

# 2019 Long-Term Capital Market Assumptions

23<sup>rd</sup> Annual Edition | Assumptions matrix: Canadian Dollar

Time-tested projections  
to build stronger portfolios



CANADIAN DOLLAR ASSUMPTIONS

	Compound Return 2018 (%)				Canadian Cash	Canadian Universe Bonds	Canadian Long Term Universe Bonds	Canadian Inflation-Linked Bonds	U.S. Intermediate Treasuries hedged	U.S. Aggregate Bonds hedged	U.S. High Yield Bonds hedged	U.S. Leveraged Loans hedged	World Government Bonds hedged	World Government Bonds	World ex-U.S. Government Bonds hedged	Emerging Markets Sovereign Debt hedged	Emerging Markets Local Currency Debt	Emerging Markets Corporate Bonds hedged	Canadian Large Cap	
	Annualized Volatility (%)																			
	Arithmetic Return 2019 (%)																			
	Compound Return 2019 (%)																			
FIXED INCOME	Canadian Cash	2.00	2.00	0.50	1.75	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Canadian Universe Bonds	3.25	3.32	3.75	2.75	0.13	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Canadian Long Term Universe Bonds	3.00	3.24	7.00	3.25	0.04	0.97	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	Canadian Inflation-Linked Bonds	3.00	3.29	7.75	2.00	0.04	0.70	0.74	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	U.S. Intermediate Treasuries hedged	3.25	3.31	3.50	2.75	0.23	0.69	0.60	0.34	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	U.S. Aggregate Bonds hedged	4.00	4.06	3.50	3.00	0.08	0.80	0.77	0.52	0.82	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	U.S. High Yield Bonds hedged	5.50	5.82	8.25	5.00	-0.14	0.02	0.05	0.27	-0.26	0.18	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	U.S. Leveraged Loans hedged	5.00	5.27	7.50	4.75	-0.24	-0.16	-0.10	0.10	-0.51	-0.08	0.79	1.00	1.00	1.00	1.00	1.00	1.00	1.00	
	World Government Bonds hedged	2.75	2.87	3.00	2.25	0.14	0.79	0.73	0.42	0.83	0.81	-0.19	-0.42	1.00	1.00	1.00	1.00	1.00	1.00	
	World Government Bonds	2.25	2.61	10.00	1.75	0.16	0.60	0.52	0.27	0.62	0.42	-0.44	-0.52	0.62	1.00	1.00	1.00	1.00	1.00	
	World ex-U.S. Government Bonds hedged	2.50	2.66	3.00	2.00	0.12	0.73	0.68	0.38	0.70	0.71	-0.16	-0.36	0.97	0.57	1.00	1.00	1.00	1.00	
	Emerging Markets Sovereign Debt hedged	6.25	6.69	9.75	5.00	0.00	0.38	0.37	0.38	0.23	0.59	0.69	0.36	0.29	-0.14	0.28	1.00	1.00	1.00	
	Emerging Markets Local Currency Debt	6.00	6.40	9.25	5.50	0.13	0.50	0.45	0.40	0.36	0.46	0.21	-0.01	0.42	0.44	0.40	0.54	1.00	1.00	
	Emerging Markets Corporate Bonds hedged	6.00	6.32	8.25	5.00	-0.05	0.29	0.29	0.30	0.11	0.51	0.73	0.52	0.14	-0.20	0.14	0.88	0.44	1.00	
EQUITIES	Canadian Large Cap	6.75	7.26	11.50	6.25	-0.09	-0.10	-0.04	0.18	-0.31	0.00	0.63	0.57	-0.26	-0.50	-0.23	0.47	0.08	0.55	1.00
	U.S. Large Cap	4.50	5.00	11.25	4.75	-0.22	0.12	0.15	0.18	-0.22	-0.02	0.38	0.35	-0.08	0.01	-0.03	0.19	0.33	0.26	0.45
	U.S. Large Cap hedged	5.25	6.03	13.75	5.25	-0.21	-0.11	-0.06	0.11	-0.32	-0.02	0.68	0.53	-0.25	-0.50	-0.20	0.50	0.14	0.53	0.76
	U.S. Mid Cap	5.00	5.66	12.75	5.00	-0.22	0.08	0.12	0.20	-0.27	-0.01	0.51	0.46	-0.13	-0.10	-0.08	0.25	0.30	0.33	0.56
	U.S. Small Cap	5.25	6.32	15.50	5.00	-0.20	-0.01	0.04	0.15	-0.31	-0.10	0.44	0.38	-0.19	-0.16	-0.13	0.18	0.22	0.24	0.50
	European Large Cap	6.00	6.93	14.50	5.75	-0.13	0.12	0.14	0.21	-0.18	0.09	0.55	0.44	-0.10	-0.08	-0.06	0.46	0.45	0.48	0.56
	Japanese Equity	6.00	6.72	12.75	5.50	-0.15	0.22	0.23	0.14	-0.14	0.06	0.26	0.23	-0.02	0.15	0.01	0.16	0.39	0.26	0.18
	UK Large Cap	5.75	6.48	12.50	5.50	-0.18	0.07	0.10	0.18	-0.25	0.05	0.54	0.51	-0.16	-0.15	-0.11	0.39	0.34	0.46	0.60
	Developed World Equity	5.00	5.65	11.25	5.25	-0.20	0.14	0.17	0.22	-0.23	0.04	0.51	0.43	-0.10	-0.05	-0.05	0.34	0.42	0.41	0.56
	Developed World Equity hedged	5.75	6.53	13.00	5.50	-0.19	-0.11	-0.06	0.10	-0.38	-0.03	0.71	0.59	-0.27	-0.54	-0.21	0.52	0.15	0.56	0.79
	EAFE Equity	6.00	6.67	12.75	5.50	-0.15	0.17	0.19	0.24	-0.18	0.10	0.55	0.43	-0.08	-0.04	-0.04	0.45	0.50	0.49	0.55
	EAFE Equity hedged	6.50	7.39	13.50	6.00	-0.17	-0.10	-0.05	0.08	-0.40	-0.04	0.69	0.59	-0.26	-0.53	-0.19	0.50	0.18	0.55	0.73
	Emerging Markets Equity	7.75	8.78	15.50	7.25	-0.05	0.14	0.16	0.32	-0.16	0.15	0.62	0.48	-0.09	-0.23	-0.06	0.58	0.52	0.60	0.66
	AC Asia ex-Japan Equity	7.75	8.82	15.75	7.50	-0.06	0.19	0.21	0.32	-0.12	0.18	0.59	0.43	-0.03	-0.18	0.00	0.53	0.48	0.57	0.57
AC World Equity	5.25	5.96	11.25	5.25	-0.19	0.14	0.18	0.24	-0.23	0.05	0.54	0.46	-0.11	-0.08	-0.05	0.39	0.45	0.45	0.60	
ALTERNATIVES	Private Equity	7.50	9.08	18.75	6.50	-0.18	-0.18	-0.12	0.07	-0.46	-0.30	0.43	0.42	-0.43	-0.21	-0.38	0.28	0.28	0.38	0.53
	U.S. REITs	5.50	6.44	14.25	5.50	-0.17	0.30	0.33	0.33	0.09	0.31	0.43	0.23	0.24	0.13	0.25	0.36	0.41	0.29	0.31
	U.S. Core Real Estate*	5.00	5.65	11.75	4.50	-0.50	-0.20	-0.08	-0.05	-0.35	-0.19	0.42	0.54	-0.31	-0.41	-0.29	0.22	-0.09	0.36	0.36
	Global Infrastructure Equity	5.25	5.84	11.25	5.50	-0.05	0.21	0.21	0.28	0.02	0.11	0.04	0.03	0.00	0.29	-0.02	0.10	0.23	0.09	0.12
	Diversified Hedge Funds hedged	4.25	4.52	7.50	4.00	-0.11	-0.15	-0.07	0.09	-0.43	-0.11	0.59	0.63	-0.36	-0.55	-0.31	0.34	0.01	0.43	0.71
	Event Driven Hedge Funds hedged	4.75	5.13	9.00	4.50	-0.20	-0.22	-0.16	0.08	-0.47	-0.13	0.76	0.75	-0.43	-0.60	-0.37	0.45	0.06	0.56	0.81
	Long Bias Hedge Funds hedged	4.75	5.32	11.00	4.50	-0.15	-0.19	-0.13	0.10	-0.43	-0.09	0.74	0.65	-0.39	-0.62	-0.35	0.50	0.09	0.59	0.83
	Relative Value Hedge Funds hedged	4.50	4.73	7.00	4.25	-0.16	-0.14	-0.09	0.14	-0.41	0.00	0.83	0.84	-0.35	-0.58	-0.30	0.53	0.11	0.63	0.72
	Macro Hedge Funds hedged	3.75	4.06	8.00	3.50	0.18	0.14	0.16	0.22	0.11	0.18	0.16	0.05	0.16	-0.10	0.17	0.22	0.08	0.20	0.35
	Commodities*	1.50	2.32	13.00	3.00	-0.01	0.05	0.05	0.24	-0.01	0.05	0.19	0.20	-0.12	0.04	-0.15	0.13	0.24	0.20	0.41
	Gold*	1.75	3.05	16.50	3.25	0.12	0.39	0.36	0.22	0.48	0.41	-0.18	-0.29	0.39	0.42	0.32	0.08	0.26	0.07	-0.12

Note: All estimates on this page are in Canadian 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.

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