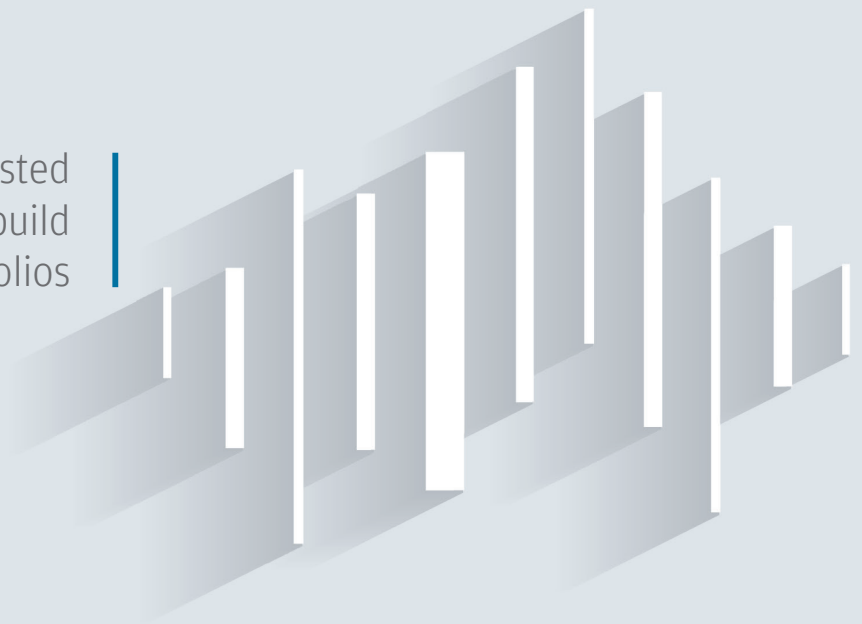


# 2017 Long-Term Capital Market Assumptions

21<sup>st</sup> Annual Edition | Assumptions matrix: Australian Dollar

Time-tested  
projections to build  
stronger portfolios



AUSTRALIAN DOLLAR ASSUMPTIONS

		Compound Return 2016 (%)				Annualized Volatility				Arithmetic Return 2017 (%)				Compound Return 2017 (%)																																																																																																																																																																																																								
FIXED INCOME	Australian Cash	3.00	3.00	0.50	3.25	1.00				Aussie Aggregate	1.00				Australian I-L Bonds	1.00				U.S. Aggregate Bonds hedged	1.00				U.S. Inv Grade Corporate Bonds hedged	1.00				U.S. High Yield Bonds hedged	1.00				U.S. Leveraged Loans upper tier hedged	1.00				Euro Inv Grade Corp Bonds hedged	1.00				European High Yield Bonds hedged	1.00				Global Corporate hedged	1.00				Global Corporate	1.00				World Government Bonds hedged	1.00				World Government Bonds	1.00				Emerging Markets Sovereign Debt hedged	1.00				Emerging Markets Local Currency Debt	1.00				Emerging Markets Corporate Bonds hedged	1.00				ASX 200	1.00				U.S. Large Cap	1.00				Euro area Large Cap	1.00				UK Large Cap	1.00				Japanese Equity	1.00				AC Asia ex-Japan Equity	1.00				Emerging Markets Equity	1.00				Developed World Equity hedged	1.00				AC World Equity	1.00				AC World Equity hedged	1.00				Private Equity	1.00				Private Equity hedged	1.00				U.S. REITs	1.00				U.S. REITs hedged	1.00				Global ex-U.S. REITs	1.00				Global ex-U.S. REITs hedged	1.00				U.S. Direct Real Estate	1.00				U.S. Direct Real Estate hedged	1.00				Global Infrastructure	1.00				Diversified Hedge Funds hedged	1.00				Event Driven Hedge Funds hedged	1.00				Long Bias Hedge Funds hedged	1.00				Relative Value Hedge Funds hedged	1.00				Macro Hedge Funds hedged	1.00				Commodities	1.00				Gold	1.00			
		Australian Cash	3.00	3.00	0.50	3.25	1.00				Aussie Aggregate	1.00				Australian I-L Bonds	1.00				U.S. Aggregate Bonds hedged	1.00				U.S. Inv Grade Corporate Bonds hedged	1.00				U.S. High Yield Bonds hedged	1.00				U.S. Leveraged Loans upper tier hedged	1.00				Euro Inv Grade Corp Bonds hedged	1.00				European High Yield Bonds hedged	1.00				Global Corporate hedged	1.00				Global Corporate	1.00				World Government Bonds hedged	1.00				World Government Bonds	1.00				Emerging Markets Sovereign Debt hedged	1.00				Emerging Markets Local Currency Debt	1.00				Emerging Markets Corporate Bonds hedged	1.00				ASX 200	1.00				U.S. Large Cap	1.00				Euro area Large Cap	1.00				UK Large Cap	1.00				Japanese Equity	1.00				AC Asia ex-Japan Equity	1.00				Emerging Markets Equity	1.00				Developed World Equity hedged	1.00				AC World Equity	1.00				AC World Equity hedged	1.00				Private Equity	1.00				Private Equity hedged	1.00				U.S. REITs	1.00				U.S. REITs hedged	1.00				Global ex-U.S. REITs	1.00				Global ex-U.S. REITs hedged	1.00				U.S. Direct Real Estate	1.00				U.S. Direct Real Estate hedged	1.00				Global Infrastructure	1.00				Diversified Hedge Funds hedged	1.00				Event Driven Hedge Funds hedged	1.00				Long Bias Hedge Funds hedged	1.00				Relative Value Hedge Funds hedged	1.00				Macro Hedge Funds hedged	1.00				Commodities	1.00				Gold	1.00		

Note: All estimates on this page are in Australian Dollar terms. Given the complex risk-reward trade-offs involved, we advise clients to rely on judgment as well as quantitative optimization approaches in setting strategic allocations to all of these asset classes and strategies. Please note that all information shown is based on qualitative analysis. Exclusive reliance on this information is not advised. This information is not intended as a recommendation to invest in any particular asset class or strategy or as a promise of future performance. Note that these asset class and strategy assumptions are passive only—they do not consider the impact of active management. References to future returns are not promises or even estimates of actual returns a client portfolio may achieve. Assumptions, opinions and estimates are provided for illustrative purposes only. They should not be relied upon as recommendations to buy or sell securities. Forecasts of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material has been prepared for information purposes only and is not intended to provide, and should not be relied on for, accounting, legal or tax advice.

Source: J.P. Morgan Asset Management; data as of September 30, 2016, except hedge funds, private equity, real estate and infrastructure, as of June 30, 2016. Alternative asset classes (including hedge funds, private equity, real estate, direct lending and infrastructure) are unlike other asset categories shown above in that there is no underlying investible index. The return estimates for these alternative asset classes and strategies are estimates of the industry average, net of manager fees. The dispersion of return among managers of these asset classes and strategies is typically significantly wider than that of traditional asset classes. To further clarify the asset classes provided in the matrix, we are renaming some of the alternative asset classes this year. U.S. Core Direct Real Estate is equivalent to U.S. Direct Real Estate last year. Similar changes are made across real estate assets. Global Direct Infrastructure Equity is equivalent to Global Infrastructure last year. Return estimates for direct real estate and REITs are unlevered. Correlation figures shown above are rounded to 2 significant figures, which may cause a loss of information. All returns are nominal. For reference index information, please visit our website.

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