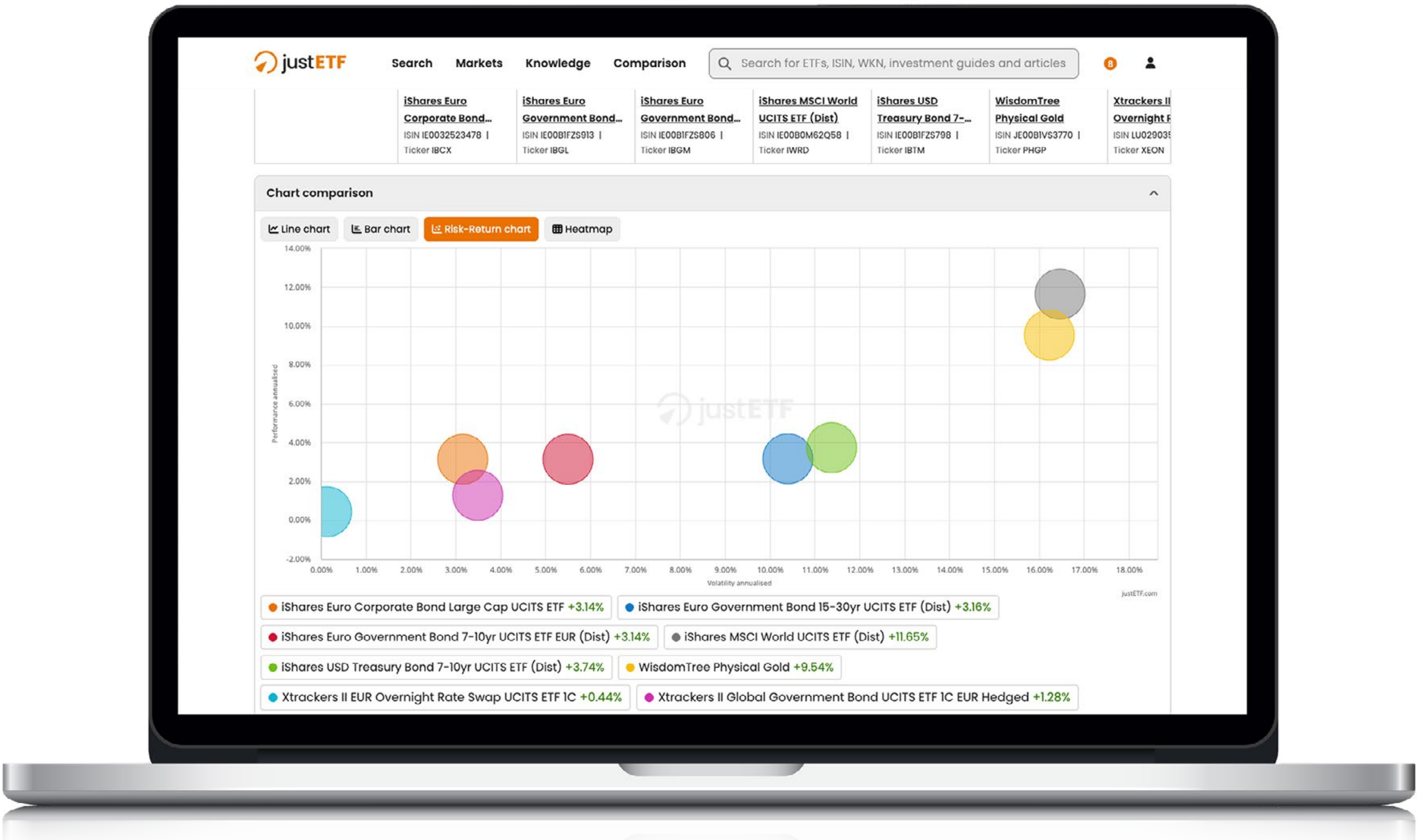
The data also indicates that the annualised return advantage of United States treasuries and euro-denominated long-duration bonds (15–30 years) over intermediate euro government bonds was minimal, while exposing investors to roughly twice the volatility. On a risk-adjusted basis, intermediate euro government bonds outperformed both treasuries and long-duration bonds.

Accordingly, it remains reasonable to base a defensive allocation on an intermediate-term euro-denominated government bond ETF, with the possibility of diversifying into United States treasuries if the additional risk is considered acceptable.

For investors holding money market positions, it is noteworthy that—despite the bond market downturn in 2022—intermediate bonds still delivered returns over time that were eight times greater than those of money market products.

Finally, gold's track record in the 21st century makes a strong case for its inclusion in a diversified portfolio. However, given its high volatility, future periods of underperformance are inevitable. For this reason, an allocation of no more than 10 % to 20 % may be prudent.

This analysis illustrates that building resilience in a portfolio requires balance rather than reliance on any single asset class. Diversification across different defensive components can help investors navigate market stress more effectively and recover more smoothly. Ultimately, maintaining a long-term perspective and a disciplined allocation strategy remains the most reliable way for private investors to preserve capital and participate in future growth.



Source: justETF ETF comparison, Cumulative returns from the following period: 20/10/2008–31/08/2025. (This time period enables us to include global government bonds in the comparison.) All figures in euros.

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Our History

2010	Company foundation
2011	Website launch Germany
2014	Italy and Switzerland
2017	United Kingdom and more
2020	YouTube channel and podcast
2021	Acquisition by Scalable Group
2022	justETF App release
2024	justETF rebranding

Information on data collection and list of sources

Unless otherwise stated, all information is derived from the internal knowledge of justETF employees and the justETF website.

We have carefully researched and verified the information contained in this whitepaper. However, we cannot guarantee or accept liability for the accuracy, completeness or timeliness of the information contained herein.

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