

Asset Management

Why Long-Term Investing Still Pays Off

With a Guide to Estimating Returns

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¹ You can find more information on the team at <https://am.vontobel.com/en/multi-asset-boutique/ocio-and-solutions>



Who is Right?

Over the last 40 years, financial markets have proved to be a gold mine and savvy investors knew how to take full advantage of this. Humans tend to enjoy extrapolating past successes into the future – including when it comes to returns on investments. Seasoned investors in particular have ambitious expectations for returns. By contrast, younger generations, perturbed by the financial crisis, have little faith in investing. Which group is right?

In an attempt to answer this, the first section of this white paper looks back at around 300 years of financial market history. This offers a number of revealing insights, such as how dependent investment returns were on the economic climate and which portfolio equities paid out the most in the long run. Using these patterns, we then deduce what trends investors really need to acclimatize to in light of today's low interest rates, which – incidentally – are not so abnormal after all.

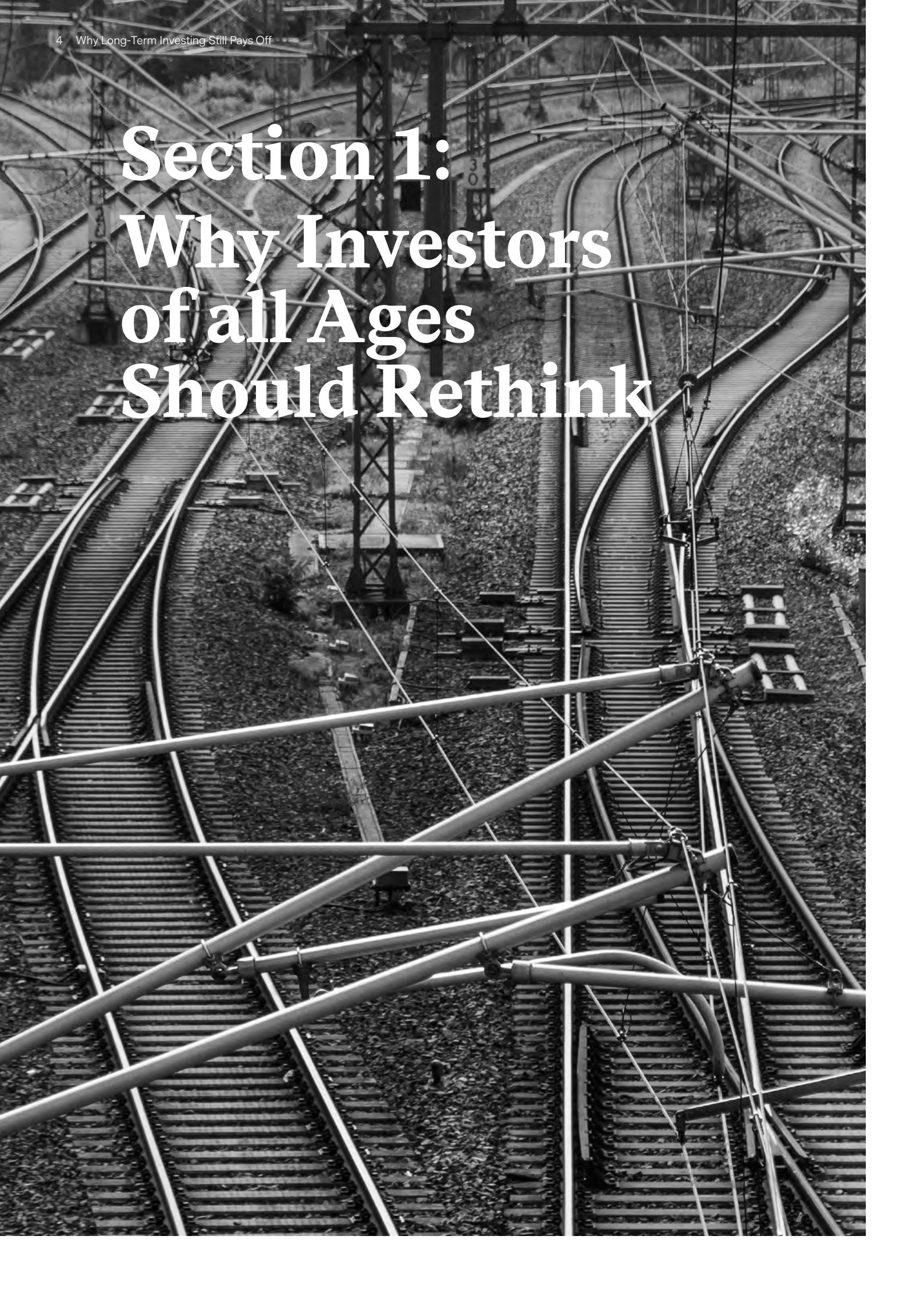
In the second section, we look ahead to the future. The handbook for our return estimates, based on a seven-year investment horizon, explains the potential of various asset classes. We also disclose our estimation methods – working entirely on Albert Einstein's mantra that things should be made as simple as possible, but not simpler.

We hope you find this an informative read and look forward to discussing it with you. You can find details for your point of contact at the end of the report.

Stefan Eppenberger

Investment Strategist

Section 1: Why Investors of all Ages Should Rethink



Everything is a Question of Perception

- **The financial crisis poisoned millennials’ attitudes towards investing.**
- **Baby boomers are some of the most spoiled investors of all time.**

Is it fair to say there is an investor gene? We believe the tendency to invest is shaped far more by the experiences that we all gain from our parental homes, education, training, careers, and from life in general. It is clear that our attitude towards investing affects the performance of financial markets and it is here that reluctance is gradually taking hold, especially among the younger generation. There are reasons for this.

Once bitten, twice shy

Millennials, the generation born between 1980 and the turn of the century, often have more on their mind than investing. But it is not only a lack of interest that holds them back from participating in financial markets. Limited knowledge represents an equally significant obstacle, and many simply do not have the financial means to do so. And if a lack of interest, expertise, or financial resources cannot be blamed for their hesitation, we can turn to explanations from the field of behavioral finance.

Millennials grew up during the global financial and debt crisis that began in 2007. The near collapse of the financial system after the real estate bubble burst in the US left them with an enduring sense of skepticism towards investing. They are unmistakably more risk-averse than previous generations. One way this can be seen is in their comparatively modest investments in equities, as demonstrated by various studies researching attitudes to investing among different age groups.²

In addition to the far-reaching financial crisis, millennials in the developed world have never experienced inflation. Those of them who follow financial markets have so far only ever seen low and generally falling interest rates. This prompted many to turn their backs on investing entirely, taking the view that the opportunity costs were minimal. In turn, this excluded them from the sharp rebound in prices that began once the financial crisis eased and that still persists today.

Don't want to miss out on the good

Older generations, such as the baby boomers born after the Second World War, take a different view of investing. The younger end of this generation came of age in the 1970s, a decade dominated by high inflation that brought with it higher interest rates and juicy returns on investments. Those who began investing in the 1980s were able to grow their money rapidly on booming bond and equity markets. A large number of these people still cling to this golden age today.

In short, millennials tend to be more skeptical of financial markets and so invest more cautiously or not at all. Baby boomers, on the other hand, have mostly become accustomed to high expectations for returns.

Questions abound

Today's climate of low inflation and negative interest rates raises the following questions:

- Which of these two stances is better?
- Do we have to lower our sights when it comes to investment returns?
- Is there any hope of growing assets when interest rates are in negative territory?
- What is the future of financial markets?
- How can you protect your capital against devaluation by inflation?

To find the solutions to these questions, we looked back at the history of financial markets, starting right back when records first began around 300 years ago, and turned up all kinds of interesting findings.

² Including "Are Millennials Different?", Kurz, Li & Vine, 2018; "Investor Behavior: The Psychology of Financial Planning and Investing", Baker, Ricciardi, 2014

Negative Interest Rates are Abnormal, Low Rates are Not

- Of the last 300 years, only 30 were marked by high interest rates.
- Interest rates today are closer to the norm than they were in the 1980s and 1990s.

If we consider how interest rates have developed from the Age of Enlightenment around 1700 until today, the stretch of time that stands out from the rest is not, as many would expect, the modern day, but instead the period from the 1970s until the onset of the global financial crisis in 2008 (see chart 1).

The 1970s were hallmarked by high inflation. High rates of inflation were not uncommon in the last 300 years. Whenever expansive monetary policy was combined with expansive fiscal policy, this sent inflation skyrocketing. Yet high inflation in conjunction with rising interest rates, i.e., restrictive central banks, like that seen in the 1970s was unusual. How did this happen? The Vietnam war and the new social welfare project in the US had been so costly that the US president at the time, Richard Nixon (1913–1994), unceremoniously removed the peg to the US dollar that had been established under the Bretton

Woods international monetary system, ending the fixed exchange rate system. The oil shock in 1973 also reinforced inflationary pressure. Paul Volcker (born 1927), then the Chairman of the Federal Reserve, tackled this pressure by hiking up interest rates, thereby laying the foundations for the most extreme bond cycle ever.

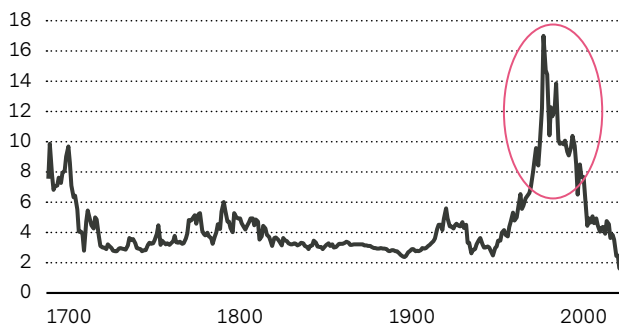
Not so abnormal

Seen over the long term, today's interest rates are far closer to the norm than those of the 1980s and 1990s. What does represent an anomaly are the negative interest rates for government bonds. Investors have never before had to pay to lend their money to a creditworthy state. Responsibility for this is laid at the feet of central banks, who tried to address the consequences of the financial crisis by turning on the spending taps. But most central banks were unable to meet the inflation targets set in the last few years. Despite this, they remained convinced that they would be able to fuel inflation in the long term. In their latest attempt, they relegated interest rates to minus territory. In reality, however, they are currently in a tight spot with limited leeway. As long as central banks continue to operate independently of government fiscal policy, inflation will barely budge.

Looking at the situation from this broader perspective, today's interest rates are more or less on par with the last 300 years. They are pushed somewhat lower by the unconventional actions of central banks. But does this force investors to forgo handsome returns? In our view, the answer to this is yes in the case of government bonds, but not necessarily when it comes to equities.

Chart 1: The larger the data sets, the more meaningful the patterns

Changes in yields for the oldest government bond* from 1700 until the end of 2018 (as %)



* The data set for the British government bond UK 2 1/2% shown dates back the furthest of all global bonds.
Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

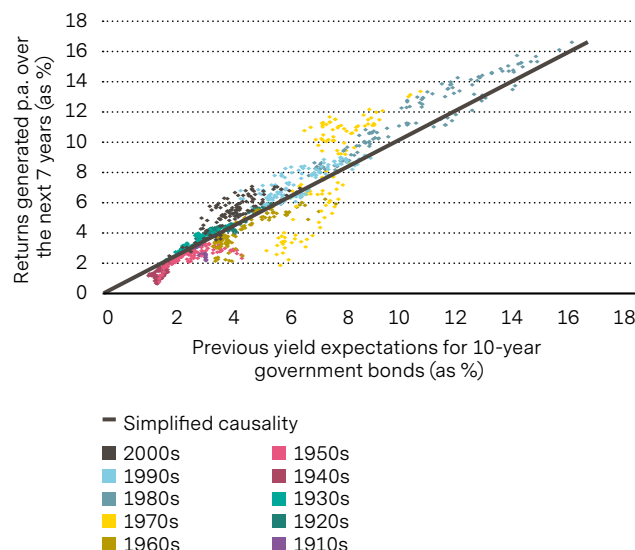
When the Link is Severed Between Bond Yields and Equity Returns

- Investing in government bonds means experiencing the adverse effects of negative interest rates.
- Low interest rates may also bode well for equity investors.
- Equities offer great price potential if a new “machine age” dawns.

Let's first take a look at government bond yields. For the last 100 years, predictions for these have been relatively reliable (see chart 2) thanks to the following (simplified) causal link: An investor who holds a bond until it matures receives the sum of the interest payments plus compound interest. The lower the interest rate, the lower the total earnings, meaning that current negative yields inevitably result in a minus figure.

Chart 2: Current government bond yields the best indicator for the future

Yield expectations for 10-year US Treasuries vs. annual returns generated



Period analyzed: 1900 to end of 2018
Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

What about equities? The best way to explain equity returns over the long run is through stock valuations, which we will look at in closer detail in section 2. The more expensive an equity was in the past, the lower its return potential generally was.

Return expectations for bonds and equities not linked forever

The most well-known measure is the price-earnings ratio (P/E ratio), which compares a company's current share price to the profit generated by the company. The current interest rate has a bearing on the P/E ratio: When interest rates fall, stock valuations tend to go up. Accordingly, lower yield expectations for government bonds go hand in hand with lower return expectations for equities. Most people are probably more familiar with this concept under the term equity risk premium³, which compensates investors for the higher risks in comparison to government bonds.

Equity returns independent of stock valuations

The risk premia concept explains the link between equities and government bonds and is the reason stock valuations are increasing in connection with the recent decline in interest rates. Nonetheless, the P/E ratio, which is regarded as fair, cannot continue to climb forever. This does not apply to corporate earnings, which can in theory continue to grow – the stronger this growth, the higher the chances of increasing share prices and thus higher equity returns. This requires strong structural economic growth.

³ Difference between the earnings yield on the equity (= inverse of the P/E ratio) and the yield on government bonds.

Groundbreaking developments spur on equities

Let’s now take a look at “Kondratieff waves”. These waves map the cycles of economic booms and downturns over periods of 40 to 60 years since the start of the 19th century and the driving forces behind these (see chart 3).

The Soviet economist Nikolai Kondratieff (1892–1938) discovered that groundbreaking inventions that attracted investment in innovative technologies each resulted in long periods of economic growth. As soon as these innovations caught on, investment declined, followed by an economic slowdown. If we compare these cycles with the returns yielded by US equities each year over rolling seven-year investment periods, we can see that structural economic growth was generally associated with higher equity returns.

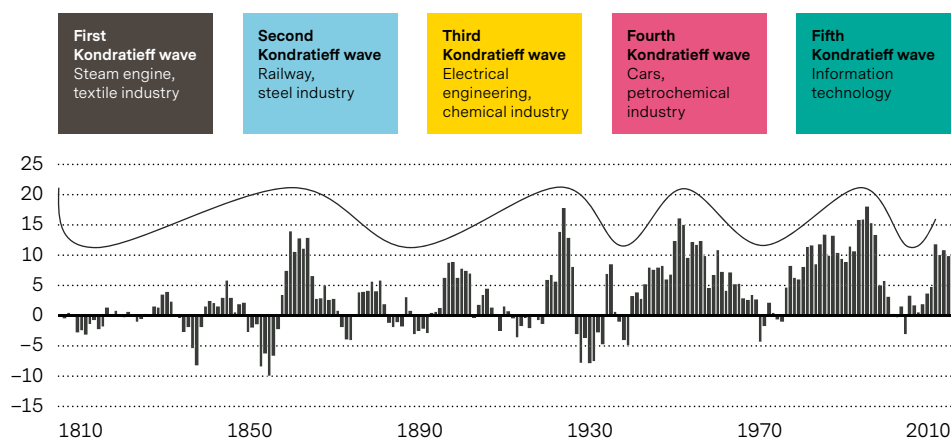
Under the Kondratieff theory, there are many factors that could trigger the next long cycle, such as growth in emerging markets, advances in biotechnology, genetic engineering, nanotechnology, automation, robotics and artificial intelligence, the move from fossil fuels to renewable energy and other effects of increasing sustainability efforts.

Latest advances could benefit equities

Are we currently in the midst of a longer-lasting period of stagnation or are we already in a new Kondratieff cycle? We do not have the definitive answer to this (yet). Yet we believe that these developments could certainly provide fresh impetus to equity markets.

Chart 3: Riding the long economic waves

Kondratieff waves and US equity returns* from 1810 until the end of 2018



* Annual returns excluding dividends over a rolling seven-year investment horizon
 Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

Millennials Especially Stand to Benefit from Investing

- Millennials should invest more, while baby boomers should rein in their return expectations.
- No investor with a balanced portfolio and a seven-year investment horizon has lost money in the last 140 years.
- Taking into account inflation, equities are clearly a better option than government bonds.

So what does that mean for the investment approaches of the younger and older generations mentioned above? We think both groups need to have somewhat of a rethink. Millennials can afford to be a bit more daring if they want to grow their assets and prevent them from losing value in the face of potential future inflation. Baby boomers, on the other hand, should temper their expectations regarding returns, as these are no longer realistic in times of negative interest rates and comparatively low inflation.

Mixed portfolios under the microscope

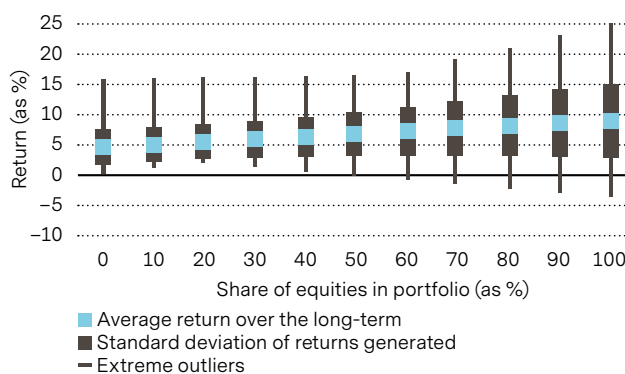
So what returns can realistically be expected? To answer this, we have identified a few more notable patterns in the history of equity returns and bond yields. Specifically, we took a closer look at the returns on mixed portfolios of government bonds and equities over the last 140 years, first excluding the effects of inflation (see chart 4) and then adjusting for inflation (see chart 5).

Some important conclusions can be drawn from these two charts. Let's begin with the analysis that does not account for inflation:

1. The more equities in the portfolio, the higher the average return.
2. The more equities in the portfolio, the higher the probability of above-average returns.
3. The probability of losses was relatively low, no matter how large the share of equities in the portfolio. This can be seen from the black bars, which are all comfortably above the zero line.
4. Over a rolling seven-year investment horizon, no losses were incurred where equities accounted for up to 50% of the portfolio.
5. Even portfolios comprising exclusively equities recorded losses only in exceptionally difficult periods such as during the Great Depression in the 1930s, the oil crisis that broke out in 1973 or during the financial crisis induced in 2007.

Chart 4: Very few losses over 7-year investment horizon

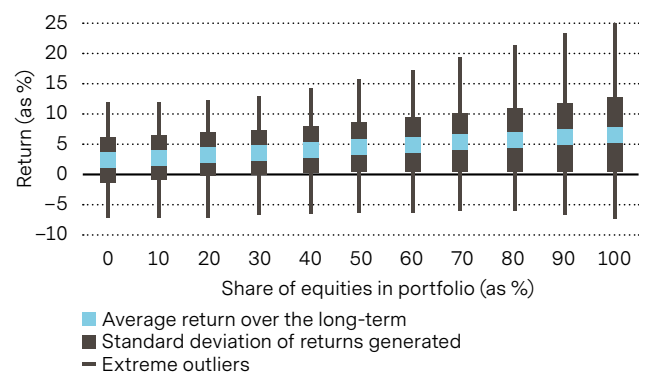
Nominal returns* of mixed portfolios comprising US Treasuries and US equities



* Annual returns including dividends **not** accounting for inflation over a rolling 7-year investment horizon
 Period analyzed: 1878 to end of 2018
 Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

Chart 5: Equities significantly more attractive over 7-year investment horizon including inflation

Real returns* of mixed portfolios comprising US Treasuries and US equities



* Annual returns including dividend **and** accounting for inflation over a rolling 7-year investment horizon
 Period analyzed: 1878 to end of 2018
 Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

Don't ignore inflation

Many players on the financial markets pay attention only to nominal returns, as they are always presented to the public in these terms. In reality, however, inflation reduces their value and so it is real returns that really matter. This means that the findings from chart 5 are far more important, although the first three points do largely overlap:

1. The more equities in the portfolio, the higher the average return.
2. The more equities in the portfolio, the higher the probability of generating above-average returns.
3. The probability of incurring losses was relatively low, no matter how large the share of equities in the portfolio. This can be seen from the black bars, which are mostly above the zero line. For portfolios with a lower share of equities, the probability of losses was even somewhat higher.
4. The highest losses were always at more or less the same level, no matter how large the share of equities in the portfolio was.
5. Government bonds fared particularly poorly when inflation was high, for example, during the First and Second World Wars and the Vietnam War.

Fully invested without fear or money difficulties

We came to the same conclusions after analyzing data from mixed portfolios containing government bonds and equities from regions other than the US, where investors remained fully invested over our seven-year investment horizon analysis, i.e., they were not deterred by volatile equity markets and did not withdraw the money they had invested for other reasons.

Pessimist, optimist, or realist?

Dyed-in-the-wool pessimists, who conjure up visions of the end of capitalism on the grounds of low productivity, demographic change, the rise of socialism, younger generations' lax work ethic, and the end of the Enlightenment, will probably be unconvinced by this analysis. If, in fact, it does manage to convince them, they should hedge their exposure to financial markets with a healthy portion of gold.

Carefree optimists convinced that a new machine age is dawning and kicking off the next Kondratieff cycle should expand their equities anyway, regardless of the previous analysis. This is because the return potential of equities under these circumstances is even higher than under our estimates. You can find our estimates over the page in section 2.

Given the previous analysis, the majority of investors who fall under the category of realists, those who are not naysayers but at the same time retain their skeptical view of the world, are advised to invest in the long term, diversify their investments well, favor equities over government bonds, and to remain fully invested over the entire investment horizon and beyond. It is important to reassess market conditions on an ongoing basis and to adjust the portfolio where necessary, for example, adding in gold or commodities if inflation is expected to pick up.

Heeding this advice is all the more worthwhile for millennials who still have long lives ahead of them. This works well as fluctuations in value tend to balance out over time. Accordingly, there is nothing standing in their way when it comes to investing anymore.

Section 2: Guide to our Long- Term Return Estimates

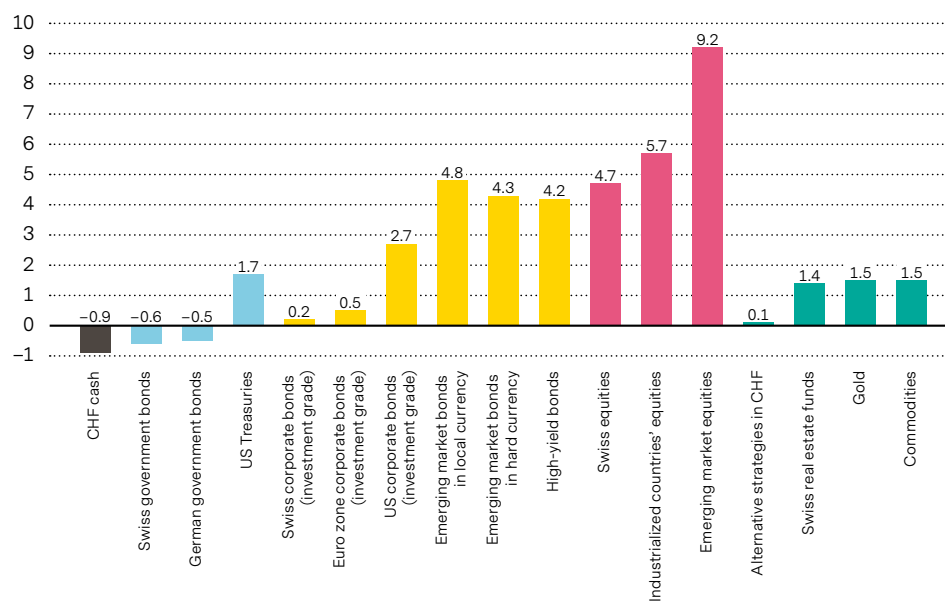
$$E = mc^2$$

Asset Classes We Consider Appealing in the Long Term

To begin with, we would like to show you the long-term potential returns for each asset class in local currency (see chart 6). Note that the figures may differ somewhat if you use your own reference currency. From the perspective of European investors, this currency effect applies particularly to the figures for emerging markets as European inflation rates are lower and currency discounts correspondingly higher. You can find an overview of all estimates, including from the investors' perspective, with reference currencies of the Swiss franc, the euro, and the US dollar at the very end of this report (see table 1).

Chart 6: High-yield and emerging market bonds and equities more promising than government bonds

Long-term returns forecasts in local currency (as %)



Source: Vontobel Asset Management, end of October 2019

But even without adjusting for currency effects, a number of noteworthy features catch the eye. Our return expectations for cash, government bonds, and investment-grade corporate bonds tend to be lower than past returns. We ascribe this to the unusual interest rate conditions prevailing at present. Nonetheless, these have not invalidated an old stock market adage: those in search of higher returns have to take more risk – upwards along the efficiency curve in the risk-return spectrum (see chart 7, from the perspective of CHF investors).

High-yield and emerging market bonds and equities on the up

With yields of over 4% p.a., high-yield and emerging market bonds (and equities) look set to shine over the next few years. On the topic of emerging market investments, we recently released the white paper “*Emerging markets – no (r)ESG, no fun*”⁴, which is also worth a read. It deals with

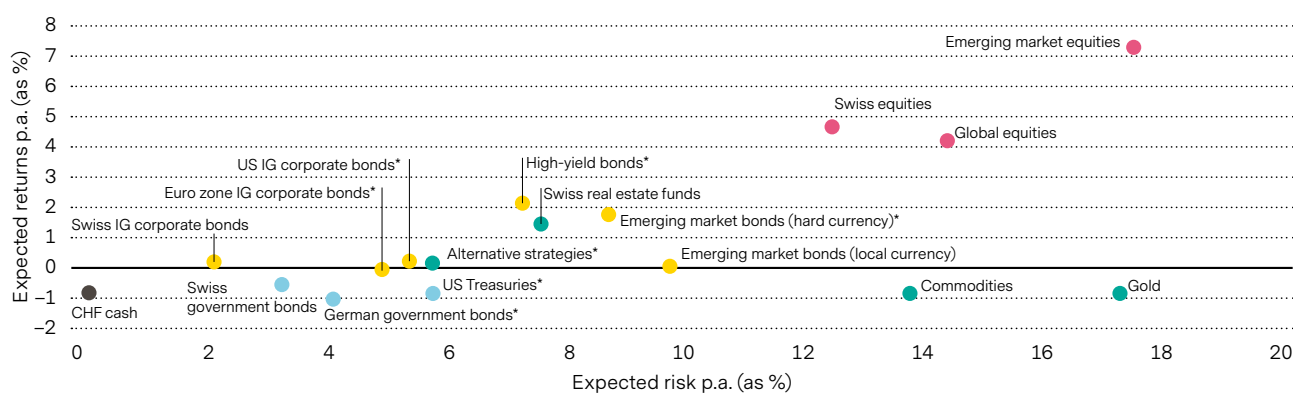
our current observation that investors with mixed portfolios frequently fail to give sufficient consideration to emerging market investments. For the most part, we talk about emerging market bonds and equities in hard currency. These are a more suitable building block in mixed portfolios with a long investment horizon than emerging market issues in local currency.

Gold and commodities interesting only when inflation picks up

We believe liquid alternative investments have a lower potential for returns. Gold and commodities are likely to be particularly weak in comparison to the risk taken, although they do play a valuable role in portfolios when inflation rises.

Chart 7: Higher returns, higher risk

Asset classes on the returns-risk spectrum from the perspective of CHF investors



IG: investment grade
 * Hedged in CHF
 Source: Vontobel Asset Management, end of October 2019

⁴ <https://am.vontobel.com/en/insights/emerging-markets-no-ESG-no-fun>

How Can You Estimate Potential Returns?

“Everything should be made as simple as possible, but not simpler.”

Albert Einstein (1879–1955)

Predicting long-term returns is no easy task. Financial market prices are based on a complex environment of human and, increasingly, machine interactions with various interests and incentives. Various studies⁵ show that complex models are of little help in this world. When you take a look at our guide here, you will see that we have kept it as concise and to the point as possible. Offering complete transparency and maximum simplicity, it aims to provide you with the best possible introduction to the subject. We do not claim that our guide is the last word on the topic. Our long-term assumptions are subject to uncertainties about the future. Consequently, we cannot guarantee that the most important asset classes will generate returns exactly as forecast.

Underpinned by historical data with a long-term perspective

We define “long term” as a full economic cycle lasting an average of seven years. Our forecasts are not based on estimates of future key figures for the economy and central bank policy such as GDP, inflation, or the prime rate. While

these variables are important, they are difficult to estimate. In addition, using this method would water down our easy-to-understand approach. We rely on historical data and do not expect any profound upheavals such as a war, an inflation shock, or the end of the euro as the single currency in the European Economic Area for the period covered by our forecasts.

Established evaluation approach

Our approach is not based on complex economic models. Whenever possible, we refer to valuations, which our calculations have also clearly shown as the best approach. In addition, this enjoys strong support in scientific circles and is intuitive: something that is already expensive today is likely to yield lower returns in the future.

We’ll finish with a note on key risk figures: we work with historical volatilities to estimate future fluctuations in asset classes. In our view, this is a good indicator as fluctuation margins for asset classes over a full economic cycle do not change much in the long term. This does not apply to correlations between asset classes, but our guide does not go into this in closer detail in order to keep it concise as promised.

⁵ including “Risk Savvy: How to Make Good Decisions”, Gigerenzer, 2013

Estimation Methods Per Asset Class

We work with specially developed models, into which we enter different data sets for each asset class.

Cash

We estimate returns on cash by looking at the current yields of short-term bonds as well as the yields for futures contracts for short-term bonds. This is because these anticipate expected changes in central bank policy, thus meaning that we also take these into account indirectly. We assign current yields a two-thirds weighting and yields on futures contracts a one third.

Government bonds

When estimating yields on government bonds, we work on the basis of current yields on seven-year government bonds (see chart 2 in section 1) as well as yields on seven-year government bond futures. The latter is used as a way of accounting for anticipated actions by central banks. Again, we assign current yields a two-thirds weighting and yields on futures contracts a one third.

We are aware that this much-simplified approach could be expanded as necessary by including other effects. In our opinion, this makes the calculations considerably more complicated while not necessarily improving the results. However, chart 2 clearly shows that returns are underestimated when inflation declines (from 1980s until into the 2000s) and overestimated when inflation increases (early 1970s).

Corporate and emerging market bonds

To estimate yields on corporate and emerging market bonds, we add together the yield on risk-free government bonds with the spread of corporate or emerging market bonds and then deduct the long-term average payment default rate (taking into account liquidation proceeds). We make this calculation once with current spreads and once with the average spread over the long term, with the latter done in order to indirectly allow for future cyclical fluctuations. We assign yields based on current spreads a two-thirds weighting and those based on the long-term average spread a one third.

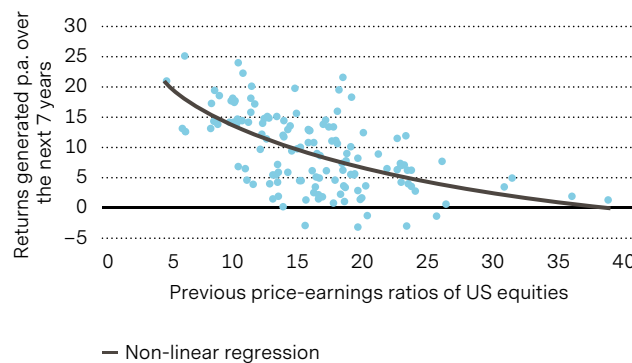
Equities

There are numerous ways of estimating equity returns. We favor the following three approaches, which are each weighted at one third in our calculations.

1. Risk premium: As explained in section 1, the risk premium is the return in excess of the return on a government bond that compensates the investor for the higher risk of loss to which the investor is exposed. Our risk premium approach is based on the fact that returns on global equities have exceeded yields on global government bonds by an average of around 4.5% annually for all countries over the last approximately 150 years. We add this risk premium to the estimated government bond yield and adjust the sum for the individual countries by the beta of the respective equity market. The beta measures the difference in risk compared to the global equity market.
2. Cyclically adjusted price-to-earnings ratio: The valuation measure developed by economist and Nobel Prize winner Robert Shiller (born in 1946) compares current share prices to the company's average earnings in the last ten years. We work on the basis that the P/E ratio in the past has developed very much in parallel with equity returns and the latter – as described in section 1 – declined the higher the previous initial valuations were (see chart 8).

Chart 8: Valuations don't rise forever

Price-earnings ratio of US equities* vs. annual returns generated (as %)



* Adjusted for the business cycle, based on annual average earnings of US companies over 7 years, adjusted for inflation
Period analyzed: 1878 to end of 2018
Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

One disadvantage of this method of estimation is that our model selects the seven-year period for long-term past average earnings at random. As earnings are dependent on the amount of pressure on margins, which is subject to longer cycles than the earnings themselves, this may distort the estimates. To resolve this issue, we use one additional method.

3. Price/net asset ratio: Economist and Nobel Prize winner James Tobin (1918–2002) proposed a ratio known as Tobin's Q ratio as a way of valuing equities. It compares a company's current share price against its assets, i.e., the cost of replacing buildings, machinery, equipment, etc. The value of net assets is less dependent on economic performance and profit margins than company earnings reflected in the P/E ratio.

Alternative investments

Estimating returns on alternative investments is trickier given that these assets are generally not cash flows generating, unlike bonds or equities, which yield interest or pay dividends. Accordingly, the measurement approach does not work here, unlike for bonds and equities.

To calculate the returns of alternative strategies (e.g., hedge funds), we base our calculations on current cash returns and add on a conservative 1% to account for the managers' potential to outperform the market average.

We also opt for the transparent and simplest risk premium approach when estimating returns on Swiss real estate funds. In the past, the premium over the yield on government bonds was around 2% per annum.

To estimate returns on commodities and gold – reliable tangible assets to protect against inflation (see chart 9) – we use current yields on inflation-linked seven-year bonds. In doing so, we indirectly take into account inflation expectations.

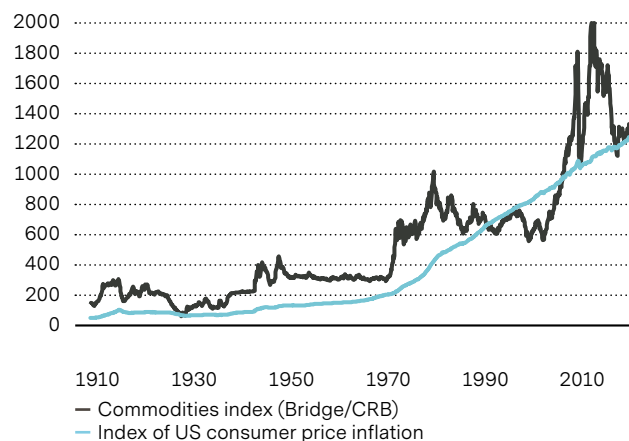
Currencies

Our first point of reference for estimating the long-term development of currency pairs is the differences in inflation expected in the long run. The higher a country's inflation rate is expected to be, the weaker its currency will be. In addition, we use purchasing power parities⁶ to calculate the fair value of the currency pair around which its exchange rate fluctuates in the long term. The more expensive the currency under the purchasing power parity method, the higher the discount for the currency.

The costs for the currency hedging are based on the three-month futures contracts for the currency pairs in question. This is because the portfolio manager usually rolls over the contracts every three months. As the costs of currency hedging are subject to long cycles over the long run, we also include the long-term average hedging costs. We take two thirds of the short-term data and one third of the long-term data into account.

Chart 9: Commodities defy inflation

Commodities prices and US inflation from 1914 until the end of 2018



Source: Global Financial Data, Refinitiv Datastream, Vontobel Asset Management

⁶ There is purchasing power parity between two countries with different currencies if both currencies have the same purchasing power, i.e., the same goods and services can be purchased for the same amount. The real exchange rate for the currency pair is then one.

Return and Risk Estimates at a Glance

Table 1: High-yield and emerging market bonds and equities more promising than government bonds
Our long-term yields/returns forecast

		IN LOCAL CURRENCY*		IN CHF**		IN EUR**		IN USD**	
		RETURN P.A.	RISK P.A.	RETURN P.A.	RISK P.A.	RETURN P.A.	RISK P.A.	RETURN P.A.	RISK P.A.
Cash		n.a.	n.a.	-0.9%	0.3%	-0.5%	0.3%	1.5%	0.4%
Government bonds	Switzerland	-0.6%	3.4%	-0.6%	3.4%	0.0%	3.4%	1.9%	3.4%
	Germany	-0.5%	4.3%	-1.1%	4.3%	-0.5%	4.3%	1.4%	4.3%
	Euro zone	0.0%	4.0%	-0.6%	4.0%	0.0%	4.0%	1.9%	4.0%
	US	1.7%	5.9%	-0.9%	5.9%	-0.2%	5.9%	1.7%	5.9%
	Industrialized countries	0.9%	5.4%	-0.5%	5.4%	0.1%	5.4%	2.0%	5.4%
Corporate bonds	Switzerland (investment grade)	0.2%	2.3%	0.2%	2.3%	0.8%	2.3%	2.7%	2.3%
	Euro zone (investment grade)	0.5%	5.1%	-0.1%	5.1%	0.5%	5.1%	2.4%	5.1%
	US (investment grade)	2.7%	5.5%	0.2%	5.5%	0.8%	5.5%	2.7%	5.5%
	Emerging markets (local currency)	4.8%	11.5%	0.0%	9.8%	-0.3%	8.9%	2.5%	11.5%
	Emerging markets (hard currency)	4.3%	8.8%	1.7%	8.8%	2.4%	8.8%	4.3%	8.8%
	High yield	4.2%	7.3%	2.1%	7.3%	2.7%	7.3%	4.6%	7.3%
Equities	Switzerland	4.7%	12.4%	4.7%	12.4%	4.6%	12.9%	7.1%	15.3%
	Euro zone	6.1%	14.8%	6.2%	16.7%	6.1%	14.8%	8.6%	18.4%
	UK	7.4%	14.8%	7.5%	17.7%	7.3%	16.2%	9.9%	18.3%
	US	4.8%	13.9%	2.4%	16.0%	2.3%	14.5%	4.8%	13.9%
	Japan	5.0%	16.6%	6.2%	16.5%	6.1%	16.3%	8.6%	16.2%
	Industrialized countries	5.7%	14.0%	4.2%	14.3%	4.1%	12.8%	6.6%	14.0%
	Emerging markets	9.2%	18.5%	7.3%	17.4%	7.1%	16.4%	9.9%	18.5%
	Global	6.2%	14.1%	4.6%	14.2%	4.5%	12.7%	7.1%	14.1%
Alternative investments	Alternative strategies	n.a.	5.9%	0.1%	5.9%	0.5%	5.9%	2.5%	5.9%
	Swiss real estate funds	1.4%	7.7%	1.4%	7.7%	2.0%	7.7%	4.0%	7.7%
	Gold	1.5%	18.5%	-0.9%	17.2%	-1.6%	18.3%	1.5%	18.5%
	Commodities	1.5%	13.9%	-0.9%	13.7%	-1.6%	12.8%	1.5%	13.9%

* in USD for asset classes with mixed currencies

** The risk is hedged in the respective domestic currency for bonds (except emerging market bonds in hard currency), alternative strategies and Swiss real estate funds
n.a. not available

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