Diversification is a strategy that can be neatly summed up by the timeless adage, “don’t put all your eggs in one basket.” The strategy involves spreading your money among various investments in the hope that if one investment loses money, the other investments will more than make up for those losses.

In addition to allocating your investments among stocks, bonds, cash equivalents, and possibly other asset categories, you’ll also need to spread out your investments . . . identify and invest in a wide range of companies and industry sectors.

Because achieving diversification can be so challenging, some investors may find it easier to diversify . . . through the ownership of mutual funds rather than through individual investments. . . . A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, and other financial products. Mutual funds make it easy for investors to own a small portion of many investments.

-Investor.gov / U.S. Securities and Exchange Commission, “Description of Mutual Funds” (undated) excerpt.