

2018 Long-Term Capital Market Assumptions

22nd Annual Edition | Assumptions matrix: Brazilian Real

Time-tested projections
to build stronger portfolios



BRAZILIAN REAL ASSUMPTIONS

		Annualized Volatility (%)																																				
		Arithmetic Return 2018 (%)			Brazilian Inflation	Brazilian Cash	Brazilian Local Gov't Bonds	Brazilian I-L Bonds	Global Aggregate Bonds hedged	US High Yield Bonds	Emerging Markets Sovereign Debt	Emerging Markets Local Currency Debt	Emerging Markets Corporate Bonds	US Long Corporate Bonds	Brazilian Equity	US Large Cap	European Large Cap	Japanese Equity	AC World Equity	AC Asia ex-Japan Equity	Emerging Markets Equity	Brazilian Hedge Funds	Diversified Hedge Funds	US REITS	Private Equity	Commodities	Gold											
		Compound Return 2018 (%)																																				
FIXED INCOME	Brazilian Inflation	5.00	5.00	1.00	1.00																																	
	Brazilian Cash	7.75	7.75	0.50	-0.04	1.00																																
	Brazilian Local Gov't Bonds	9.00	9.04	3.00	-0.11	0.29	1.00																															
	Brazilian I-L Bonds	10.00	10.19	6.50	0.03	0.16	0.83	1.00																														
	Global Aggregate Bonds hedged	3.75	4.95	16.00	0.06	0.08	-0.28	-0.38	1.00																													
	U.S. High Yield Bonds	6.25	7.00	12.75	0.05	-0.07	-0.22	-0.23	0.75	1.00																												
	Emerging Markets Sovereign Debt	6.25	7.35	15.50	0.01	0.03	-0.06	-0.13	0.87	0.87	1.00																											
	Emerging Markets Local Currency Debt	7.25	7.73	10.25	-0.04	0.02	0.09	-0.01	0.64	0.65	0.81	1.00																										
	Emerging Markets Corporate Bonds	6.25	7.28	15.00	0.04	-0.02	-0.15	-0.21	0.87	0.89	0.97	0.75	1.00																									
	U.S. Long Corporate Bonds	4.75	5.97	16.25	0.01	0.04	-0.08	-0.13	0.86	0.78	0.90	0.70	0.88	1.00																								
EQUITIES	Brazilian Equity	6.75	8.81	21.50	-0.11	-0.04	0.32	0.45	-0.66	-0.31	-0.42	-0.19	-0.43	-0.48	1.00																							
	U.S. Large Cap	6.50	7.60	15.50	0.05	-0.11	-0.23	-0.22	0.54	0.75	0.65	0.62	0.68	0.52	-0.09	1.00																						
	European Large Cap	7.50	8.73	16.50	-0.02	-0.15	-0.11	-0.08	0.25	0.58	0.48	0.59	0.48	0.36	0.16	0.82	1.00																					
	Japanese Equity	7.25	8.45	16.25	0.08	-0.11	-0.17	-0.19	0.53	0.67	0.62	0.62	0.66	0.57	-0.14	0.73	0.68	1.00																				
	AC World Equity	7.00	7.90	14.00	0.02	-0.14	-0.16	-0.12	0.39	0.70	0.59	0.63	0.61	0.46	0.10	0.95	0.94	0.77	1.00																			
	AC Asia ex-Japan Equity	9.25	10.29	15.25	-0.09	-0.10	-0.05	0.06	0.08	0.41	0.32	0.47	0.32	0.26	0.37	0.58	0.72	0.50	0.74	1.00																		
	Emerging Markets Equity	9.00	9.91	14.25	-0.09	-0.13	0.00	0.12	-0.04	0.32	0.22	0.44	0.22	0.13	0.54	0.55	0.74	0.45	0.74	0.95	1.00																	
ALTERNATIVES	Brazilian Hedge Funds	9.50	9.53	2.50	0.09	0.18	0.33	0.37	-0.07	0.13	0.09	0.09	0.11	0.08	0.32	0.08	0.20	0.15	0.20	0.30	0.33	1.00																
	Diversified Hedge Funds	5.25	6.51	16.50	0.10	-0.01	-0.36	-0.39	0.93	0.82	0.83	0.59	0.87	0.77	-0.55	0.68	0.42	0.64	0.56	0.21	0.11	0.06	1.00															
	U.S. REITs	7.25	8.59	17.25	0.03	-0.05	-0.06	-0.06	0.32	0.61	0.50	0.55	0.46	0.45	-0.05	0.71	0.62	0.51	0.70	0.45	0.42	-0.01	0.34	1.00														
	Private Equity	8.25	9.70	18.00	0.02	-0.12	-0.15	-0.14	0.35	0.60	0.51	0.54	0.52	0.40	0.03	0.82	0.82	0.63	0.85	0.58	0.58	0.13	0.49	0.60	1.00													
	Commodities	4.75	5.63	13.75	0.05	-0.18	-0.21	-0.12	0.27	0.38	0.35	0.33	0.39	0.26	-0.07	0.37	0.37	0.27	0.40	0.23	0.27	0.13	0.39	0.16	0.33	1.00												
	Gold	5.00	6.70	19.25	0.05	0.05	0.07	0.02	0.49	0.34	0.52	0.46	0.50	0.50	-0.25	0.13	0.05	0.14	0.10	0.03	-0.01	0.09	0.42	0.10	0.08	0.47	1.00											

Note: All estimates on this page are in Brazilian Real 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. 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.

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