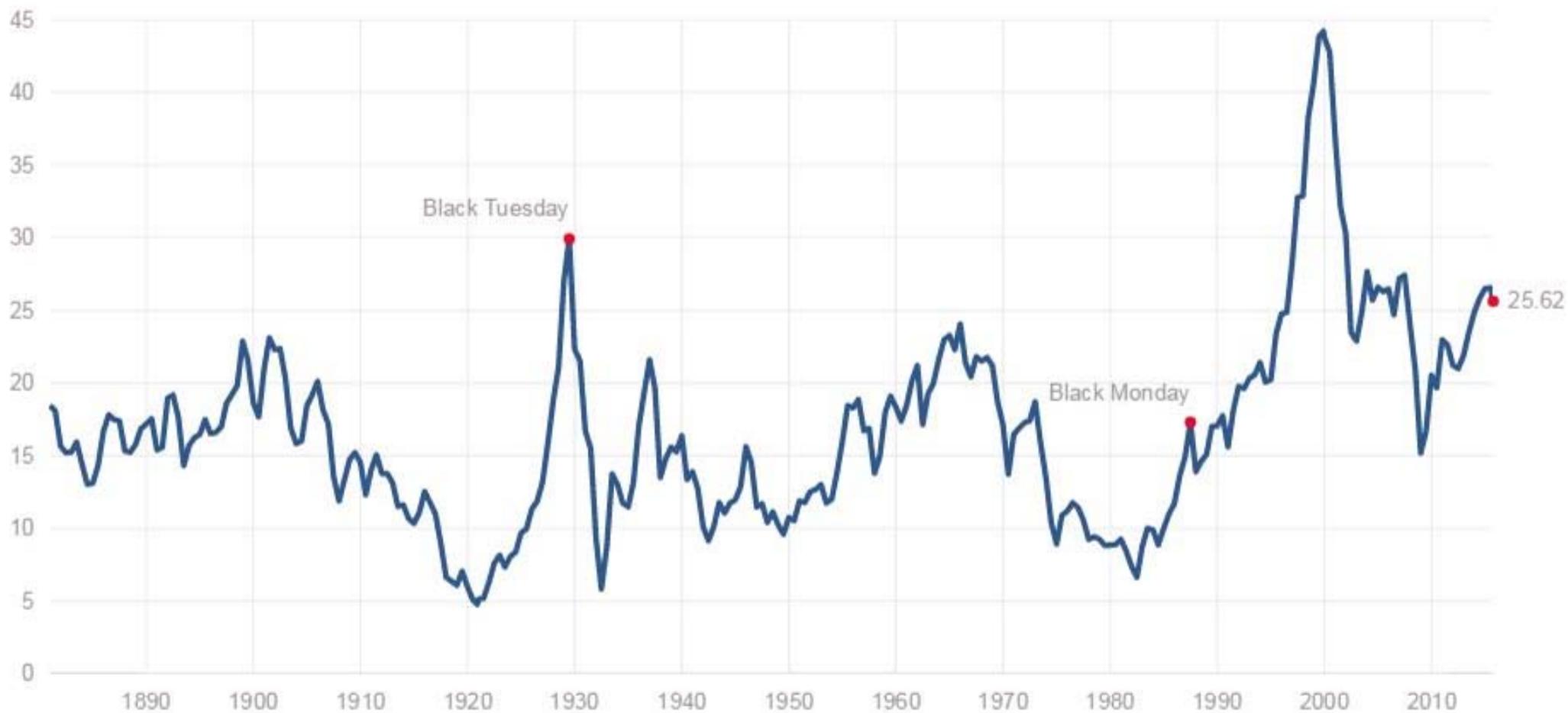
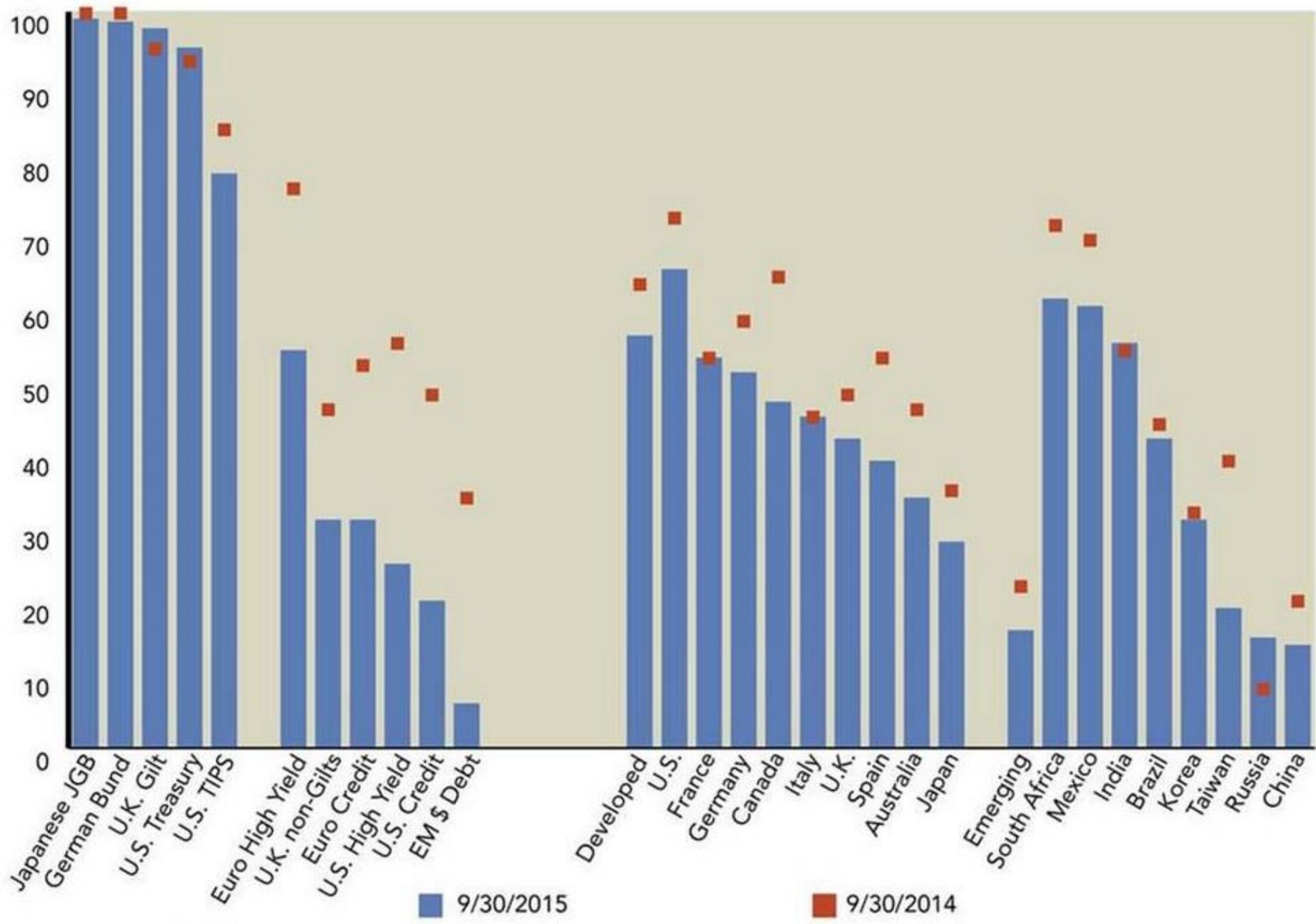


Shiller PE Ratio





Source: Blackrock

Figure 2. Future 10-Year Real Return

Panel A: U.S. CAPE vs. Future 10-Year Real Return



Source: Research Affiliates, LLC, based on data from MSCI, Bloomberg, Robert Shiller, and Global Financial Data. Note that the right-side axis is inverted.



Panel B: EM CAPE vs. Future 10-Year Real Return



Source: Research Affiliates, LLC, based on data from MSCI, Bloomberg, Robert Shiller, and Global Financial Data. Note that the right-side axis is inverted.



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Figure 1. U.S. and EM CAPE, 1990-2015



Source: Research Affiliates, LLC, based on data from MSCI, Bloomberg, Robert Shiller, and Global Financial Data.²



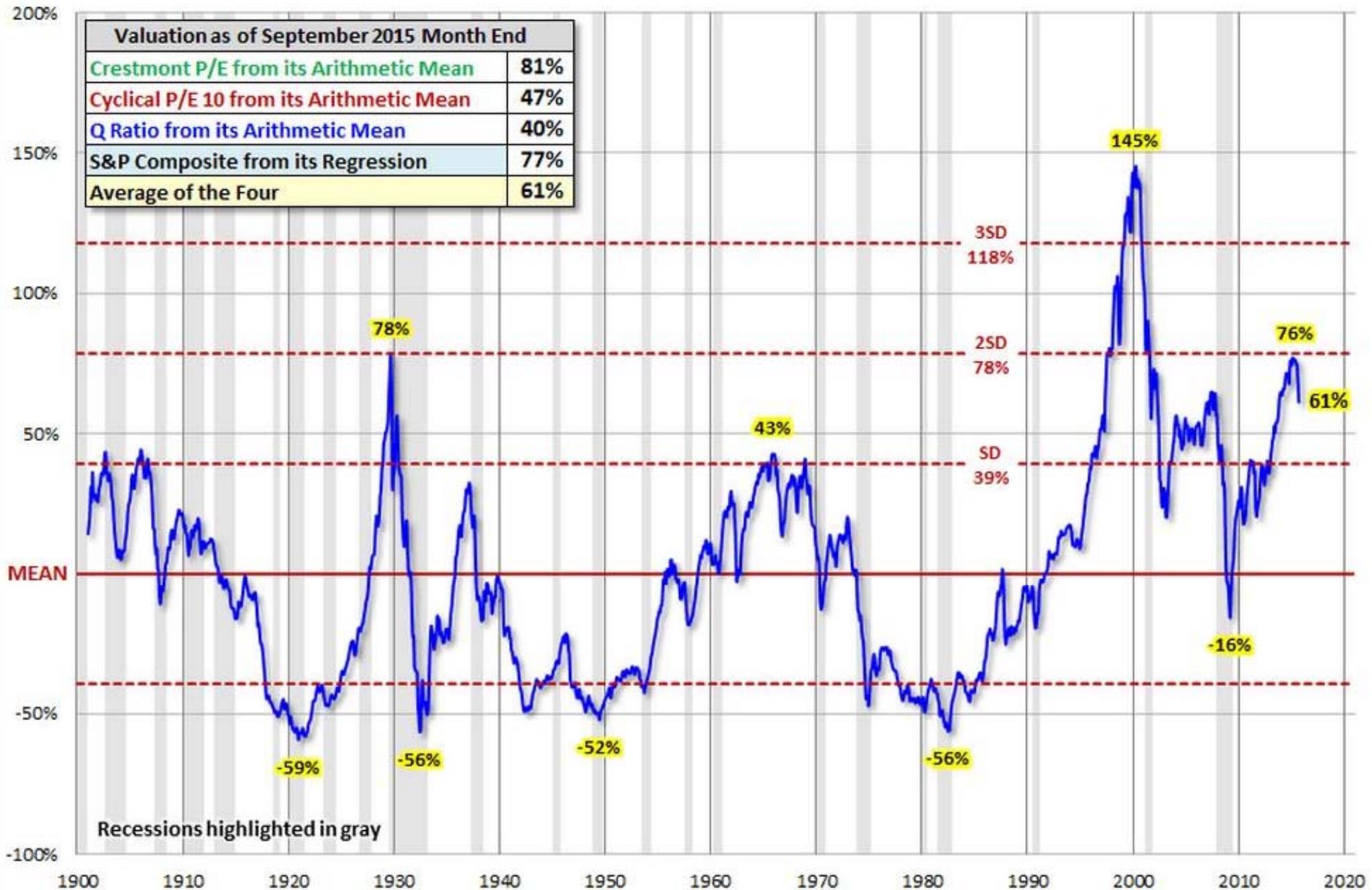
Average of the Four Valuation Indicators

With Standard Deviations Highlighted

dshort.com

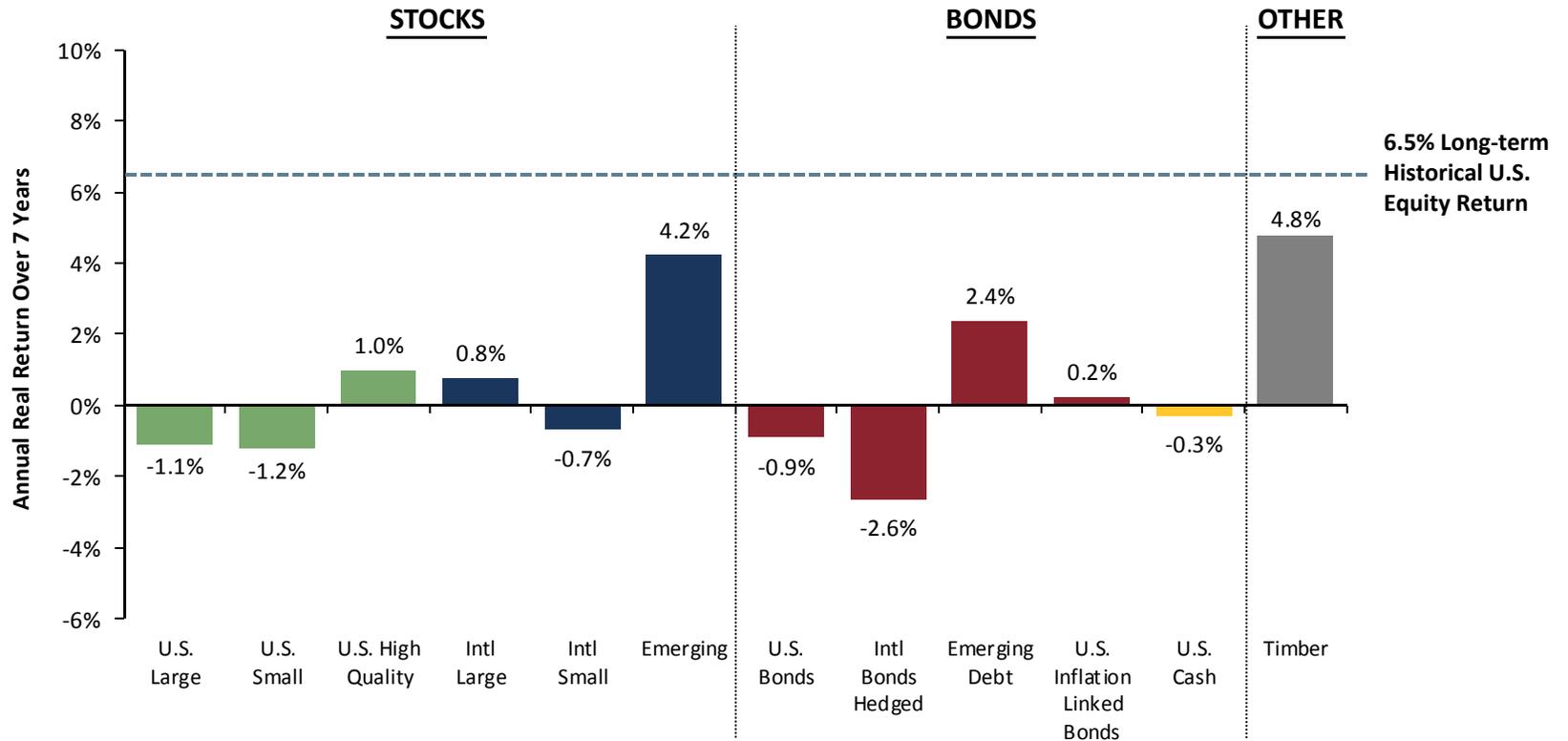
October 2015

Data through September



7-Year Asset Class Real Return Forecasts*

As of August 31, 2015



Source: GMO

*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.