

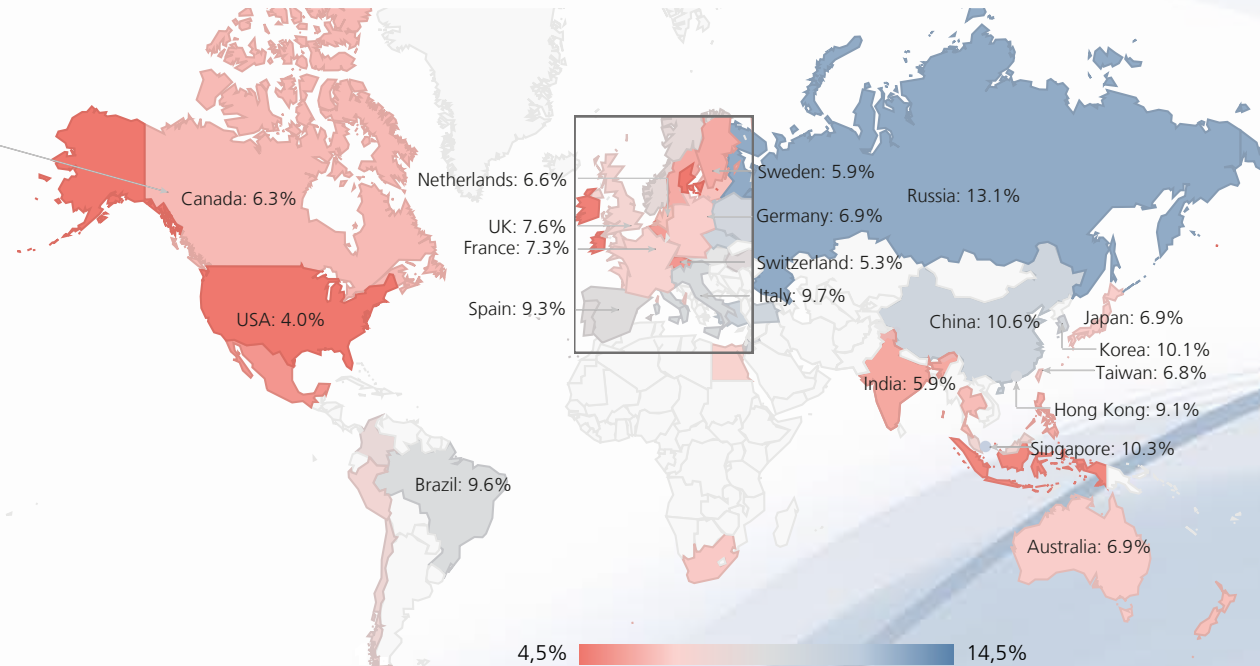
What long-term returns can investors expect worldwide?

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	16,8	7,1%	2,0	6,6%	6,9%
Brazil	9,8	11,0%	1,6	8,3%	9,6%
Canada	20,5	5,7%	1,9	6,9%	6,3%
China	12,8	9,1%	0,9	12,0%	10,6%
France	18,3	6,6%	1,6	8,1%	7,3%
Germany	18,6	6,4%	1,8	7,4%	6,9%
Hong Kong	14,3	8,3%	1,2	9,9%	9,1%
Italy	12,7	9,1%	1,2	10,4%	9,7%
India	17,6	6,8%	2,6	4,9%	5,9%
Japan	24,9	4,4%	1,3	9,4%	6,9%
South Korea	13,0	9,0%	1,0	11,2%	10,1%
Netherlands	19,8	6,0%	1,8	7,2%	6,6%
Russia	5,9	14,6%	1,0	11,6%	13,1%
Singapore	11,4	9,9%	1,1	10,7%	10,3%
Spain	11,7	9,7%	1,4	8,8%	9,3%
Sweden	20,6	5,7%	2,1	6,2%	5,9%
Switzerland	21,5	5,4%	2,4	5,3%	5,3%
UK	14,8	8,0%	1,8	7,2%	7,6%
USA	26,4	4,0%	2,9	4,1%	4,0%
Taiwan	18,7	6,4%	1,8	7,2%	6,8%
World AC	20,8	5,6%	2,0	6,7%	6,2%
Developed Mkts	21,9	5,3%	2,0	6,5%	5,9%
Europe	16,6	7,2%	1,8	7,4%	7,3%
Emerging Mkts	14,0	8,4%	1,6	7,9%	8,2%

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 12/30/2016.