

2019 Long-Term Capital Market Assumptions

23rd Annual Edition | Assumptions matrix: Euro

Time-tested projections
to build stronger portfolios



EURO ASSUMPTIONS

		Compound Return 2018 (%)				Annualized Volatility (%)				Arithmetic Return 2019 (%)				Compound Return 2019 (%)					
Category	Asset Class	2018				Volatility				2019									
		Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility	Return	Volatility				
FIXED INCOME	Euro Cash	1.00	1.00	0.50	1.25	1.00	1.00	0.18	1.00	1.00	1.00	0.50	1.25	1.00	1.00	0.50	1.25		
	U.S. Aggregate Bonds hedged	3.00	3.07	3.75	2.50	0.18	1.00	1.00	1.00	3.00	3.07	3.75	2.50	0.18	1.00	1.00	1.00		
	Euro Aggregate Bonds	2.25	2.32	3.75	1.75	0.08	0.64	1.00	1.00	2.25	2.32	3.75	1.75	0.08	0.64	1.00	1.00		
	U.S. Inv Grade Corporate Bonds hedged	3.50	3.67	6.00	2.75	0.07	0.83	0.57	1.00	3.50	3.67	6.00	2.75	0.07	0.83	0.57	1.00		
	Euro Inv Grade Corp Bonds	2.50	2.60	4.50	2.00	-0.06	0.53	0.71	0.78	2.50	2.60	4.50	2.00	-0.06	0.53	0.71	0.78		
	U.S. High Yield Bonds hedged	4.50	4.82	8.25	4.50	-0.08	0.19	0.04	0.56	4.50	4.82	8.25	4.50	-0.08	0.19	0.04	0.56		
	European High Yield Bonds	4.00	4.39	9.00	3.50	-0.19	0.06	0.11	0.47	4.00	4.39	9.00	3.50	-0.19	0.06	0.11	0.47		
	U.S. Leveraged Loans hedged	4.00	4.32	8.25	4.25	-0.20	-0.06	-0.12	0.32	4.00	4.32	8.25	4.25	-0.20	-0.06	-0.12	0.32		
	Euro Government Bonds	2.00	2.08	4.00	1.50	0.09	0.59	0.97	0.45	2.00	2.08	4.00	1.50	0.09	0.59	0.97	0.45		
	Euro Govt Inflation-Linked	2.00	2.11	4.75	1.50	0.08	0.55	0.76	0.58	2.00	2.11	4.75	1.50	0.08	0.55	0.76	0.58		
	World Government Bonds hedged	1.75	1.85	3.00	1.75	0.19	0.81	0.83	0.52	1.75	1.85	3.00	1.75	0.19	0.81	0.83	0.52		
	World Government Bonds	1.75	2.11	7.25	1.50	0.13	0.33	0.46	0.13	1.75	2.11	7.25	1.50	0.13	0.33	0.46	0.13		
	World ex-Euro Government Bonds hedged	1.75	1.73	3.00	1.75	0.24	0.83	0.60	0.49	1.75	1.73	3.00	1.75	0.24	0.83	0.60	0.49		
	World ex-Euro Government Bonds	1.75	2.26	10.00	1.50	0.11	0.24	0.30	0.05	1.75	2.26	10.00	1.50	0.11	0.24	0.30	0.05		
	Emerging Markets Sovereign Debt hedged	5.25	5.67	9.50	4.50	0.07	0.60	0.40	0.77	5.25	5.67	9.50	4.50	0.07	0.60	0.40	0.77		
	Emerging Markets Local Currency Debt	5.75	6.13	9.00	5.25	0.09	0.33	0.34	0.46	5.75	6.13	9.00	5.25	0.09	0.33	0.34	0.46		
	Emerging Markets Corporate Bonds hedged	5.00	5.32	8.25	4.50	0.05	0.51	0.33	0.78	5.00	5.32	8.25	4.50	0.05	0.51	0.33	0.78		
	EQUITIES	European Large Cap	5.75	6.62	14.00	5.50	-0.26	-0.02	0.04	0.31	5.75	6.62	14.00	5.50	-0.26	-0.02	0.04	0.31	
European Small Cap		6.00	7.25	15.75	5.75	-0.26	-0.04	-0.01	0.30	6.00	7.25	15.75	5.75	-0.26	-0.04	-0.01	0.30		
U.S. Large Cap		4.25	4.98	13.25	4.50	-0.29	-0.13	0.02	0.10	4.25	4.98	13.25	4.50	-0.29	-0.13	0.02	0.10		
U.S. Large Cap hedged		4.25	5.04	13.75	4.75	-0.25	-0.01	-0.03	0.26	4.25	5.04	13.75	4.75	-0.25	-0.01	-0.03	0.26		
Euro Area Large Cap		6.00	7.19	16.25	5.75	-0.24	-0.02	0.04	0.29	6.00	7.19	16.25	5.75	-0.24	-0.02	0.04	0.29		
Euro area Small Cap		6.25	7.57	17.00	6.00	-0.26	-0.03	0.01	0.30	6.25	7.57	17.00	6.00	-0.26	-0.03	0.01	0.30		
UK Large Cap		5.50	6.42	14.00	5.25	-0.26	-0.05	0.02	0.29	5.50	6.42	14.00	5.25	-0.26	-0.05	0.02	0.29		
UK Large Cap hedged		5.00	5.83	13.25	5.00	-0.19	0.11	0.07	0.38	5.00	5.83	13.25	5.00	-0.19	0.11	0.07	0.38		
Japanese Equity		5.75	6.62	14.00	5.25	-0.23	-0.06	0.06	0.21	5.75	6.62	14.00	5.25	-0.23	-0.06	0.06	0.21		
Japanese Equity hedged		5.75	7.16	17.75	5.75	-0.06	-0.17	-0.10	0.12	5.75	7.16	17.75	5.75	-0.06	-0.17	-0.10	0.12		
Emerging Markets Equity		7.50	8.75	17.00	7.00	-0.12	0.06	0.04	0.38	7.50	8.75	17.00	7.00	-0.12	0.06	0.04	0.38		
AC Asia ex-Japan Equity		7.50	8.79	17.25	7.25	-0.13	0.08	0.10	0.40	7.50	8.79	17.25	7.25	-0.13	0.08	0.10	0.40		
AC World Equity		5.00	5.84	12.50	5.00	-0.27	-0.06	0.04	0.26	5.00	5.84	12.50	5.00	-0.27	-0.06	0.04	0.26		
AC World ex-EMU Equity		5.00	5.76	12.50	5.00	-0.27	-0.07	0.04	0.24	5.00	5.76	12.50	5.00	-0.27	-0.07	0.04	0.24		
Developed World Equity		4.75	5.54	12.50	5.00	-0.29	-0.08	0.03	0.22	4.75	5.54	12.50	5.00	-0.29	-0.08	0.03	0.22		
Global Convertible hedged		4.50	4.93	9.50	4.25	-0.14	0.07	0.05	0.44	4.50	4.93	9.50	4.25	-0.14	0.07	0.05	0.44		
Global Credit Sensitive Convertible hedged		3.75	3.94	6.25	3.50	-0.30	-0.03	0.09	0.18	3.75	3.94	6.25	3.50	-0.30	-0.03	0.09	0.18		
ALTERNATIVES		Private Equity	7.25	9.21	21.00	6.25	-0.37	-0.36	-0.32	0.04	7.25	9.21	21.00	6.25	-0.37	-0.36	-0.32	0.04	
	U.S. Core Real Estate*	4.75	5.54	13.00	4.25	-0.49	-0.16	-0.19	0.04	4.75	5.54	13.00	4.25	-0.49	-0.16	-0.19	0.04		
	European ex-UK Core Real Estate*	5.50	6.23	12.50	4.75	-0.47	-0.43	-0.38	0.06	5.50	6.23	12.50	4.75	-0.47	-0.43	-0.38	0.06		
	European ex-UK Value-Added Real Estate*	8.00	9.78	20.00	6.50	-0.47	-0.43	-0.38	0.06	8.00	9.78	20.00	6.50	-0.47	-0.43	-0.38	0.06		
	U.S. REITs	5.25	6.26	14.75	5.25	-0.19	0.22	0.22	0.33	5.25	6.26	14.75	5.25	-0.19	0.22	0.22	0.33		
	Global ex-U.S. REITs	5.50	6.83	17.00	7.00	-0.32	0.14	0.23	0.38	5.50	6.83	17.00	7.00	-0.32	0.14	0.23	0.38		
	Global Infrastructure Equity	5.00	5.67	12.00	5.25	-0.34	0.02	-0.08	0.23	5.00	5.67	12.00	5.25	-0.34	0.02	-0.08	0.23		
	Diversified Hedge Funds hedged	3.25	3.52	7.50	3.50	-0.17	-0.11	-0.11	0.22	3.25	3.52	7.50	3.50	-0.17	-0.11	-0.11	0.22		
	Event Driven Hedge Funds hedged	3.75	4.14	9.00	4.00	-0.21	-0.12	-0.13	0.26	3.75	4.14	9.00	4.00	-0.21	-0.12	-0.13	0.26		
	Long Bias Hedge Funds hedged	3.75	4.33	11.00	4.00	-0.19	-0.09	-0.14	0.29	3.75	4.33	11.00	4.00	-0.19	-0.09	-0.14	0.29		
	Relative Value Hedge Funds hedged	3.50	3.74	7.00	3.75	-0.11	0.02	-0.05	0.40	3.50	3.74	7.00	3.75	-0.11	0.02	-0.05	0.40		
	Macro Hedge Funds hedged	2.75	3.06	8.00	3.00	0.18	0.19	0.19	0.28	2.75	3.06	8.00	3.00	0.18	0.19	0.19	0.28		
	Commodities*	1.25	2.16	13.75	2.75	-0.08	-0.05	-0.17	0.13	1.25	2.16	13.75	2.75	-0.08	-0.05	-0.17	0.13		
	Gold*	1.50	2.92	17.25	3.00	0.16	0.32	0.18	0.24	1.50	2.92	17.25	3.00	0.16	0.32	0.18	0.24		

Note: All estimates on this page are in euro 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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