

2020 Long-Term Capital Market Assumptions

24th Annual Edition | Assumptions matrix: Sterling

Time-tested projections
to build stronger portfolios



STERLING ASSUMPTIONS

		Compound Return 2019 (%)				Annualized Volatility (%)				Arithmetic Return 2020 (%)				Compound Return 2020 (%)							
		UK Inflation	UK Cash	U.S. Aggregate Bonds Hedged	Euro Aggregate Bonds Hedged	U.S. Inv Grade Corporate Bonds Hedged	Euro Inv Grade Corp Bonds Hedged	UK Inv Grade Corporate Bonds	U.S. High Yield Bonds Hedged	Euro High Yield Bonds Hedged	Global Credit Hedged	U.S. Leveraged Loans Hedged	Euro Government Bonds Hedged	UK Gilts	UK Inflation-Linked Bonds	World Government Bonds Hedged	World Government Bonds	World ex-UK Government Bonds Hedged	World ex-UK Government Bonds	Emerging Markets Sovereign Debt Hedged	Emerging Markets Local Currency Debt
FIXED INCOME	UK Inflation	2.00	2.01	1.75	2.00	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	1.00	1.00	1.00
	UK Cash	1.80	1.80	0.68	1.75	-0.18	0.20	1.00													
	U.S. Aggregate Bonds Hedged	3.00	3.06	3.43	3.75	-0.20	0.20	1.00													
	Euro Aggregate Bonds Hedged	2.20	2.26	3.54	3.00	-0.20	0.09	0.65	1.00												
	U.S. Inv Grade Corporate Bonds Hedged	3.30	3.47	5.97	4.25	-0.18	0.07	0.82	0.58	1.00											
	Euro Inv Grade Corp Bonds Hedged	3.00	3.10	4.47	3.25	-0.11	-0.06	0.51	0.70	0.78	1.00										
	UK Inv Grade Corporate Bonds	2.00	2.27	7.38	3.00	0.04	-0.15	0.55	0.53	0.73	0.76	1.00									
	U.S. High Yield Bonds Hedged	5.20	5.52	8.27	5.25	0.01	-0.09	0.17	0.04	0.53	0.54	0.41	1.00								
	Euro High Yield Bonds Hedged	4.80	5.15	8.54	4.75	0.01	-0.15	0.08	0.10	0.48	0.64	0.47	0.88	1.00							
	Global Credit Hedged	3.10	3.21	4.68	4.00	-0.14	0.05	0.82	0.69	0.97	0.86	0.81	0.53	0.49	1.00						
U.S. Leveraged Loans Hedged	4.90	5.17	7.55	4.75	0.16	-0.20	-0.11	-0.15	0.27	0.40	0.32	0.78	0.85	0.25	1.00						
Euro Government Bonds Hedged	1.90	1.98	4.07	2.75	-0.20	0.11	0.60	0.97	0.45	0.53	0.41	-0.10	-0.05	0.55	-0.28	1.00					
UK Gilts	0.00	0.22	6.64	1.25	-0.15	0.12	0.70	0.54	0.23	0.25	0.54	-0.18	-0.23	0.49	-0.35	0.60	1.00				
UK Inflation-Linked Bonds	-1.50	-1.11	8.80	1.25	-0.01	-0.05	0.53	0.33	0.41	0.26	0.52	0.16	0.06	0.46	0.01	0.29	0.67	1.00			
World Government Bonds Hedged	2.00	2.04	3.00	2.50	-0.21	0.19	0.81	0.82	0.51	0.36	0.41	-0.19	-0.25	0.58	-0.44	0.85	0.82	0.50	1.00		
World Government Bonds	1.00	1.41	9.17	2.25	-0.18	0.24	0.50	0.44	0.19	-0.01	0.11	-0.34	-0.41	0.23	-0.54	0.50	0.65	0.39	0.71	1.00	
World ex-UK Government Bonds Hedged	2.20	2.24	2.86	2.75	-0.20	0.19	0.81	0.84	0.52	0.38	0.39	-0.18	-0.23	0.59	-0.43	0.87	0.77	0.47	1.00	0.68	
World ex-UK Government Bonds	1.10	1.55	9.59	2.25	-0.19	0.24	0.49	0.42	0.18	-0.02	0.09	-0.35	-0.41	0.21	-0.54	0.49	0.62	0.37	0.69	0.99	
Emerging Markets Sovereign Debt Hedged	5.00	5.34	8.44	6.00	-0.01	0.00	0.54	0.38	0.73	0.63	0.55	0.69	0.56	0.76	0.36	0.27	0.18	0.31	0.27	0.02	0.29
Emerging Markets Local Currency Debt	4.40	4.99	11.16	6.00	-0.19	0.24	0.47	0.36	0.45	0.35	0.32	0.28	0.20	0.48	0.01	0.33	0.34	0.32	0.38	0.48	0.38
Emerging Markets Corporate Bonds Hedged	4.80	5.12	8.16	5.75	0.03	-0.07	0.43	0.29	0.72	0.67	0.55	0.71	0.64	0.73	0.50	0.14	0.05	0.24	0.11	-0.12	0.13
EQUITIES	UK All Cap	6.30	7.08	12.96	5.75	0.11	-0.14	0.09	0.06	0.39	0.46	0.44	0.67	0.65	0.40	0.52	-0.04	-0.07	0.15	-0.15	-0.14
	UK Large Cap	6.10	6.90	13.15	5.75	0.10	-0.14	0.10	0.07	0.39	0.45	0.44	0.65	0.63	0.41	0.50	-0.02	-0.05	0.17	-0.12	-0.12
	UK Small Cap	7.10	8.20	15.52	6.00	0.10	-0.18	0.00	0.00	0.31	0.43	0.37	0.65	0.66	0.33	0.55	-0.11	-0.14	0.05	-0.23	-0.29
	U.S. Large Cap	4.10	4.96	13.54	4.50	0.06	-0.16	0.06	0.08	0.21	0.29	0.29	0.48	0.40	0.25	0.32	0.02	0.03	0.20	-0.05	0.11
	U.S. Large Cap Hedged	5.50	6.45	14.31	5.00	0.08	-0.20	-0.03	-0.03	0.26	0.38	0.30	0.68	0.63	0.28	0.54	-0.12	-0.22	0.00	-0.26	-0.35
	Euro Area Large Cap	6.20	7.74	18.43	6.25	-0.02	-0.05	0.12	0.08	0.35	0.38	0.38	0.61	0.59	0.38	0.38	0.01	-0.05	0.16	-0.09	-0.04
	Euro Area Large Cap Hedged	7.10	8.33	16.43	6.75	0.04	-0.18	-0.03	0.04	0.29	0.44	0.38	0.67	0.70	0.32	0.57	-0.05	-0.20	0.02	-0.24	-0.38
	Euro Area Small Cap	6.40	8.10	19.40	6.50	0.01	-0.10	0.11	0.05	0.36	0.38	0.37	0.63	0.61	0.38	0.42	-0.02	-0.08	0.13	-0.11	-0.04
	Euro Area Small Cap Hedged	7.30	8.65	17.32	7.00	0.04	-0.20	-0.04	0.01	0.30	0.44	0.38	0.69	0.74	0.32	0.61	-0.09	-0.23	-0.01	-0.27	-0.37
	Japanese Equity	5.70	6.52	13.26	6.00	-0.07	-0.08	0.12	0.12	0.32	0.33	0.30	0.40	0.34	0.33	0.25	0.07	0.03	0.18	-0.01	0.10
Japanese Equity Hedged	7.20	8.69	18.16	6.50	0.08	-0.19	-0.20	-0.09	0.12	0.28	0.20	0.51	0.51	0.13	0.49	-0.16	-0.33	-0.08	-0.38	-0.55	
AC Asia ex-Japan Equity	7.70	9.21	18.34	7.75	-0.01	-0.02	0.21	0.13	0.45	0.43	0.36	0.61	0.54	0.46	0.38	0.05	0.03	0.18	0.00	0.00	
Emerging Markets Equity	7.70	9.23	18.46	7.75	0.05	-0.03	0.18	0.08	0.42	0.40	0.34	0.64	0.56	0.43	0.41	0.00	-0.01	0.20	-0.05	-0.02	
AC World Equity	5.00	5.84	13.39	5.25	0.01	-0.11	0.12	0.09	0.35	0.39	0.37	0.61	0.53	0.37	0.40	0.02	0.00	0.21	-0.06	0.05	
AC World ex-UK Equity	5.00	5.86	13.57	5.25	0.04	-0.11	0.12	0.09	0.34	0.38	0.37	0.60	0.52	0.37	0.39	0.02	0.01	0.22	-0.06	0.06	
Developed World Equity	4.80	5.62	13.21	5.00	0.04	-0.12	0.11	0.09	0.32	0.38	0.37	0.59	0.51	0.35	0.39	0.02	0.01	0.21	-0.06	0.06	
Global Convertible Bond Hedged	4.70	5.20	10.31	5.25	-0.02	-0.11	0.07	0.05	0.44	0.52	0.37	0.81	0.77	0.43	0.65	-0.07	-0.22	-0.01	-0.24	-0.39	
Global Credit Sensitive Convertible Hedged	4.30	4.54	7.11	4.50	0.12	-0.26	-0.07	0.07	0.16	0.33	0.36	0.24	0.36	0.21	0.32	-0.02	-0.18	-0.08	-0.15	-0.20	
ALTERNATIVES	Private Equity	7.30	8.49	16.22	7.50	0.14	-0.16	-0.23	-0.21	0.05	0.18	0.20	0.44	0.41	0.07	0.39	-0.30	-0.25	0.07	-0.35	-0.22
	U.S. Core Real Estate	4.30	4.81	10.43	5.00	0.43	-0.42	-0.19	-0.17	-0.01	0.15	0.25	0.39	0.36	0.04	0.51	-0.24	-0.22	0.14	-0.29	-0.43
	European ex-UK Core Real Estate	5.40	6.25	13.54	5.75	0.25	-0.33	-0.36	-0.28	-0.08	0.02	0.02	0.37	0.32	-0.09	0.40	-0.33	-0.41	0.03	-0.44	-0.32
	European ex-UK Value-Added Real Estate	7.90	9.77	20.54	8.25	0.29	-0.37	-0.41	-0.34	-0.09	0.02	0.02	0.45	0.39	-0.11	0.51	-0.39	-0.47	0.00	-0.52	-0.48
	UK Core Real Estate	5.50	6.71	16.19	5.00	0.28	-0.36	-0.36	-0.33	-0.11	0.01	-0.03	0.45	0.40	-0.12	0.59	-0.37	-0.44	-0.10	-0.50	-0.70
	U.S. REITs	4.50	5.73	16.27	5.50	0.07	-0.15	0.27	0.21	0.33	0.32	0.42	0.46	0.33	0.39	0.23	0.17	0.24	0.38	0.20	0.20
	European REITs	5.90	7.42	18.29	6.00	0.01	-0.15	0.23	0.24	0.39	0.46	0.48	0.55	0.50	0.45	0.30	0.17	0.11	0.24	0.10	0.00
	Global Infrastructure Equity	4.50	4.93	9.48	5.25	0.03	-0.11	0.13	0.14	0.04	0.03	0.17	-0.05	-0.06	0.09	-0.04	0.14	0.28	0.37	0.16	0.26
	Mezzanine Debt	6.30	6.99	12.18	5.00	-0.10	-0.01	0.34	0.26	0.40	0.33	0.32	0.40	0.31	0.41	0.26	0.20	0.29	0.44	0.23	0.45
	Diversified Hedge Funds Hedged	4.40	4.65	7.28	4.00	0.18	-0.16	-0.12	-0.11	0.21	0.33	0.30	0.59	0.64	0.22	0.64	-0.22	-0.31	0.00	-0.37	-0.50
Event Driven Hedge Funds Hedged	4.70	5.08	8.99	4.50	0.16	-0.18	-0.13	-0.13	0.25	0.41	0.31	0.76	0.78	0.25	0.75	-0.27	-0.37	-0.04	-0.43	-0.52	
Long Bias Hedge Funds Hedged	4.70	5.27	11.00	4.50	0.07	-0.11	-0.07	-0.11	0.29	0.39	0.28	0.74	0.72	0.28	0.65	-0.23	-0.32	-0.06	-0.38	-0.48	
Relative Value Hedge Funds Hedged	4.40	4.62	6.75	4.25	0.12	-0.11	-0.01	-0.06	0.37	0.48	0.38	0.83	0.83	0.37	0.84	-0.20	-0.33	0.03	-0.36	-0.52	
Macro Hedge Funds Hedged	3.20	3.50	7.84	3.50	-0.08	0.18	0.19	0.20	0.29	0.25	0.25	0.16	0.17	0.29	0.04	0.16	0.13	0.15	0.16	0.08	
Commodities	1.00	1.94	13.94	1.50	0.20	-0.02	0.08	-0.11	0.17	0.08	0.10	0.30	0.16	0.15	0.21	-0.16	-0.08	0.17	-0.10	0.08	
Gold	1.50	3.09	18.31	1.75	-0.11	0.17	0.43	0.22	0.29	0.08	0.14	-0.07	-0.17	0.28	-0.27	0.21	0.39	0.28	0.40	0.50	

Note: All estimates on this page are in sterling 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; as of September 30, 2019. Please note that LTCMA return numbers are now rounded to the nearest 0.1% (having been nearest 0.25% in previous years). 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. Correlations of value-added and core real estate in their local currencies are identical since value-added local returns are scaled versions of their corresponding core real estate local returns. All returns are nominal. For the full opportunity set, please contact your J.P. Morgan representative.

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