



ASSET ALLOCATION

2022 Capital Market Assumptions for Major Asset Classes

Q1 2022

This article updates our estimates of medium-term (5- to 10-year) expected returns for major asset classes. It also includes an analysis that attempts to reconcile ever-lower expected returns with ever-higher realized returns and suggests practical strategic steps to boost portfolio expected returns. U.S. equity and bond expected returns both moved lower in 2021, while changes to their global counterparts were mixed. The expected real return of a 60/40 portfolio remains around 2%, less than half its long-term average of nearly 5% (since 1900¹).

About the Portfolio Solutions Group

The Portfolio Solutions Group (PSG) provides thought leadership to the broader investment community and custom analyses to help AQR clients achieve better portfolio outcomes.

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[1] Historical comparison is based on a simpler methodology than main estimates, due to data availability; methodology described in Appendix.

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