What is the understanding of these two arguments?

1. Case for diversification

Perhaps the best expression that we have of the dangers of diversification comes from one of the greatest intuitive investment thinkers of all time, John Maynard Keynes, who wrote to a friend in 1934:

"As times goes on, I get more and more convinced that the right method of investment is to put large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes. It is a mistake to think people limit their risk by spreading too much between enterprises about which one knows little and has no reason for special confidence."

Notes:

2. Case against diversification

Diversification is the practice of spreading your investments around so that your exposure to any one type of asset is limited. This practice is designed to help reduce the volatility of your portfolio over time.

One of the keys to successful investing is learning how to balance your comfort level with risk against your time horizon. Invest your retirement nest egg too conservatively at a young age, and you run the risk that the growth rate of your investments won't keep pace with inflation. Conversely, if you invest too aggressively when you're older, you could leave your savings exposed to market volatility, which could erode the value of your assets at an age when you have fewer opportunities to recoup your losses.

One way to balance risk and reward in your investment portfolio is to diversify your assets. This strategy has many complex iterations, but at its root it's simply about spreading your portfolio across several asset classes. Diversification can help mitigate the risk and volatility in your portfolio, potentially reducing the number and severity of stomach-churning ups and downs. Remember, diversification does not ensure a profit or guarantee against loss.