

2018 Long-Term Capital Market Assumptions

22nd Annual Edition | Assumptions matrix: Chinese Renminbi

Time-tested projections
to build stronger portfolios



CHINESE RENMINBI ASSUMPTIONS

	Annualized Volatility (%)																																				
	Arithmetic Return 2018 (%)																																				
	Compound Return 2018 (%)		China Inflation	China Cash	China Government Bond	China Corporate Bond	US Aggregate Bonds	Global Aggregate Bonds	US Inv Grade Corporate Bonds	US High Yield Bonds	Emerging Markets Sovereign Debt	Emerging Markets Local Currency Debt	China Onshore Listed Equity	China Offshore Listed & Hong Kong Equity	Hong Kong Equity	China Offshore Listed Equity	US Large Cap	European Large Cap	Japanese Equity	AC Asia ex-Japan Equity	Emerging Markets Equity	AC World Equity	Diversified Hedge Funds	Commodities	Gold												
FIXED INCOME	China Inflation	2.75 2.75	1.00	1.00																																	
	China Cash	3.25 3.26	1.25	-0.31	1.00																																
	China Government Bond	3.50 3.54	3.00	-0.26	0.11	1.00																															
	China Corporate Bond	4.75 4.78	2.50	-0.38	0.22	0.75	1.00																														
	US Aggregate Bonds	2.25 2.35	4.50	-0.18	0.18	0.22	0.21	1.00																													
	Global Aggregate Bonds	1.75 1.93	6.00	-0.05	0.23	0.13	0.11	0.69	1.00																												
	US Inv Grade Corporate Bonds	2.50 2.71	6.50	-0.19	0.16	0.12	0.08	0.84	0.69	1.00																											
	US High Yield Bonds	4.25 4.63	9.00	-0.07	0.06	-0.06	-0.02	0.24	0.36	0.59	1.00																										
	Emerging Markets Sovereign Debt	4.25 4.70	9.75	-0.15	0.16	0.11	0.16	0.58	0.68	0.76	0.73	1.00																									
	Emerging Markets Local Currency Debt	5.25 5.92	12.00	0.00	0.14	0.03	0.07	0.26	0.65	0.48	0.59	0.78	1.00																								
EQUITIES	China Onshore Listed Equity	7.25 12.08	34.00	0.12	0.04	-0.16	-0.22	-0.01	0.10	0.14	0.30	0.23	0.27	1.00																							
	China Offshore Listed & Hong Kong Equity	6.50 9.00	23.75	0.10	0.09	-0.13	-0.15	0.06	0.33	0.36	0.59	0.57	0.68	0.63	1.00																						
	Hong Kong Equity	5.50 7.40	20.50	0.04	0.09	-0.11	-0.10	0.06	0.33	0.40	0.66	0.61	0.69	0.52	0.93	1.00																					
	China Offshore Listed Equity	6.75 9.81	26.50	0.13	0.07	-0.14	-0.17	0.06	0.31	0.33	0.53	0.52	0.64	0.64	0.99	0.86	1.00																				
	US Large Cap	4.50 5.45	14.25	0.04	-0.01	-0.03	-0.08	0.00	0.27	0.26	0.69	0.52	0.60	0.35	0.64	0.67	0.59	1.00																			
	European Large Cap	5.50 7.15	19.00	0.05	0.02	-0.09	-0.10	0.02	0.42	0.34	0.71	0.60	0.71	0.37	0.74	0.77	0.70	0.88	1.00																		
	Japanese Equity	5.25 6.26	14.75	0.08	-0.03	-0.07	-0.12	0.05	0.26	0.34	0.58	0.46	0.55	0.28	0.56	0.60	0.53	0.68	0.71	1.00																	
	AC Asia ex-Japan Equity	7.25 9.26	21.25	0.10	0.10	-0.11	-0.11	0.07	0.40	0.40	0.70	0.63	0.76	0.54	0.93	0.91	0.90	0.74	0.83	0.63	1.00																
	Emerging Markets Equity	7.00 9.11	21.75	0.13	0.08	-0.11	-0.10	0.04	0.42	0.36	0.70	0.64	0.81	0.49	0.90	0.88	0.87	0.76	0.85	0.63	0.98	1.00															
	AC World Equity	5.00 6.15	15.75	0.07	0.02	-0.07	-0.10	0.01	0.38	0.34	0.74	0.61	0.72	0.40	0.77	0.80	0.72	0.95	0.97	0.76	0.86	0.89	1.00														
ALTERNATIVES	Diversified Hedge Funds	3.25 3.52	7.50	0.10	0.04	-0.18	-0.10	0.13	0.18	0.34	0.61	0.41	0.34	0.39	0.52	0.54	0.50	0.62	0.62	0.55	0.58	0.60	0.66	1.00													
	Commodities	2.75 4.07	16.75	0.15	-0.01	-0.16	-0.10	0.00	0.43	0.21	0.46	0.38	0.55	0.19	0.49	0.50	0.46	0.44	0.55	0.34	0.53	0.62	0.55	0.47	1.00												
	Gold	3.00 4.68	19.00	-0.02	0.21	-0.04	-0.04	0.36	0.52	0.34	0.11	0.33	0.38	0.13	0.19	0.20	0.18	-0.02	0.07	-0.04	0.18	0.22	0.07	0.12	0.47	1.00											

Note: All estimates on this page are in Chinese Renminbi 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, 2017, except hedge funds, private equity, real estate and infrastructure, as of June 30, 2017. 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. Return estimates for direct real estate are unlevered. We have refined our REIT estimates for 2018 to reflect: net REIT leverage; REIT vs. core composite sector differentials and a more granular treatment of currency differentials. Estimates shown for 2017 do not reflect these refinements. Diversified hedge funds and conservative hedge funds are multi-strategy hedge funds instead of funds-of-funds in prior years. Correlation figures shown are rounded to two significant figures, which may cause a loss of information. All returns are nominal. For reference index information, please visit our website.

PORTFOLIO INSIGHTS

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