



Q1 Edition

Wednesday, January 24, 2024

Available reports

- Global Financial Markets
- Global Political Analysis
- Interest Rates Outlook
- Currencies Outlook
- Monthly Chart Pack
- Asset Allocation
- Expected Returns
- Money Talks, Money Walks
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Questions or Comments?



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Expected Returns

Expected returns are a crucial building block for strategic asset allocation. In-depth research can lead to well-founded expected returns estimates. We believe the analysis of multiple expected returns estimates of experts will, on average, generate better and well documented return estimates, which offer an excellent basis for strategic asset allocation decisions.

In this 'expected returns' report, we bring together the collective intelligence from 47 distinct investment research reports, marking a record in participation, to establish robust consensus forecasts. These consensus forecasts, derived from an unprecedented breadth of data and analysis, are good estimators of expected returns and are available for a large number of asset classes.

Analyzing Asset Class Dynamics

During the fourth quarter, the return estimates of 23 of the 31 asset classes (74%) were revised upwards, while there were 4 downward adjustments. When examining all 31 asset classes and considering the average increase across Equities, Fixed Income, and Alternatives, it's evident that Fixed Income led the climb this quarter, followed, from a distance, by Equities. The pause in the ascent of expected returns of Equities, that we observed in the third quarter, seems to be over.

Movers: Gains & Losses

The three most significant negative revisions we observed are Japanese Equities (-0.30%) Emerging Markets Corporate Bonds (-0.19%) and Commodities (-0.10%). Conversely, the categories experiencing the most substantial increase in expectations were Japanese Government Bonds, rising by (+0.95%) and Global Government Bonds increasing by (+0.93%).

Furthermore, we draw attention to the return expectations from three participants that are new or stand apart from the consensus: Franklin Templeton, Invesco and Generali.

Finally, we have read for you: "*How Accurate are Capital Market Assumptions, and How Should We Use Them?*". This article is fairly critical on capital market assumptions, but offers some useful guidelines on how to use the consensus returns.

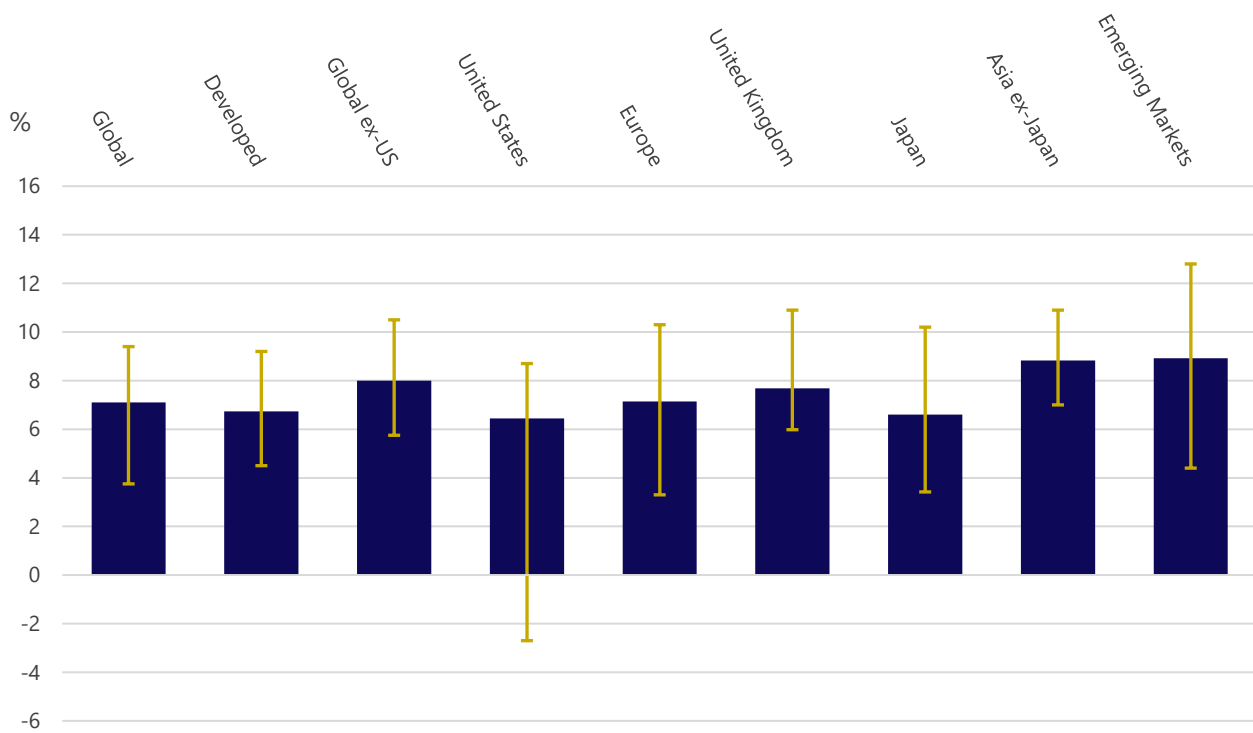


Data

In the graphs on the following pages, the return consensus is shown for Equities, Fixed Income and Alternatives. The graphs below shows data based on an average forecast period of 12 years. The bandwidth shows the minimum and maximum expectation for each asset class. An overview of all the numeric data of each asset class with its subcategories is displayed in table 4 on page 5. For a more detailed explanation, see the methodology section at page 13.

Table 1

Equities return consensus (%)



The dark blue bar indicates the average expected return per sub-asset class. The golden line indicates the bandwidth from the reported expected returns.



Table 2

Fixed Income return consensus (%)

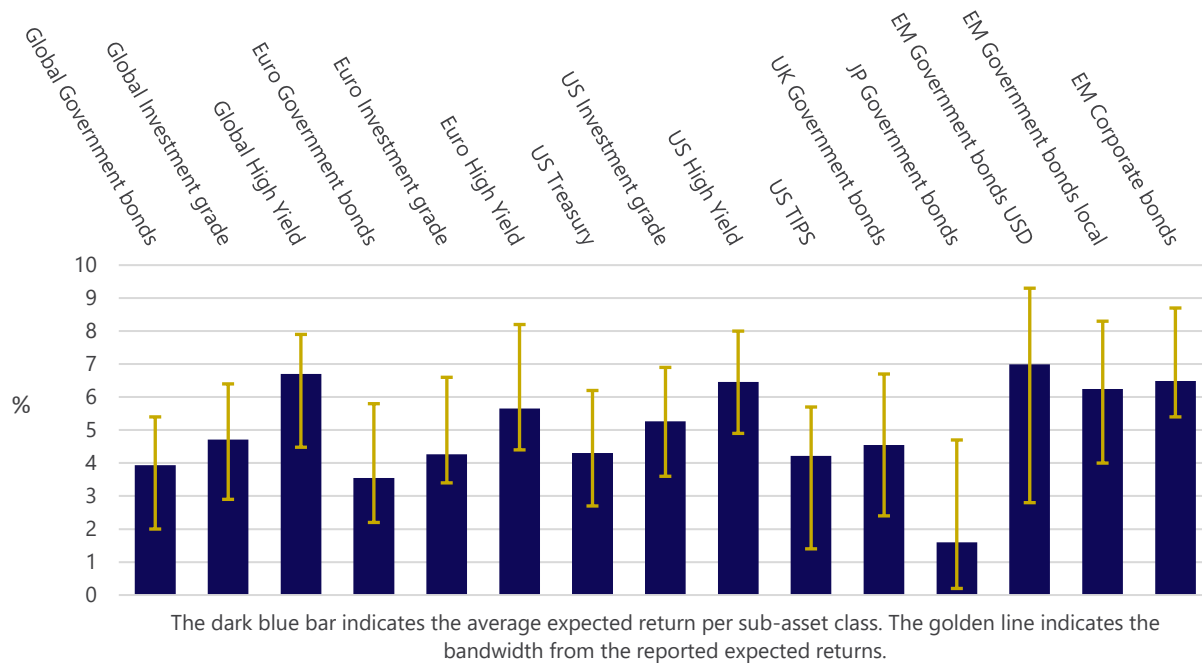
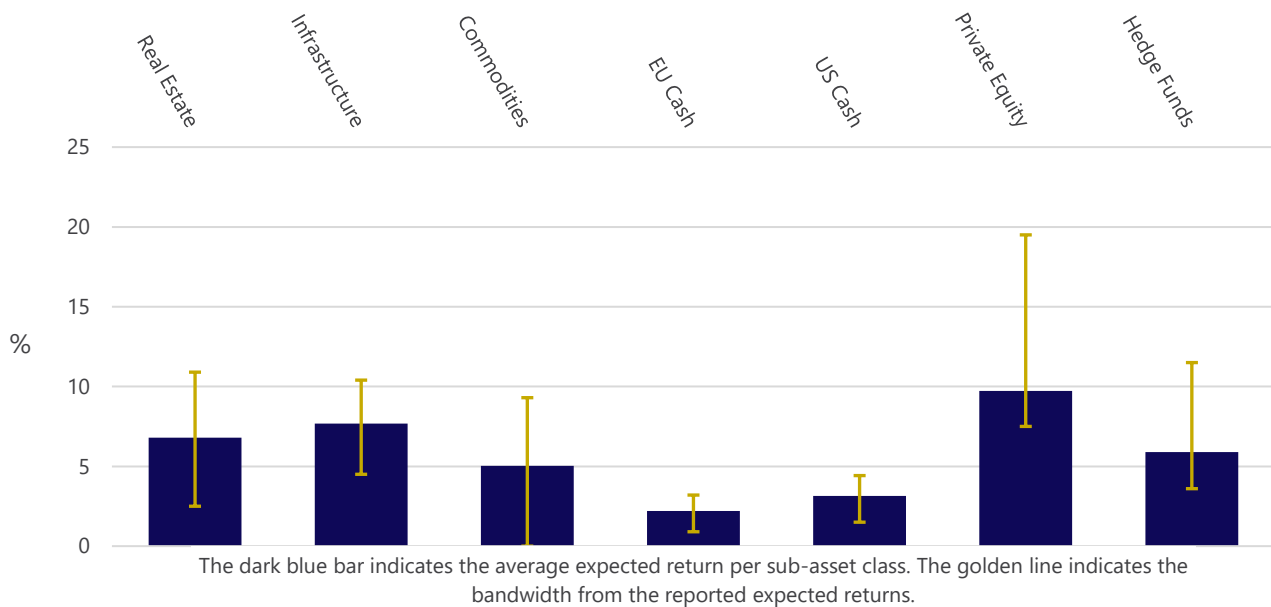


Table 3

Alternatives return consensus (%)





Numeric Data

Table 4

	Asset class	Currency	Number of reports	Min (%)	Max (%)	Std. Dev.	Consensus Expected Return (%)	Quarterly Change	
Equities	Global	USD	37	3.8	9.4	1.3	7.11	↑	
	Developed	USD	19	4.5	9.2	1.2	6.74	↑	
	Global ex-US	USD	20	5.8	10.5	1.5	8.00	↑	
	United States	USD	48	-2.7	8.7	1.8	6.44	↑	
	Europe	EUR	29	3.3	10.3	1.4	7.14	↑	
	United Kingdom	GBP	25	6.0	10.9	1.2	7.68	↓	
	Japan	JPY	22	3.4	10.2	1.8	6.61	↓	
	Asia ex-Japan	USD	11	7.0	10.9	1.3	8.83	=	
	Emerging Markets	USD	51	4.4	12.8	1.8	8.91	↑	
Fixed Income	Global	Government bonds	USD	19	2.0	5.4	0.9	3.94	↑
		Investment grade	USD	16	2.9	6.4	1.0	4.71	↑
		High Yield	USD	13	4.5	7.9	0.9	6.70	↑
	Euro	Government bonds	EUR	27	2.2	5.8	0.9	3.55	↑
		Investment grade	EUR	24	3.4	6.6	0.7	4.26	↑
		High Yield	EUR	17	4.4	8.2	1.1	5.65	↑
	US	Treasury	USD	45	2.7	6.2	0.6	4.30	↑
		Investment grade	USD	46	3.6	6.9	0.6	5.27	↑
		High Yield	USD	45	4.9	8.0	0.7	6.46	↑
		TIPS	USD	34	1.4	5.7	0.8	4.22	↑
	UK	Government bonds	GBP	20	2.4	6.7	1.0	4.55	↑
	JP	Government bonds	JPY	13	0.2	4.7	1.5	1.60	↑
	EM	Government bonds USD	USD	42	2.8	9.3	1.3	6.99	=
		Government bonds local	USD	28	4.0	8.3	1.1	6.25	↑
		Corporate bonds	USD	14	5.4	8.7	0.9	6.49	↓
Alternatives	Real Estate	USD	37	2.5	10.9	1.8	6.80	↑	
	Infrastructure	USD	22	4.5	10.4	1.5	7.68	=	
	Commodities	USD	37	0.0	9.3	1.9	5.02	↓	
	EU Cash	EUR	22	0.9	3.2	0.7	2.20	=	
	US Cash	USD	40	1.5	4.4	0.8	3.15	↑	



Private Equity	USD	26	7.5	19.5	2.2	9.71	↑
Hedge Funds	USD	28	3.6	11.5	1.7	5.89	↑

Upgrades and Downgrades analysis

Table 5 presents the aggregate count of upgrades and downgrades, broken down by asset class. Within each of the three main asset classes the number of changes of all its subcategories are being displayed (see table 4). This update shows that the consensus expected returns forecast for 23 of the 31 asset classes have been adjusted upwards. This confirms a trend since early 2022, where we have observed a gradual rise in expected returns.

During the fourth quarter, there are 4 downgrades, against 7 in the third quarter of 2023. These 4 downgrades are in the minority and are spread across the three asset classes. The 2 downgrades in Equities concern Equities UK (-0,12%) and Equities Japan (-0.09%). The upgrades are particularly prominent within the Fixed Income category, with 13 out of 15 receiving positive revisions and only one downgrade, of EM Corporate Bonds (-0,30%).

Table 5

Asset Class	Up	Down	Neutral	Total
Equities	6	2	1	9
Fixed income	13	1	1	15
Alternatives	4	1	2	7
Total	23	4	4	31

Short-term versus long-term

In the following section, we analyse the differences in expected returns of reports that base their forecast on a short-term period / horizon and reports using a long term period / horizon. We define 'short-term' as less than 10 years and 'long-term' as 10 years or longer. This results in two groups, with an average term of 5 and 15 years respectively. The data of the two groups are displayed in table 6 on the next page. The last column indicates the difference between long-term and short-term expected returns.

In the Equity segment, from the 9 regions, 5 regions stand out with their long-term expected returns outpacing short-term forecasts. Within Fixed Income 14 of 15 asset classes project higher Expected Returns over longer-term periods. The category Alternatives presents a different picture; only 1 (Private Equity) out of 7 categories foresees a higher long-term return, as the short-term return of Private Equity might be depressed due to the impact of (temporary) higher interest rates.



Table 6

		Asset class	Short-term (5y) consensus	Long-term (15y) consensus	Difference
Equities		Global	7.33	7.05	-0.28
		Developed	6.89	6.63	-0.26
		Global ex-US	8.70	7.82	-0.88
		United States	5.79	6.64	0.84
		Europe	7.30	7.09	-0.21
		United Kingdom	7.44	7.77	0.33
		Japan	6.41	6.68	0.27
		Asia ex-Japan	8.38	9.00	0.62
		Emerging Markets	8.57	9.04	0.47
	Fixed Income	Global	Government bonds	3.93	3.94
Investment grade			4.57	4.79	0.22
High Yield			6.53	6.90	0.37
Euro		Government bonds	3.34	3.64	0.30
		Investment grade	4.26	4.26	0.00
		High Yield	4.96	5.80	0.84
US		Treasury	4.55	4.21	-0.34
		Investment grade	5.59	5.15	-0.44
		High Yield	6.57	6.43	-0.14
		TIPS	4.05	4.25	0.20
UK		Government bonds	5.27	4.37	-0.90
JP		Government bonds	0.75	1.85	1.10
EM		Government bonds USD	6.74	7.09	0.35
		Government bonds local	6.35	6.22	-0.13
		Corporate bonds	6.86	6.34	-0.52
Alternatives		Real Estate	7.33	6.65	-0.67
		Infrastructure	7.97	7.60	-0.37
		Commodities	6.09	4.73	-1.37
		EU Cash	2.78	1.99	-0.79
		US Cash	3.73	2.96	-0.76
		Private Equity	8.88	9.97	1.09
		Hedge Funds	6.94	5.67	-1.28



Equity risk premia

The Equity Risk premium (ERP) reflects the return premium investors receive upon taking more risk by doing an equity investment over a risk-free investment. In addition to the realised equity premium by looking at the excess return of equities over the risk free fixed income equivalent, our expected returns database enables us to look at the expected equity premia for several regions. The risk free premium is defined as the expected long-term consensus forecast for government bonds in the relevant currencies (see table 6).

The resulting equity risk premia are presented in the next table (table 7). For example, the expected long-term consensus return for US equities is 6.64%. For US Treasury, this outcome is 4.21% (see table 6). As such, the expected equity risk premium with a long-term horizon is (6.64% minus 4.21%) 2.43%.

The second column below shows the equity risk premium for the short-term (5 years), the third column is the average (10 years) and the right column shows the equity risk premium for the long-term (15 years).

Table 7

Region	Average short term Consensus (%)	Average (%)	Average long term consensus
US	1.2	1.8	2.4
Europe	4.0	3.7	3.5
U.K.	2.2	2.8	3.4
Japan	5.7	5.2	4.8
Emerging Markets ¹	4.0 ¹	4.4 ¹	4.8 ¹

¹⁾ For EM equities, the expected consensus return for US treasuries is used as a proxy for the risk free rate

Compared to the third quarter of 2023, there's (again) a notable decline in the risk premia for all regions across all periods: short, average, and long-term. An important factor is that expectations for risk-free proxies (such as U.S. Treasuries) have generally risen. In the fourth quarter of 2023, in both the US and Europe, the interest rate decline was between 70 and 80 basis points. Overall the risk premia for UK and Japan decreased the most, for Europe the least. Japan still has the highest Equity Risk Premium, Emerging Markets the second highest Equity Risk Premium, whereas the US has the lowest Equity Risk Premium for all durations. In this respect there is no change compared to the previous quarter.

This data implies that, based on Equity Risk Premia, Japan emerges again as the most appealing region for Equities, while the attractiveness of US Equities is still diminishing; it's clearly the least attractive region.



Building blocks

There are various methodologies for estimating the expected returns of an asset class, a fact evident in our survey, which shows different parties employing diverse strategies for their capital market expectations.

A frequently utilized method is the traditional building block approach. Consequently, we've established a consensus for the distinct building blocks that constitute the asset class return forecasts. Given that fewer parties provide this granular data compared to the total contributing to the consensus, the expected returns resulting from the building block consensus will differ from the overall consensus returns. The building blocks' input components average an investment horizon of 10 years.

For equities, the building block formula is straightforward and uniformly adopted by all participants:

$$\text{expected return} = \text{inflation} + \text{real earnings growth} + \text{dividend yield} + \text{PE expansion}$$

We've compiled the consensus for these four components. However, the methodology becomes murkier for fixed income. It often encompasses at least nominal yield, roll return, and defaults, but some contributors incorporate additional elements like changes due to yield variations, credit migration, etc. For ease of comparison, we've consolidated these varying blocks under the banner of valuation change.

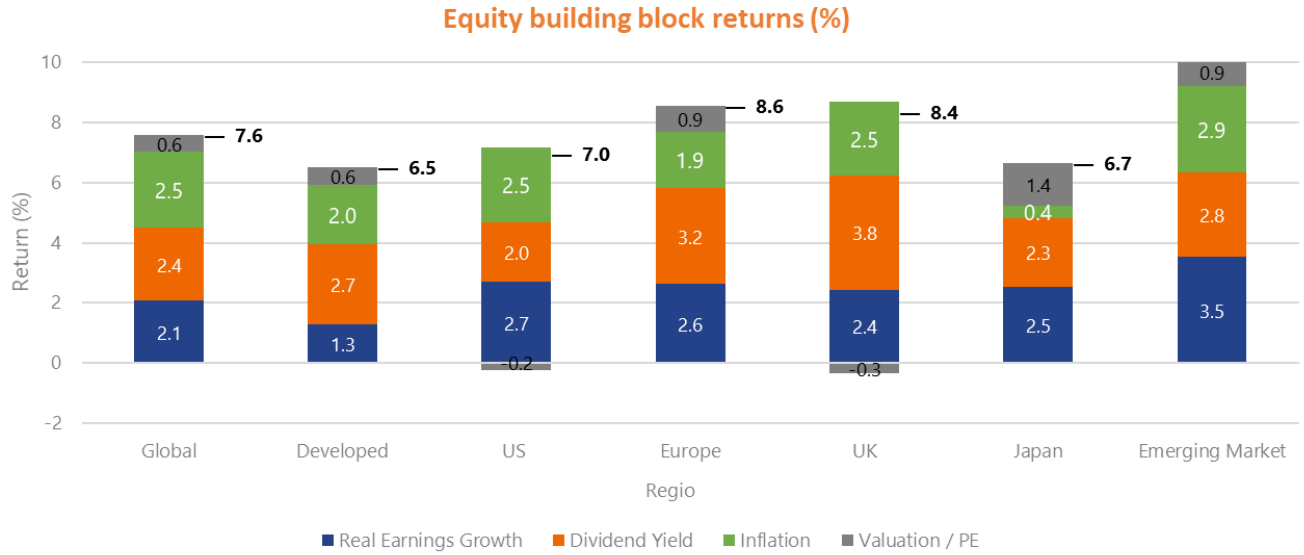
The outcomes of the building block approach for equities are detailed in tables 8 on the subsequent page.

Notably, the most significant increase of Real Earnings Growth in comparison with the previous quarter is observable in Emerging Markets and Japan, followed by Europe and the US. Emerging Markets stocks show the most substantial upward adjustment, with Real Earnings Growth climbing by 0.64 percentage points to 3.5%.

Regarding Dividend Yield, Europe adds 0.2 percentage points, settling at a Dividend Yield of 3.2%, with only the UK higher at 3.8%. The inflation component is contributory across all regions, but this is overall declining (except in the US). The valuation component (PE expansion) continues to improve for all, with the exception of the UK. The PE expansion remains (slightly) negative for US Equities and UK Equities. The highest contribution from PE expansion is again in Japanese stocks, now standing at an impressive 1.4%.



Table 8



"Be aware that the equity /fixed income building block returns differs / may differ from the expected consensus returns as the amount of parties providing this separate building block data is smaller than the total amount of parties in the consensus."



Highlights

In this section, three recent reports that are new or deviate from the consensus are highlighted and analysed.

Franklin Templeton's – 2024 Capital Market Expectations

Franklin Templeton's 2024 Capital Market Expectations for the next 10 years offers a detailed and optimistic view for the next decade, favouring riskier assets like global stocks and corporate bonds over government bonds. They predict relatively high returns for fixed income, with corporate bonds providing adequate risk compensation. Equity returns are expected to be driven by earnings growth and yield. Notably, their return forecast for Japan is an exceptional 10.2%, surpassing the 9.9% expected for Private Equity and significantly higher than the 6.6% consensus expectation for Japan. Commodities are projected at the lowest return of 3.9%, 1% below the consensus. This comprehensive report is one of the most complete in the market, covering almost all asset classes.

Invesco – 2024 long term capital market assumptions

Invesco's 2024 Long Term Capital Market Assumptions report offers a unique perspective with its detailed 'building blocks' approach, allowing for an in-depth analysis of the composition and drivers of returns across various asset classes. Global equity CMAs have improved slightly, benefiting from better valuations and currency tailwinds.

The report projects the highest returns for Infrastructure, Emerging Markets, and Asia Ex-Japan, while the lowest are for US Treasury and TIPS. Infrastructure and Emerging Markets notably exceed consensus estimates, highlighting their potential for higher returns.

Generali – The Power of Yield – our 5-year return forecasts

Generali's "Our 5-Year Return Forecast" emphasizes the renewed appeal of Fixed Income, particularly Cash, Treasuries, and IG Credit. Higher yields are enhancing their 5-year risk-return profile. The report cautions that credit and equity might not offer sufficient compensation for the risks over this period, and there is a preference for government bonds, despite public debt concerns.

The highest returns are for Emerging Market hard currency debt with an 8.8% return forecast, EM equities is following with 7.5%. The lowest expected return is for Euro Investment Grade at 4.6%. US Treasuries stand out, projected at 6.2%, 1.9% above the consensus. The report highlights the strategic advantage of higher yields, especially for core bonds and Cash, with the latter equating the return of 10-year Bunds without duration risk.



Benchmark Returns

In the following tables, historical annualised benchmark returns in Euro's can be consulted.

Table 9

Benchmark	5yr	10yr	15yr
MSCI ACWI (All Country World Index)	13.03	10.90	12.49
MSCI EAFE (Europe, Australasia and Far East)	9.44	7.12	9.09
S&P 500	16.47	14.53	15.72
MSCI Europe ex UK	11.45	7.92	9.68
MSCI United Kingdom	6.89	5.25	7.75
MSCI Japan	8.04	7.69	7.79
MSCI AC Asia ex Japan	5.05	5.20	8.67
MSCI Emerging Markets	5.82	5.60	8.55
Barclays Global Treasury index	-1.47	-0.33	0.58
Barclays Global Aggregate index	-0.32	0.38	1.54
Barclays Global High Yield index	3.90	3.62	8.61
Barclays Euro Treasury index	-1.12	1.27	2.29
Barclays Euro Aggregate index	-1.00	1.09	2.41
Barclays Pan-European High Yield index	3.37	3.53	9.42
Barclays US Treasury index	0.70	1.62	2.06
Barclays US Aggregate index	0.96	3.00	3.92
Barclays US High Yield index	5.19	4.18	7.73
Barclays US TIPS index	3.15	2.42	3.48
Barclays Sterling Gilts index	-3.03	1.14	2.12
JP Morgan EMBI index (Emerging Markets Bonds)	1.66	3.22	5.97
JP Morgan GBI-EM diversified index (Gmnt Bonds Em Mrkts)	0.54	-0.21	2.47
JP Morgan CEMBI Broad Div Composite	4.13	4.28	7.29
FTSE EPRA/NEREIT Developed index (Global Real Estate)	4.50	6.85	9.90
S&P Global Infrastructure index	7.37	5.72	7.51
Bloomberg commodity index	7.96	1.10	1.29



S&P Listed Private Equity TR	17.67	10.90	15.55
Bloomberg US 3-month treasury bill	1.87	1.23	0.85
HFRI Fund Weighted Composite index	4.33	3.16	3.53

Data as per 11/30/2023.

Methodology

ECR Research is constantly up to date with the available Capital Market Assumption and other reports related to expected returns. These data have been analysed and are presented in this report.

Forecast period

Every Capital Market Assumption (CMA) report presents its expected returns in a different forecast period. One forecast might be for a period of five years, while other data may be forecasted for a period of ten years. Therefore, drawing a consensus from this data could be disputable. To justify for this possible inconsistency, we will elaborate on the different forecast periods in this section.

Table10

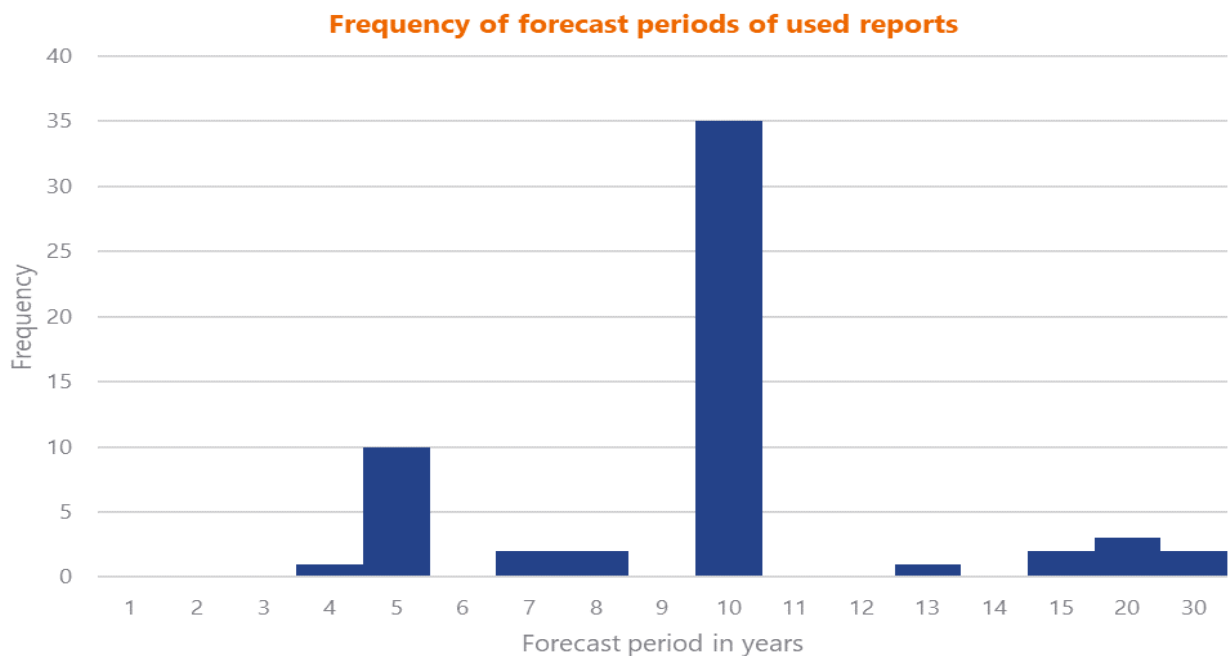




Table11

Average (year)	Median (year)	St. Dev. (year)
12.0	10.0	8.0

As you can see, most of the forecasted data is either around five years, ten years, or more. This consensus might be seen as expected returns for the medium term of around ten years.

Currency

Another disadvantage is that not all reports forecast the expected returns in the same currency. One Capital Market Assumption (CMA) shows returns in Euros and another one has their forecasts in US Dollar terms. Local currency forecasts are preferred, because that makes it easy to convert to another currency using currency expectations. Where a large majority participating parties have local return forecasts, others use either US Dollar or Euro. Conveniently, reports that state returns in US Dollar mostly have US Dollar only asset classes. For reports that state returns in Euros, it is the same case.

If Euro investors want to translate expected returns in US Dollars into Euro returns, they can look at the forward rate of the Euro-Dollar swap. The liquidity of long-term currency swaps is limited, but it does provide a picture of the impact of translating US dollars returns into Euros. The table below shows that the forward currency market assumes a depreciation of the US Dollar against the Euro. Returns in US Dollar should therefore be reduced by approximately 1.35% on an annual basis when converted to Euros. This is also the method that we apply to make return forecasts comparable.

Table12

Swap	USD	Annual Return
EURUSD 5Y FWD	1.1876	-1.49%
EURUSD 10Y FWD	1.2613	-1.35%
EURUSD 15Y FWD	1.3373	-1.29%



Used benchmarks

For the asset classes, we use the following benchmarks, mainly because in the majority of the reports these benchmarks were used as well:

Table 13

Used benchmarks	
Equities	
Global	MSCI ACWI
Developed	MSCI World
Global ex-US	MSCI EAFE
United States	S&P 500
Europe	MSCI Europe ex UK
United Kingdom	FTSE 100
Japan	MSCI Japan
Asia ex-Japan	MSCI AC Asia ex Japan
Emerging Markets	MSCI Emerging Markets
Fixed Income	
Global Government Bonds	Barclays Global Treasury index
Global Investment Grade	Barclays Global Aggregate index
Global High Yield	Barclays Global High Yield index
Euro Government Bonds	Barclays Euro Treasury index
Euro Investment Grade	Barclays Euro Aggregate index
Euro High Yield	Barclays Pan-European High Yield index
US Treasury	Barclays US Treasury index
US Investment Grade	Barclays US Aggregate index
US High Yield	Barclays US High Yield index
US TIPS	Barclays US TIPS index
UK Government Bonds	Barclays Sterling Gilts index
Japanese Government Bonds	Barclays Global Treasury Japan Index
EM Sovereign (USD)	JP Morgan EMBI index
EM Sovereign (local)	JP Morgan GBI-EM diversified index
EM Corporate Bonds	JP Morgan CEMBI index
Alternatives	
Real Estate	FTSE EPRA/NAREIT Developed index
Infrastructure	S&P global infrastructure index



Commodities	Bloomberg commodity index
EU Cash	LIBOR EUR 3 Month
US Cash	Barclays US 3-month treasury bill
Private Equity	S&P Listed Private Equity index
Hedge Funds	HFRI Fund Weighted Composite index

Participating parties

Table 14

Participating parties	Report name	Latest version	Forecast Period	Frequency
Achmea AM	Investment Letter	30-Sep-23	5	Q
Aegon AM	Beleggingsvisie	12-Oct-23	4	Q
Amundi AM	Quarterly Asset Class Return Forecasts	11-Oct-23	5 & 10	Y
Angeles Capital	LT Capital Market Assumptions	31-Jan-23	10	Y
AQR	Alternative Thinking	1-Jan-23	8	Q
Baillie Gifford	Long-Term Return Expectations	1-Jan-23	10	Y
Blackrock	Capital Market Assumptions	1-Nov-23	5 & 15	Q
BNP Paribas AM	Investment Outlook	1-Feb-23	10	Y
BNY Mellon WM	Capital Market Return Assumptions	1-Jan-23	10	Y
Callan Institute	Capital Market Assumptions	2-Oct-23	10	Y
Capital Group	Capital Market Assumptions	16-Apr-23	20	Y
CIBC AM	Long-term capital markets expectations	17-Jul-23	10	Q
Citi	Wealth Outlook	6-Dec-23	10	Y
Cliffwater	LT Capital Market Assumptions	3-Oct-23	10	Y
Columbia Threadneedle	Capital Market Assumptions	15-Dec-23	5 & 15	Q
DWS	Multi-Asset Long View	21-Nov-23	10	Q
Fidelity Investments	Capital Market Assumptions	15-Aug-23	20	Y
Franklin Templeton	Long Term Capital Market Assumptions	3-Oct-23	7.5 & 10	Y
Generali	Core Matters. Investment Returns: a 5 year perspective	26-Oct-23	5	Q



GMO	7 year forecasts	3-Oct-23	7	Q
Invesco	Capital Market Assumptions	29-Nov-23	10	Y
J. Safra Sarasin	Global View	13-Jun-23	10	Q
Janney	LT Capital Market Assumptions	31-Jul-23	10	Y
Janus Henderson Investors	About our LT expected returns	22-Aug-23	10	Y
JP Morgan AM	LT Capital Market Assumptions	16-Oct-23	10 & 13	Y
Julius Baer	Capital Market Assumptions	26-Sep-23	10	Y
Meketa	Capital market expectations	1-Jan-23	10 & 20	Y
Morgan Stanley WM	Inputs for GIC Asset Allocation	29-Mar-23	7	Y
Morningstar Research	Morningstar Markets Observer	1-Sep-23	10	Y
Ninety One	Capital Market Assumptions	31-Oct-23	10	Y
Northern Trust	Capital Market Assumptions	9-Aug-23	10	Q
PGIM	Capital Market Assumptions	21-Nov-23	10	Y
Pictet WM	Horizon	30-Apr-23	10	Y
Pimco	Survey Response	24-Oct-23	5	Q
PineBridge	Capital Market Line	29-Sep-23	5	Q
Research Affiliates	Core Overview Performance	15-Dec-23	10	Q
Robeco AM	Expected Returns	12-Sep-23	5	Y
RVK	Capital Market Assumptions:	13-Jul-23	10	Y
Schroders IM	10 (30) year returns	14-Jul-23	10 & 30	Y
Sellwood	Capital Market Assumptions	1-Mar-23	10	Y
SSGA	Long Term Asset Class Forecasts	28-Jul-23	10	Q
Syntrinsic	Capital Market Forecast	1-Jan-23	10	Y
T. Rowe Price	Capital Market Assumptions	31-Mar-23	5	Y
TD Asset Management	Long-term expected returns	3-Jul-23	10	Y
Vanguard	Economic and Market Outlook	13-Sep-23	5 & 10	Y
Verus	Capital Market Assumptions	6-Dec-23	10	Y
Voya IM	Long Term Capital Market Forecasts	4-Dec-23	10	Y



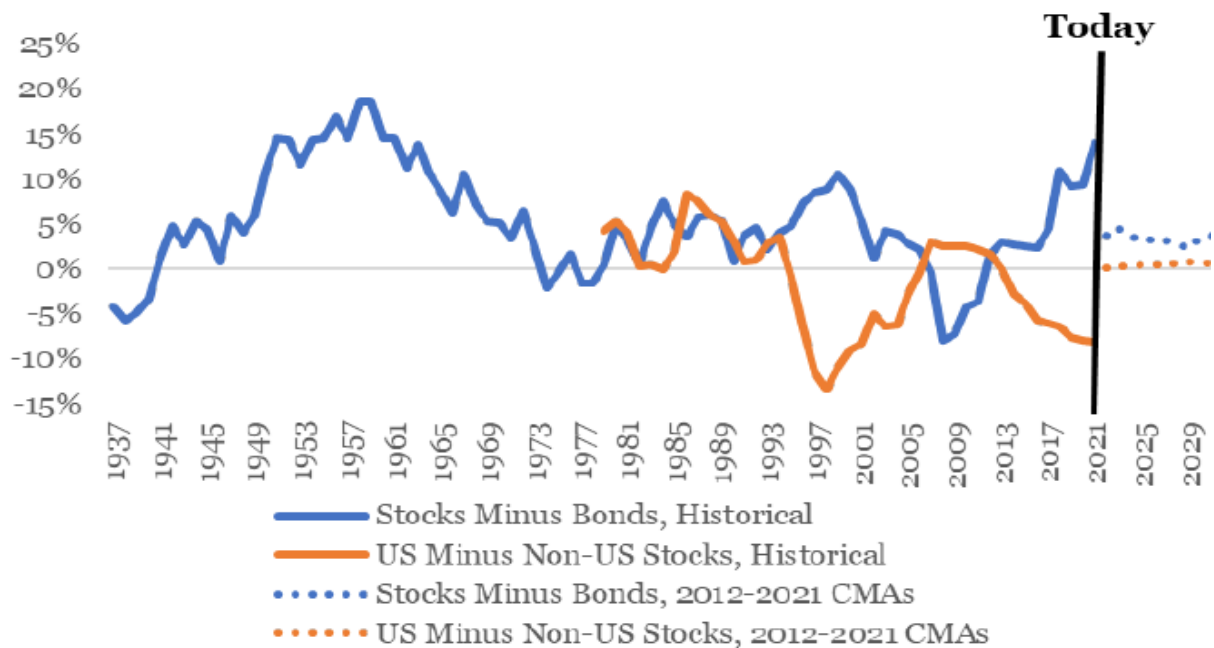
How accurate are Capital Market Assumptions, and How Should We Use Them?

In his article: [How accurate are Capital Market Assumptions, and How Should We Use Them](#), Mike Sebastian has compared 10-year forecasted capital market returns with actual average returns. It turned out that consensus return forecasts have generally been incorrect. Actual 10-year returns were even out of the range from most pessimistic to most optimistic assumptions for 14 of the 15 markets.

Market assumptions are more stable than actual returns have historically been for rolling 10-year periods in the past. Returns on risky assets are cyclical and highly dependent on the coming economic regime. Stable expected risk premiums are unlikely to be a good guide.

However, equities have generally outperformed bonds over fairly long periods. In 85% of the 10-year periods since 1920, stocks have only fallen short of bonds during the Great Depression, in 1973-1974 and the Global Financial Crisis. The relatively stable positive risk premium for equities which is often assumed, could hold reasonably true over the next 10-years, if we avoid a catastrophe.

Rolling 10-Year Historical and Projected (CMA) Return Premiums



Source: Horizon Actuarial Services, LLC, Standard and Poor's, Morgan Stanley Capital International

Some thoughts on how to best use return forecasts:

- » Fund overseers need something and imperfect forecasts are the best we have.



- » De-emphasise the role of return forecasts in the asset allocation process. Alternatively take a market or even peer portfolio as a basis and adjust your funds allocation on your unique characteristics, your investment objectives and your (mostly qualitative) views.
- » Use return assumptions with more emphasis on range of possible returns, to assess various economic and market regimes and to stress test your strategy.

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