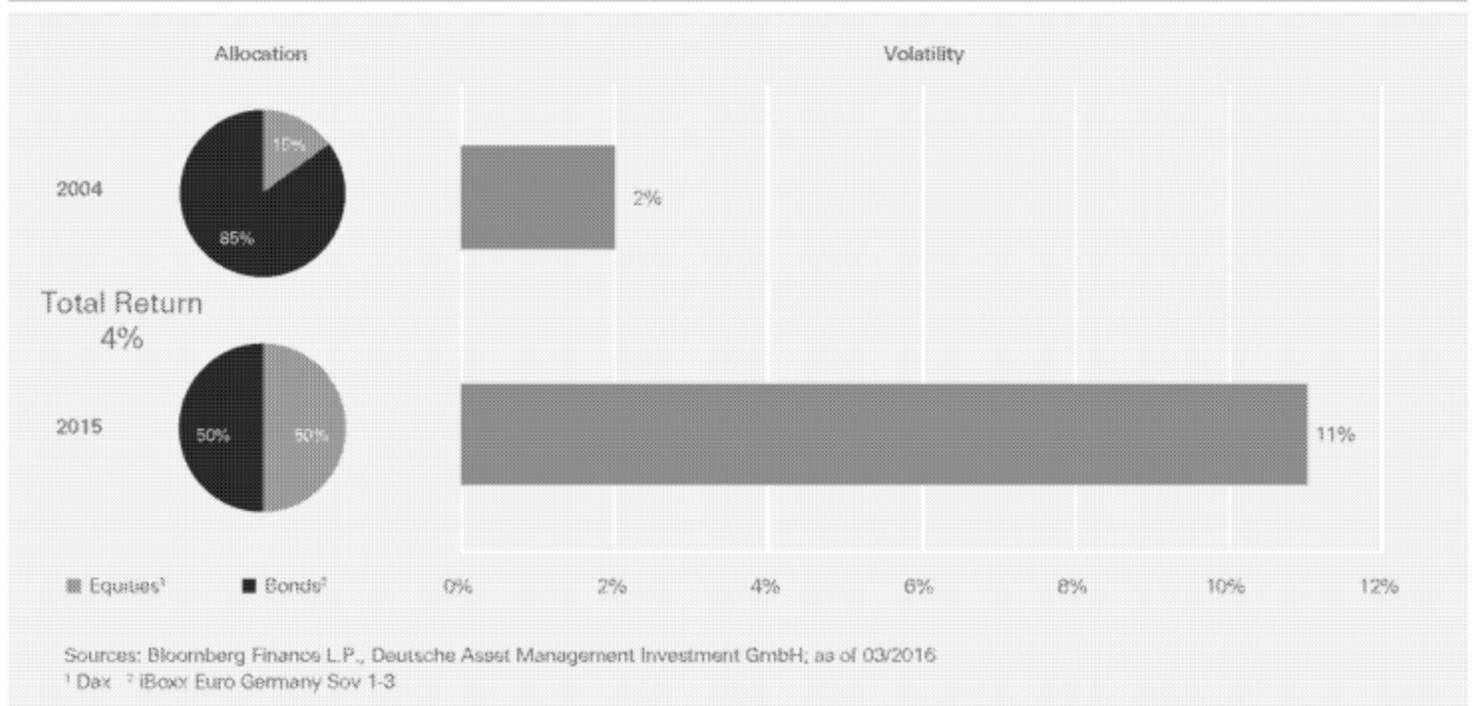


per se. Already, measures once considered outlandish, such as various versions of helicopter money, are once again doing the rounds. These would no doubt face practical, legal, and, in many instances, constitutional concerns. However, in recent years we have already seen that policy makers are willing to take extreme measures, if times get sufficiently desperate.

The real problem is that the longer-term implications of the remaining tools are even less well-understood than QE. Recent market turbulence in the wake of Japan's implementation of negative deposit rates should serve as a cautionary tale that more monetary action no longer necessarily equates with better financial-market outcomes. They also reinforce doubts on how much good monetary policy could do, if things go wrong (either as a result of a new shock, or because of policy errors).

Already, many investors have shifted their focus from seeking gains to merely wanting to preserve their existing wealth. Gold is just one example of an asset benefitting from its apparent safe-haven appeal. Given the concerns outlined above, it makes sense for risk-averse investors to attempt to limit the downside potential of their portfolio, while maximizing its ability to capture upside moves in markets. Even if we imagine a relatively benign outcome to the current growth and policy uncertainty, we expect future returns to be lower, for any given amount of risk.

When it comes to risks and rewards, we have already entered a new investment world



This has already started to happen. Take a portfolio held in 2004, with an expected return of 4%. Looking at the historical data, a portfolio comprised of 15% equities and 85% bonds would have delivered just that, with volatility of just 2%. Fast forward to 2015, however, and you would have needed to allocate 50% to equities to generate the same 4% in total return. Volatility would have been 11%.

Past performance is not indicative of future returns. No assurance can be given that any forecast, investment objectives and / or expected returns will be achieved. Allocations are subject to change without notice. Forecasts are based on assumptions, estimates, opinions and hypothetical models that may prove to be incorrect. The information herein reflect our current views only, are subject to change, and are not intended to be promissory or relied upon by the reader. There can be no certainty that events will turn out as we have opined herein.