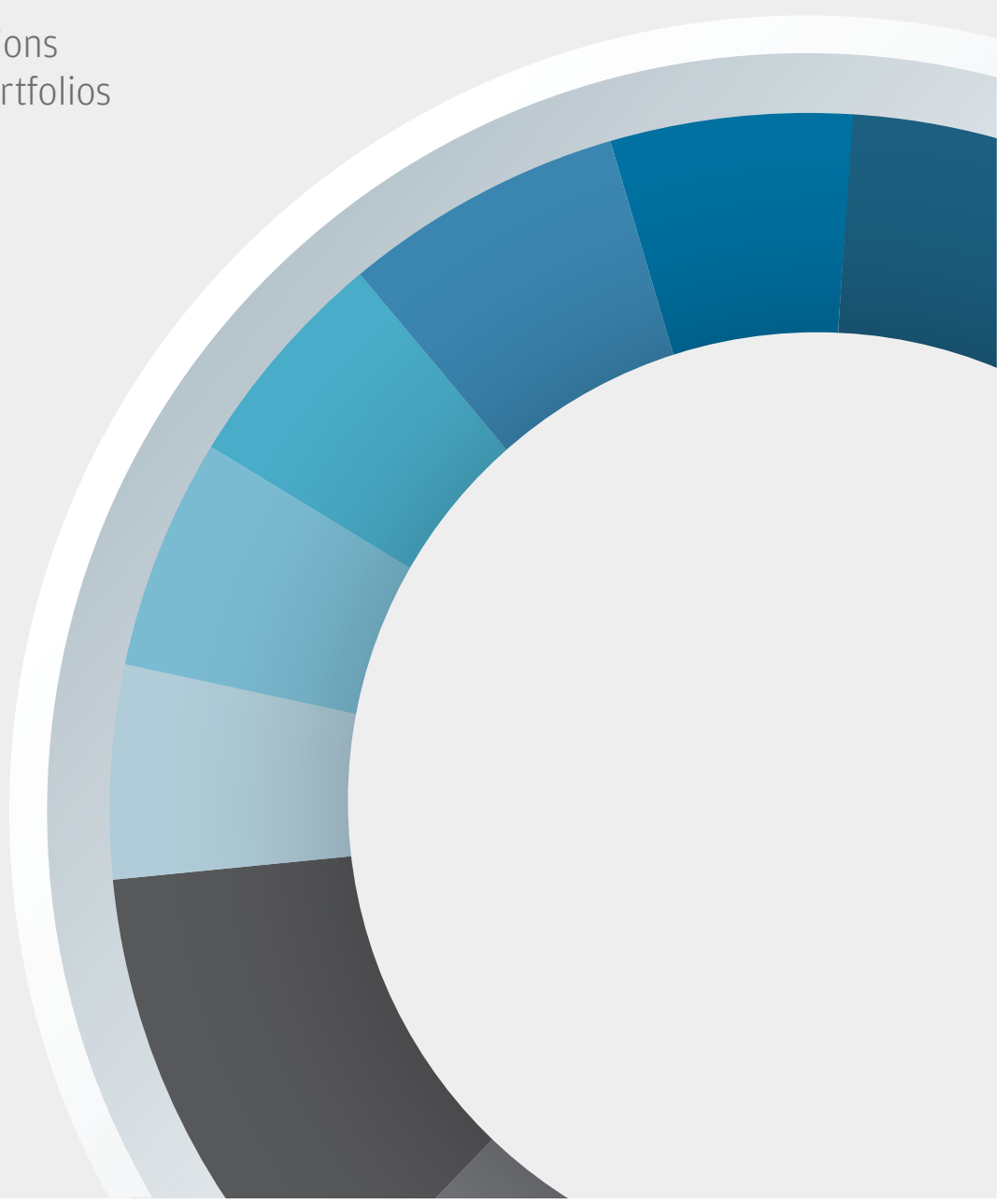


2018 Long-Term Capital Market Assumptions

22nd Annual Edition | Assumptions matrix: Sterling

Time-tested projections
to build stronger portfolios



STERLING ASSUMPTIONS

		Compound Return 2017 (%)				Annualized Volatility (%)				Compound Return 2018 (%)				Arithmetic Return 2018 (%)																																		
FIXED INCOME	UK Inflation	2.00	2.01	1.25	2.00	1.00				UK Inflation	2.00	2.01	1.25	2.00	1.00																																	
	UK Cash	1.75	1.75	0.75	1.75	-0.09	1.00			UK Cash	1.75	1.75	0.75	1.75	-0.09	1.00																																
	U.S. Aggregate Bonds hedged	3.00	3.07	3.75	2.75	-0.19	0.16	1.00		U.S. Aggregate Bonds hedged	3.00	3.07	3.75	2.75	-0.19	0.16	1.00																															
	Euro Aggregate Bonds hedged	2.25	2.32	3.75	2.25	-0.19	0.06	0.66	1.00	Euro Aggregate Bonds hedged	2.25	2.32	3.75	2.25	-0.19	0.06	0.66	1.00																														
	U.S. Inv Grade Corporate Bonds hedged	3.25	3.42	6.00	3.00	-0.16	0.03	0.82	0.59	1.00	U.S. Inv Grade Corporate Bonds hedged	3.25	3.42	6.00	3.00	-0.16	0.03	0.82	0.59	1.00																												
	Euro Inv Grade Corp Bonds hedged	2.50	2.60	4.50	2.75	-0.09	-0.09	0.53	0.72	0.78	1.00	Euro Inv Grade Corp Bonds hedged	2.50	2.60	4.50	2.75	-0.09	-0.09	0.53	0.72	0.78	1.00																										
	UK Inv Grade Corporate Bonds	2.50	2.79	7.75	2.50	-0.01	-0.16	0.57	0.56	0.75	0.77	1.00	UK Inv Grade Corporate Bonds	2.50	2.79	7.75	2.50	-0.01	-0.16	0.57	0.56	0.75	0.77	1.00																								
	U.S. High Yield Bonds hedged	5.00	5.34	8.50	5.50	0.03	-0.12	0.18	0.04	0.55	0.56	0.43	1.00	U.S. High Yield Bonds hedged	5.00	5.34	8.50	5.50	0.03	-0.12	0.18	0.04	0.55	0.56	0.43	1.00																						
	European High Yield Bonds	3.75	4.33	11.00	4.25	-0.01	-0.06	0.24	0.13	0.52	0.51	0.46	0.77	1.00	European High Yield Bonds	3.75	4.33	11.00	4.25	-0.01	-0.06	0.24	0.13	0.52	0.51	0.46	0.77	1.00																				
	U.S. Leveraged Loans hedged	4.75	5.03	7.75	4.75	0.18	-0.24	-0.09	-0.14	0.30	0.41	0.33	0.79	0.56	1.00	U.S. Leveraged Loans hedged	4.75	5.03	7.75	4.75	0.18	-0.24	-0.09	-0.14	0.30	0.41	0.33	0.79	0.56	1.00																		
	Euro Government Bonds hedged	2.00	2.09	4.25	2.00	-0.18	0.09	0.61	0.97	0.47	0.56	0.45	-0.10	0.03	-0.27	1.00	Euro Government Bonds hedged	2.00	2.09	4.25	2.00	-0.18	0.09	0.61	0.97	0.47	0.56	0.45	-0.10	0.03	-0.27	1.00																
	UK Gilts	1.00	1.22	6.75	1.00	-0.13	0.08	0.68	0.58	0.43	0.26	0.57	-0.18	-0.06	-0.35	0.60	1.00	UK Gilts	1.00	1.22	6.75	1.00	-0.13	0.08	0.68	0.58	0.43	0.26	0.57	-0.18	-0.06	-0.35	0.60	1.00														
	I-L Bonds	0.50	0.88	8.75	0.25	-0.10	-0.03	0.55	0.34	0.42	0.26	0.51	0.18	0.23	0.04	0.32	0.69	1.00	I-L Bonds	0.50	0.88	8.75	0.25	-0.10	-0.03	0.55	0.34	0.42	0.26	0.51	0.18	0.23	0.04	0.32	0.69	1.00												
	World Government Bonds hedged	2.25	2.29	3.00	1.50	-0.21	0.19	0.82	0.83	0.53	0.39	0.44	-0.19	-0.05	-0.42	0.86	0.82	0.51	1.00	World Government Bonds hedged	2.25	2.29	3.00	1.50	-0.21	0.19	0.82	0.83	0.53	0.39	0.44	-0.19	-0.05	-0.42	0.86	0.82	0.51	1.00										
	World Government Bonds	1.75	2.17	9.25	0.75	-0.23	0.22	0.49	0.43	0.19	-0.01	0.12	-0.34	0.02	-0.53	0.49	0.61	0.38	0.68	1.00	World Government Bonds	1.75	2.17	9.25	0.75	-0.23	0.22	0.49	0.43	0.19	-0.01	0.12	-0.34	0.02	-0.53	0.49	0.61	0.38	0.68	1.00								
	World ex-UK Government Bonds hedged	2.25	2.29	3.00	1.50	-0.22	0.20	0.82	0.84	0.53	0.40	0.41	-0.18	-0.04	-0.42	0.87	0.77	0.47	1.00	0.67	1.00	World ex-UK Government Bonds hedged	2.25	2.29	3.00	1.50	-0.22	0.20	0.82	0.84	0.53	0.40	0.41	-0.18	-0.04	-0.42	0.87	0.77	0.47	1.00	0.67	1.00						
	World ex-UK Government Bonds	1.75	2.21	9.75	0.75	-0.23	0.23	0.47	0.41	0.18	-0.02	0.10	-0.34	0.03	-0.53	0.48	0.59	0.36	0.67	1.00	0.66	1.00	World ex-UK Government Bonds	1.75	2.21	9.75	0.75	-0.23	0.23	0.47	0.41	0.18	-0.02	0.10	-0.34	0.03	-0.53	0.48	0.59	0.36	0.67	1.00	0.66	1.00				
	Emerging Markets Sovereign Debt hedged	5.00	5.45	9.75	5.25	-0.08	0.04	0.59	0.39	0.76	0.65	0.56	0.71	0.69	0.38	0.29	0.21	0.31	0.29	0.05	0.29	0.04	1.00	Emerging Markets Sovereign Debt hedged	5.00	5.45	9.75	5.25	-0.08	0.04	0.59	0.39	0.76	0.65	0.56	0.71	0.69	0.38	0.29	0.21	0.31	0.29	0.05	0.29	0.04	1.00		
	Emerging Markets Local Currency Debt	5.50	6.09	11.25	5.25	-0.10	0.17	0.45	0.33	0.46	0.36	0.36	0.32	0.54	0.03	0.30	0.30	0.37	0.36	0.48	0.36	0.48	0.65	1.00	Emerging Markets Local Currency Debt	5.50	6.09	11.25	5.25	-0.10	0.17	0.45	0.33	0.46	0.36	0.36	0.32	0.54	0.03	0.30	0.30	0.37	0.36	0.48	0.36	0.48	0.65	1.00
	Emerging Markets Corporate Bonds hedged	5.00	5.32	8.25	5.25	-0.12	0.02	0.50	0.32	0.78	0.71	0.57	0.73	0.70	0.51	0.18	0.09	0.23	0.14	-0.08	0.14	-0.08	0.89	0.53	Emerging Markets Corporate Bonds hedged	5.00	5.32	8.25	5.25	-0.12	0.02	0.50	0.32	0.78	0.71	0.57	0.73	0.70	0.51	0.18	0.09	0.23	0.14	-0.08	0.14	-0.08	0.89	0.53
EQUITIES	UK All Cap	5.50	6.32	13.25	6.25	0.14	-0.12	0.58	0.07	0.38	0.45	0.45	0.68	0.72	0.53	-0.02	-0.08	0.16	-0.14	-0.14	-0.15	-0.14	0.59	0.49	UK All Cap	5.50	6.32	13.25	6.25	0.14	-0.12	0.58	0.07	0.38	0.45	0.45	0.68	0.72	0.53	-0.02	-0.08	0.16	-0.14	-0.14	-0.15	-0.14	0.59	0.49
	UK Large Cap	5.50	6.32	13.25	6.25	0.14	-0.15	0.10	0.08	0.38	0.45	0.45	0.66	0.72	0.51	0.00	-0.06	0.18	-0.11	-0.10	-0.12	-0.10	0.60	0.52	UK Large Cap	5.50	6.32	13.25	6.25	0.14	-0.15	0.10	0.08	0.38	0.45	0.45	0.66	0.72	0.51	0.00	-0.06	0.18	-0.11	-0.10	-0.12	-0.10	0.60	0.52
	UK Small Cap	5.75	6.93	16.00	6.75	0.14	-0.21	-0.03	0.00	0.29	0.42	0.37	0.65	0.61	0.55	-0.10	-0.16	0.05	-0.24	-0.30	-0.24	-0.30	0.48	0.27	UK Small Cap	5.75	6.93	16.00	6.75	0.14	-0.21	-0.03	0.00	0.29	0.42	0.37	0.65	0.61	0.55	-0.10	-0.16	0.05	-0.24	-0.30	-0.24	-0.30	0.48	0.27
	U.S. Large Cap	4.75	5.60	13.50	5.00	0.07	-0.18	0.04	0.08	0.19	0.28	0.30	0.47	0.56	0.32	0.04	0.06	0.25	-0.04	0.14	-0.05	0.14	0.38	0.56	U.S. Large Cap	4.75	5.60	13.50	5.00	0.07	-0.18	0.04	0.08	0.19	0.28	0.30	0.47	0.56	0.32	0.04	0.06	0.25	-0.04	0.14	-0.05	0.14	0.38	0.56
	U.S. Large Cap hedged	5.25	6.16	14.00	6.00	0.14	-0.21	-0.02	-0.03	0.25	0.39	0.32	0.69	0.63	0.54	-0.11	-0.21	0.05	-0.25	-0.33	-0.25	-0.33	0.51	0.34	U.S. Large Cap hedged	5.25	6.16	14.00	6.00	0.14	-0.21	-0.02	-0.03	0.25	0.39	0.32	0.69	0.63	0.54	-0.11	-0.21	0.05	-0.25	-0.33	-0.25	-0.33	0.51	0.34
	Euro area Large Cap	6.00	7.64	19.00	6.00	0.03	-0.08	0.11	0.06	0.34	0.36	0.39	0.61	0.78	0.39	0.01	-0.04	0.19	-0.08	-0.02	-0.08	-0.02	0.58	0.55	Euro area Large Cap	6.00	7.64	19.00	6.00	0.03	-0.08	0.11	0.06	0.34	0.36	0.39	0.61	0.78	0.39	0.01	-0.04	0.19	-0.08	-0.02	-0.08	-0.02	0.58	0.55
	Euro area Large Cap hedged	6.25	7.53	16.75	6.75	0.07	-0.19	-0.02	0.04	0.29	0.44	0.41	0.67	0.59	0.57	-0.05	-0.18	0.07	-0.23	-0.35	-0.23	-0.35	0.49	0.30	Euro area Large Cap hedged	6.25	7.53	16.75	6.75	0.07	-0.19	-0.02	0.04	0.29	0.44	0.41	0.67	0.59	0.57	-0.05	-0.18	0.07	-0.23	-0.35	-0.23	-0.35	0.49	0.30
	Euro area Small Cap	6.25	8.10	20.25	6.50	0.03	-0.12	0.09	0.04	0.34	0.37	0.38	0.63	0.80	0.42	-0.02	-0.09	0.15	-0.11	-0.03	-0.11	-0.03	0.56	0.51	Euro area Small Cap	6.25	8.10	20.25	6.50	0.03	-0.12	0.09	0.04	0.34	0.37	0.38	0.63	0.80	0.42	-0.02	-0.09	0.15	-0.11	-0.03	-0.11	-0.03	0.56	0.51
	Euro area Small Cap hedged	6.50	7.93	17.75	7.25	0.08	-0.23	-0.04	0.01	0.30	0.44	0.41	0.68	0.63	0.61	-0.08	-0.22	0.03	-0.26	-0.36	-0.26	-0.36	0.47	0.26	Euro area Small Cap hedged	6.50	7.93	17.75	7.25	0.08	-0.23	-0.04	0.01	0.30	0.44	0.41	0.68	0.63	0.61	-0.08	-0.22	0.03	-0.26	-0.36	-0.26	-0.36	0.47	0.26
	Japanese Equity	5.50	6.35	13.50	4.50	-0.04	-0.13	0.09	0.11	0.30	0.31	0.31	0.38	0.42	0.24	0.07	0.02	0.22	-0.01	0.11	-0.01	0.11	0.33	0.47	Japanese Equity	5.50	6.35	13.50	4.50	-0.04	-0.13	0.09	0.11	0.30	0.31	0.31	0.38	0.42	0.24	0.07	0.02	0.22	-0.01	0.11	-0.01	0.11	0.33	0.47
	Japanese Equity hedged	6.25	7.84	18.75	5.75	0.12	-0.21	-0.22	-0.09	0.11	0.27	0.21	0.49	0.36	0.47	-0.16	-0.33	-0.04	-0.38	-0.55	-0.38	-0.55	0.26	0.11	Japanese Equity hedged	6.25	7.84	18.75	5.75	0.12	-0.21	-0.22	-0.09	0.11	0.27	0.21	0.49	0.36	0.47	-0.16	-0.33	-0.04	-0.38	-0.55	-0.38	-0.55	0.26	0.11
	AC Asia ex-Japan Equity	7.50	9.08	18.75	8.00	-0.01	-0.01	0.20	0.13	0.44	0.42	0.36	0.62	0.68	0.39	0.06	0.03	0.21	0.00	0.02	0.00	0.02	0.62	0.66	AC Asia ex-Japan Equity	7.50	9.08	18.75	8.00	-0.01	-0.01	0.20	0.13	0.44	0.42	0.36	0.62	0.68	0.39	0.06	0.03	0.21	0.00	0.02	0.00	0.02	0.62	0.66
	Emerging Markets Equity	7.25	8.87	19.00	8.00	0.05	0.00	0.18	0.08	0.42	0.40	0.34	0.64	0.73	0.42	0.01	-0.01	0.22	-0.04	0.01	-0.05	0.01	0.65	0.70	Emerging Markets Equity	7.25	8.87	19.00	8.00	0.05	0.00	0.18	0.08	0.42	0.40	0.34	0.64	0.73	0.42	0.01	-0.01	0.22	-0.04	0.01	-0.05	0.01	0.65	0.70
	AC World Equity	5.25	6.10	13.50	5.50	0.07	-0.13	0.11	0.09	0.34	0.38	0.39	0.61	0.72	0.41	0.03	0.01	0.25	-0.05	0.07	-0.06	0.07	0.56	0.65	AC World Equity	5.25	6.10	1																				

PORTFOLIO INSIGHTS

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