Capital Market Assumptions (CMAs) for Low Volatility Global Equity and Global Fixed Income

Asset Allocation/Risk Management

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CalPERS | Investment Office
Asset Allocation

Low Volatility Global Equity

	Wilshire	PCA	Consensus
Arithmetic Return	8.55	7.65	8.10
Volatility	13.57	12.30	12.94
Cash Yield	2.96	3.00	2.98

Correlation To:	Wilshire	PCA	Consensus
Global Equity	0.97	0.9	0.93
Private Equity	0.71	0.7	0.71
Fixed Income	0.22	0.2	0.21
Real Estate	0.31	0.4	0.36
Infra. & Forest.	0.38 [1]	0.3 [2]	0.30
Inflation Assets	0.03 [3]	-0.2 [3]	0.00
Liquidity	-0.05	0.0	0.00
ARS	0.62	0.6	0.50

[1] 100% Infrastructure, no Forestland provided
[2] Cap-weight blend Infrastructure/Forestland, 67/33
[3] Cap-weight blend ILB/Commodities, 75/25

Global Equity

	Wilshire	PCA	Consensus
Arithmetic Return	9.34	9.00	9.15
Volatility	17.30	18.50	17.40
Cash Yield	2.65	2.80	2.73

Correlation To:	Wilshire	PCA	Consensus
Low Vol Global Equity	0.97	0.90	0.93
Private Equity	0.75	0.70	0.73
Fixed Income	0.21	0.20	0.21
Real Estate	0.34	0.40	0.37
Infra. & Forest.	0.23	0.30	0.27
Inflation Assets	0.04	-0.15	0.03
Liquidity	-0.07	0.00	0.00
ARS	0.69	0.60	0.50

Revision: Global Fixed Income Expected Returns

Average Change in Yield-to-Maturity Since Last Update
0.73%

Global Fixed Income	Consensus 2013	Difference	Adjusted Consensus 2013
Arithmetic Return	3.00%	0.73%	3.73%
Compound Return	2.76%	--	3.49% [1]
Volatility	7.00%	--	7.00%

[1] Compound return computed from arithmetic return and volatility using: (1+A)^2 = (1+G)^2+Vol^2

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