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### Scope

*Elston ETF Research focuses on ETFs listed on the London Stock Exchange. All tickers relate to London listed securities. Our target audience is UK asset managers and intermediaries.*

### About Elston

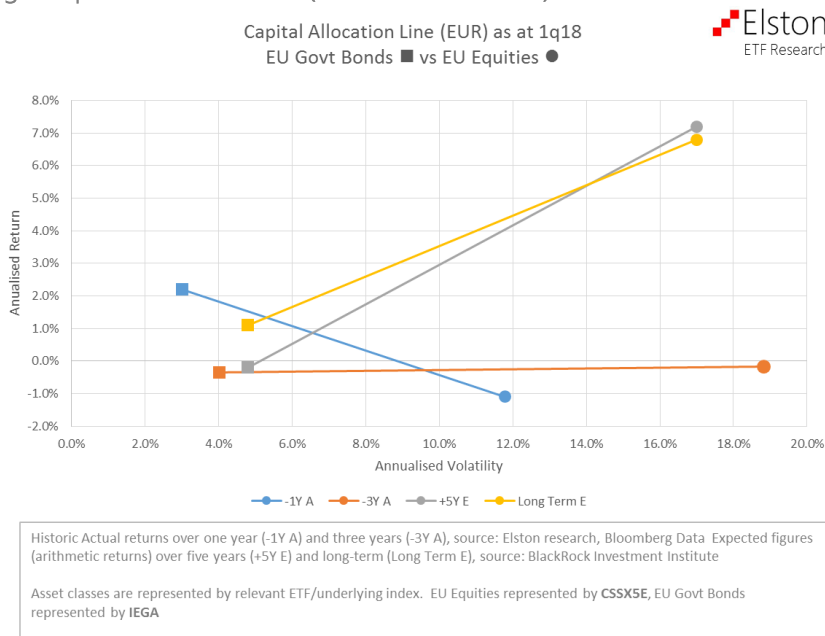
*Elston aims to be the UK's leading independent ETF specialist. We provide ETF Research, ETF Portfolios and Indices to asset owners and asset managers.*  
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All data is at 31<sup>st</sup> March 2018

## CAPM INDICATORS (EUR) 1Q18 UPDATE

In this report, we compare expected risk/return assumptions for Eurozone Equities and Bonds to recent actual performance, and review the realized risk-return profile for key asset classes for EUR-based investors.

Fig.1. 1q18 CAPM Indicators (EUR-based investors)



The Capital Allocation Line is the line that links the risk-free asset with the market portfolio.

For EUR-based investors, we use Eurozone Government Bonds as a proxy for the risk-free asset, and Eurozone Large Cap Equities as a proxy for the market portfolio.

For 5 year, and Long-term, expected risk/return of these asset classes we use estimates from [BlackRock Investment Institute](http://BlackRock Investment Institute).

As expected, the CAL is upwards sloping: the higher the expected risk, the higher the expected return.

For comparison, we superimpose on to those estimates, a snapshot of the historic 1 year and 3 year actual risk/return of these asset classes based on the performance of their respective ETFs.

This gives an informative snapshot over capital market performance and outlook for Euro-based investors.

Fig.2. Data table

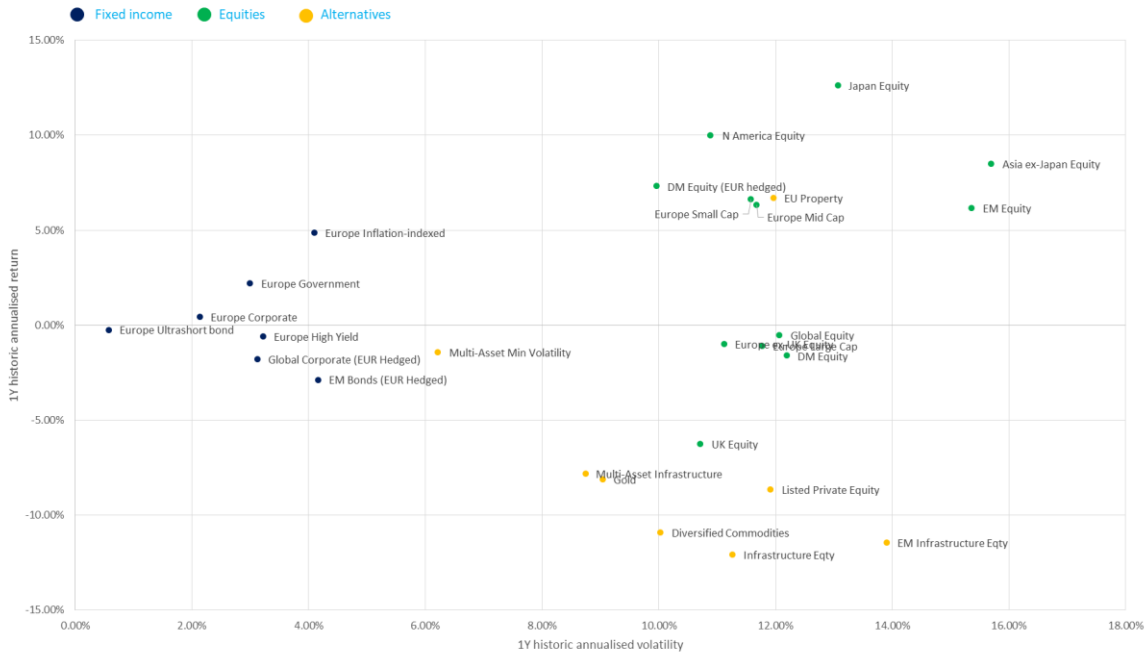
	Volatility	Return	Time Horizon	
EU Equities	11.8%	-1.1%	-1Y	Actual
EU Govt Bonds	3.0%	2.2%	-1Y	Actual
EU Equities	18.8%	-0.2%	-3Y	Actual
EU Govt Bonds	4.0%	-0.4%	-3Y	Actual
EU Equities	17.0%	7.2%	+5Y	Estimated
EU Govt Bonds	4.8%	-0.2%	+5Y	Estimated
EU Equities	17.0%	6.8%	LT	Estimated
EU Govt Bonds	4.8%	1.1%	LT	Estimated

Source: BlackRock Investment Institute (estimates; Elston Research, Bloomberg data (actual))

From an asset-class perspective, we look at key asset classes as represented by relevant indices and respected ETFs.

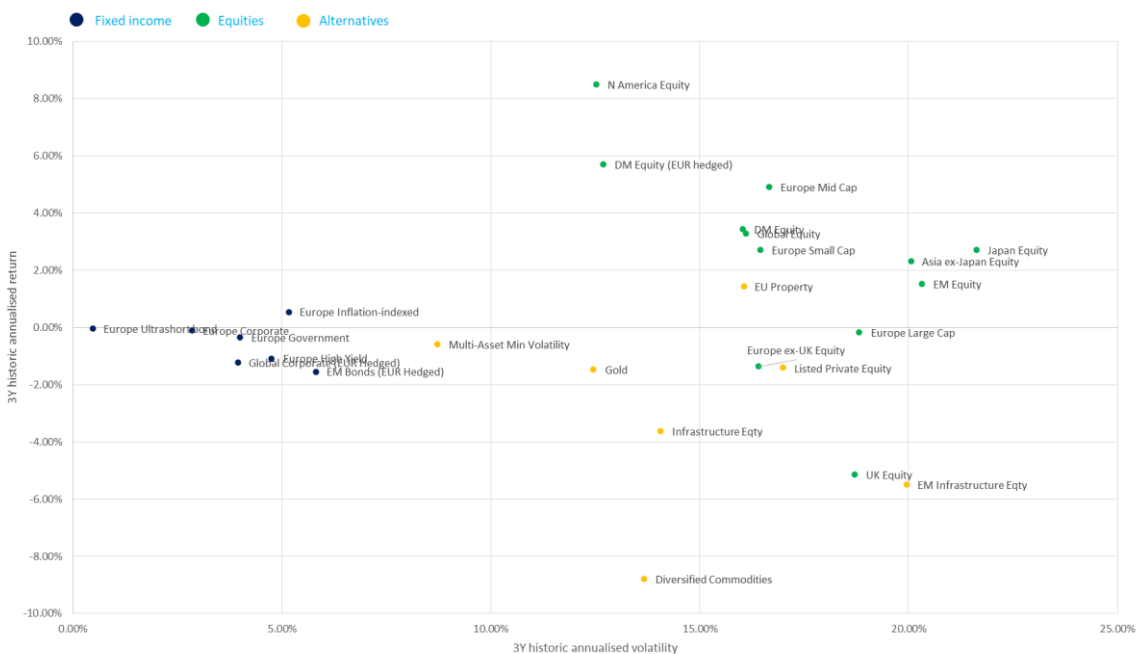
The 1-year and 3-year historic risk/return analysis for key asset classes in EUR terms is presented below.

Fig.3 Historic 1Y risk-return of key asset classes (EUR-basis) to 1q18



Source: Elston Research, Bloomberg data

Fig.4 Historic 3Y risk-return of key asset classes (EUR-basis) to 1q18



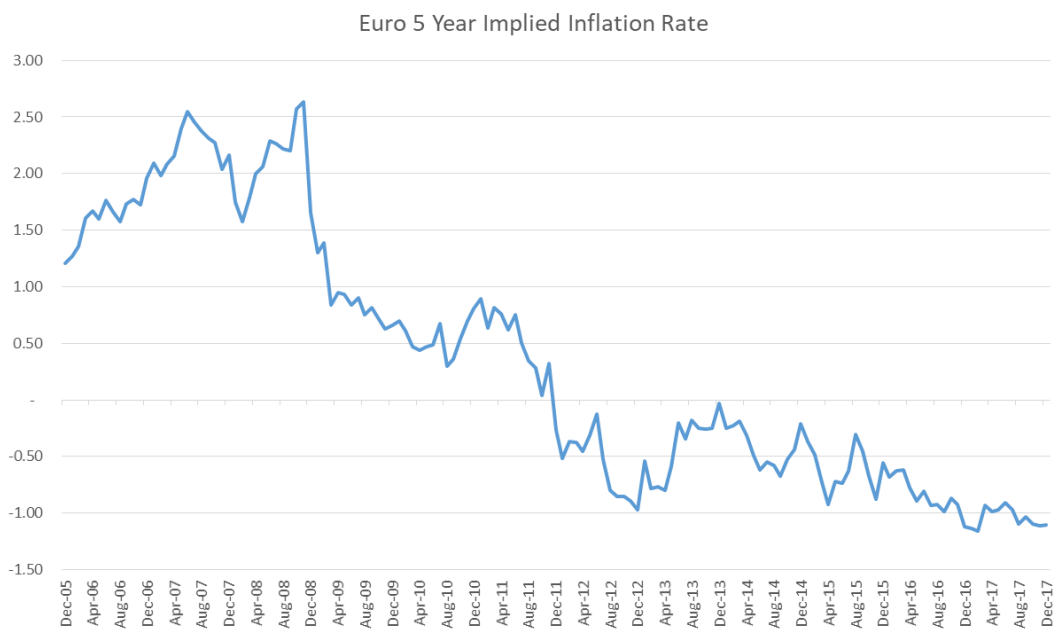
Source: Elston Research, Bloomberg data

Fig.5. EUR GDP Growth



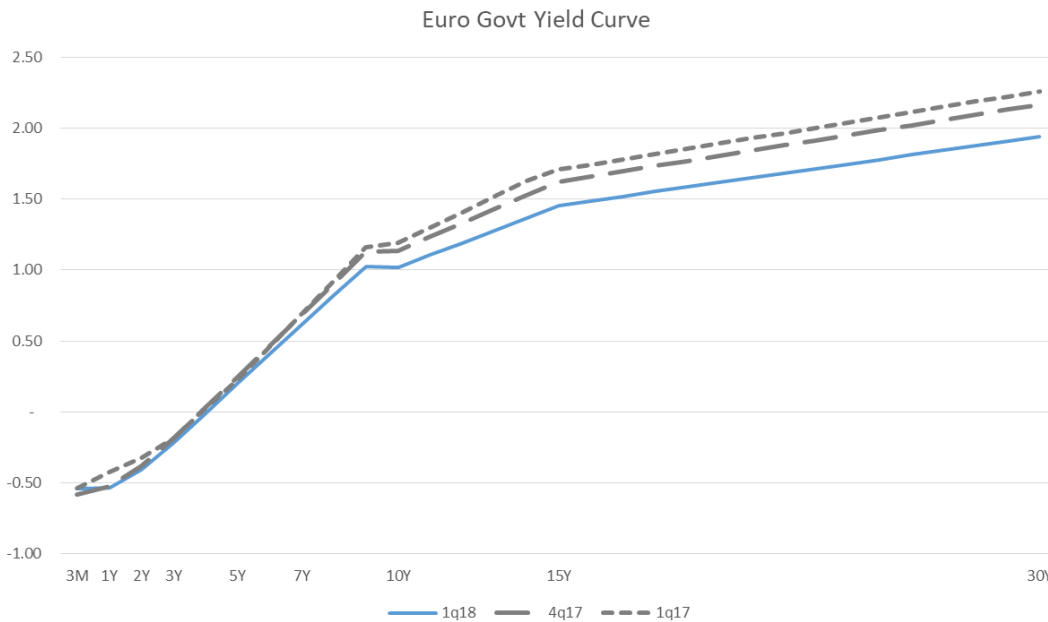
Source: Elston Research, Bloomberg data

Fig.6. EUR Implied 5Y Inflation Rate



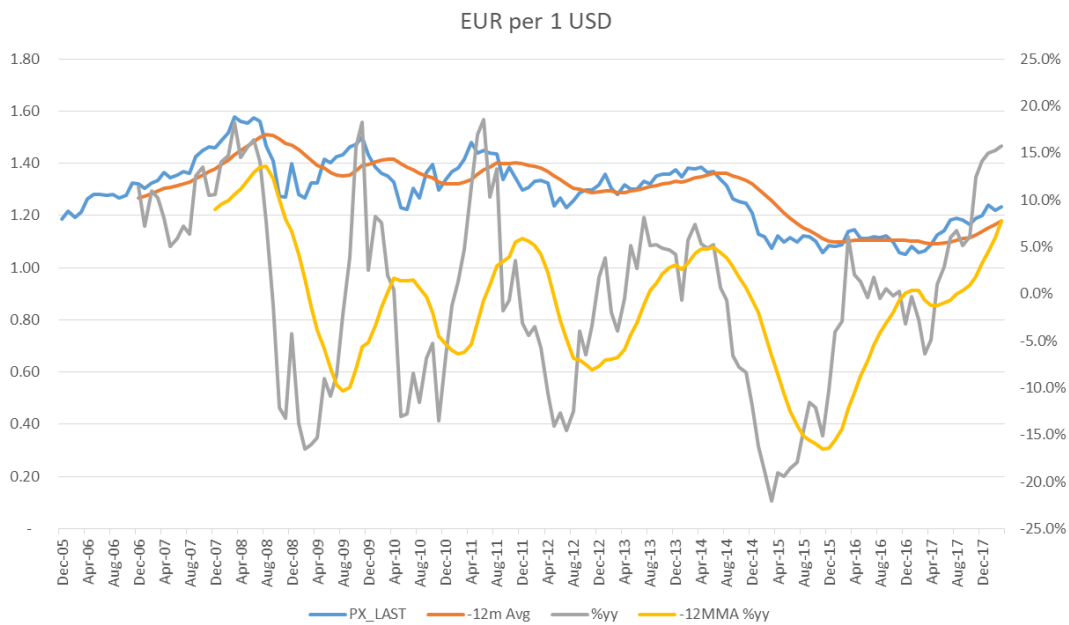
Source: Elston Research, Bloomberg data

Fig.7. EUR Government Bond Yield Curve



Source: Elston Research, Bloomberg data

Fig.8. EUR Exchange Rate



Source: Elston Research, Bloomberg data

## MORE INFORMATION

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