

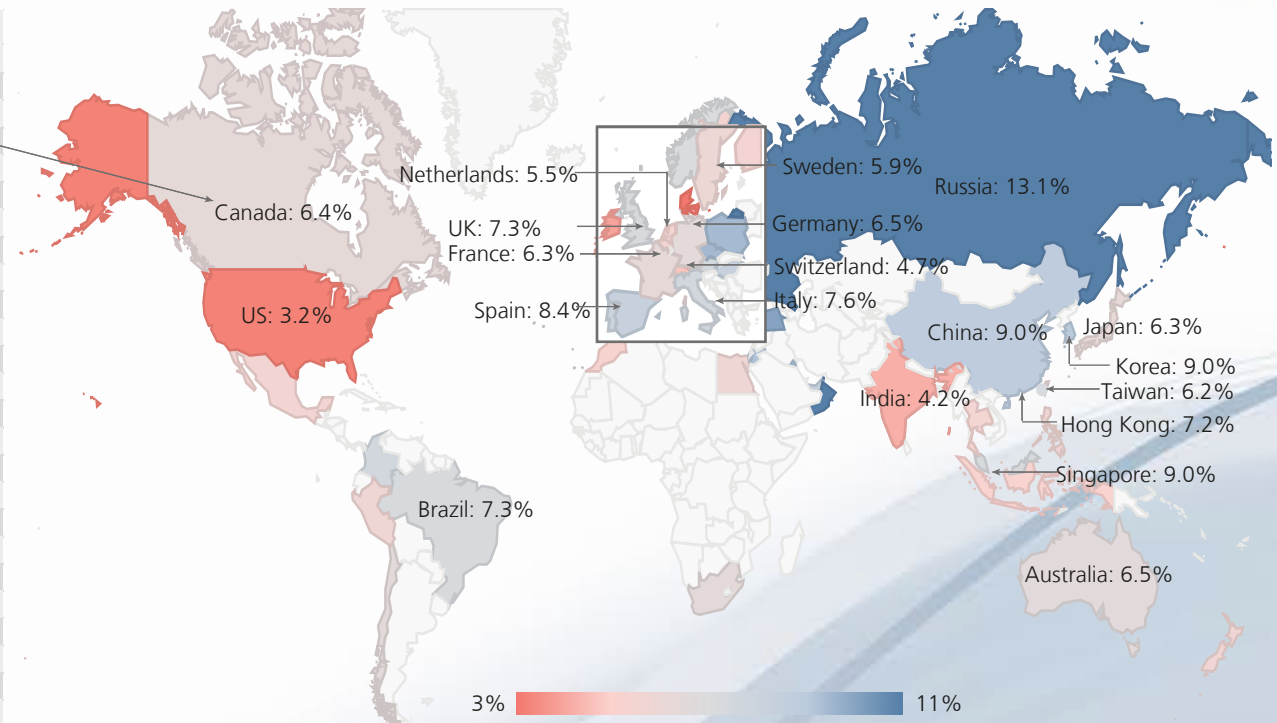
What long-term returns can investors expect worldwide?

Based on CAPE and PB valuation Emerging Markets show highest and US lowest return potential

Current valuations and corresponding return forecasts

Country	CAPE	Forecast 10-15 years	PB	Forecast 10-15 years	Avg. forecast
Australia	18.3	6.6%	2.0	6.5%	6.5%
Brazil	14.5	8.2%	2.1	6.4%	7.3%
Canada	21.0	5.6%	1.8	7.2%	6.4%
China	18.3	6.5%	1.0	11.4%	9.0%
France	21.7	5.3%	1.8	7.2%	6.3%
Germany	20.2	5.8%	1.8	7.2%	6.5%
Hong Kong	18.0	6.7%	1.7	7.7%	7.2%
Italy	19.1	6.2%	1.4	9.1%	7.6%
India	23.2	4.8%	3.1	3.6%	4.2%
Japan	27.9	3.6%	1.4	9.1%	6.3%
South Korea	15.9	7.5%	1.1	10.5%	9.0%
Netherlands	24.0	4.6%	2.0	6.4%	5.5%
Russia	6.4	14.1%	0.9	12.1%	13.1%
Singapore	14.8	8.0%	1.2	9.9%	9.0%
Spain	13.8	8.6%	1.6	8.2%	8.4%
Sweden	21.7	5.3%	2.0	6.5%	5.9%
Switzerland	24.9	4.4%	2.5	5.0%	4.7%
UK	16.3	7.4%	1.8	7.2%	7.3%
USA	29.8	3.1%	3.2	3.3%	3.2%
Taiwan	21.2	5.5%	1.9	6.9%	6.2%
World AC	24.0	4.6%	2.1	6.2%	5.4%
Developed Mkts	25.1	4.3%	2.2	6.0%	5.2%
Europe	19.1	6.2%	1.9	7.1%	6.7%
Emerging Mkts	17.3	6.9%	1.8	7.4%	7.2%

Using average CAPE and PB based forecasts, which returns over the next 10-15 years can be expected?



Research has shown that there existed a strong relationship between the Shiller-CAPE and long-term equity returns in the past. Our current research paper "**Predicting Stock Market Returns Using the Shiller-CAPE: An Improvement Towards Traditional Value Indicators?**" shows the same relationship for the Price-To-Book (PB) ratio in 17 countries in the period from 1979-2015. Based on these findings and the current valuation levels, what returns can equity investors expect over the next 10-15 years? The table presents the current CAPE and PB valuation of different countries and their corresponding long term performance forecasts.

All returns are inflation-adjusted, in local currency, incl. dividend income and annualized. The return potential has been forecasted for 20 countries with the highest market-capitalization-weight in our database. Source: StarCapital as of 04/30/2018.