



2022 Horizon Survey Results

Aon Investments USA's
Capital Market Assumptions
vs. Peers

October 2022

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2022 Horizon Survey Results

What is the Horizon Survey?

Since 2010, Horizon Actuarial Services, LLC has conducted a capital market assumption survey of investment firms to aid in determining reasonable assumptions for a pension plan's expected return on assets

- While Aon does not seek to change our approach based on how we stack up to peers, it is a helpful double-check to make sure we are not too far off from others in the industry

For the 2022 survey, 40 investment advisors participated.

How does Aon compare to the 2022 survey results?

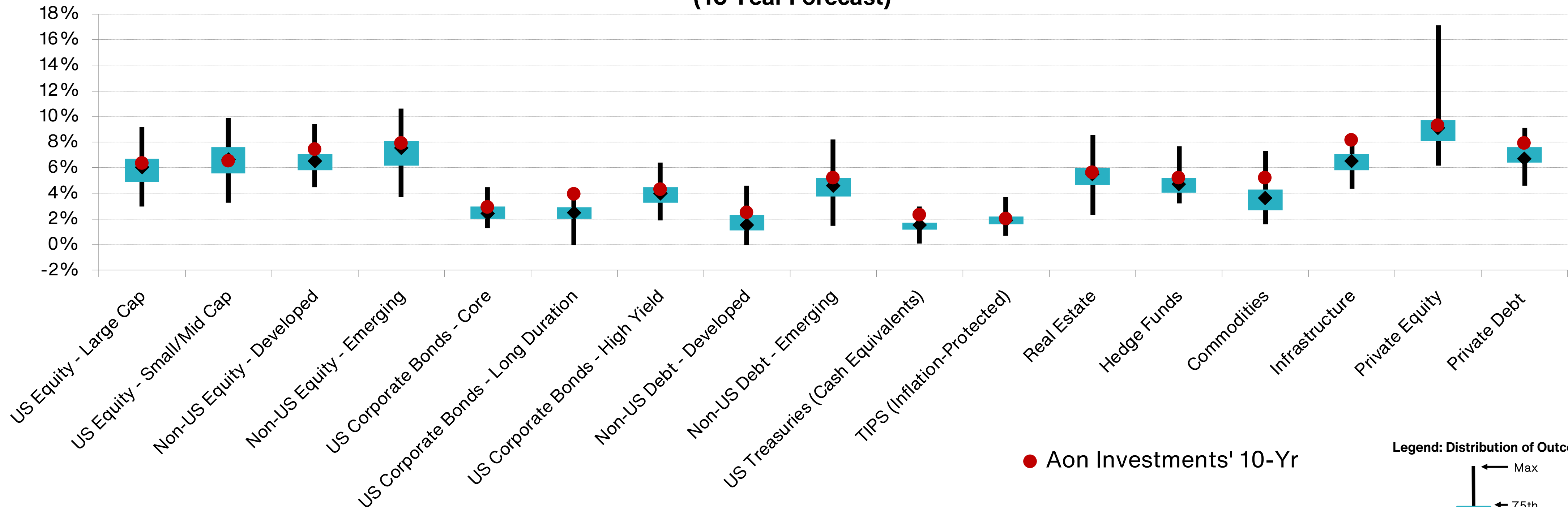
Aon Investments' 2022 10-year forecast assumptions (as of March 31, 2022)

- **Equities:** approximately middle of the pack for U.S. and Non-U.S. equities; higher for Non-US Developed
- **Fixed Income:** approximately middle of the pack relative to the survey's median level; higher for Long Duration Credit, U.S. Treasuries, and Non-US Debt
- **Alternatives:** approximately middle of the pack relative to the survey's median level; higher for Commodities, Infrastructure, and Private Debt

Aon Investments' Capital Market Assumptions vs. Horizon Survey

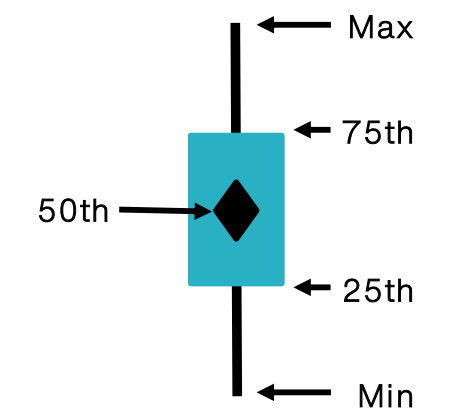
10-Year Forecast

Expected Geometric Returns of 40 Investment Advisors
(10 Year Forecast)



● Aon Investments' 10-Yr

Legend: Distribution of Outcomes



Source: Horizon Actuarial Solutions, LLC survey of 2022 capital market assumptions from 40 independent investment advisors
Aon Investments' expected returns are annualized over 10-years as of 2Q 2022 (3/31/2022). CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Not a guarantee of future results. Additional information regarding our capital market assumptions can be made available upon request.

Aon Investments vs. Peers (2022 Horizon Survey)

10-Year Forecast

Asset Class	Horizon Survey		Aon Investments		Difference	
	10 Year Horizon		10 Year Forecasts		Aon Investments – Horizon Survey	
	Expected Return	Expected Risk	Expected Return	Expected Risk	Expected Return	Expected Risk
US Equity - Large Cap	6.0%	16.4%	6.3%	17.0%	0.3%	0.6%
US Equity - Small/Mid Cap	6.6%	20.2%	6.5%	23.0%	-0.1%	2.8%
Non-US Equity - Developed	6.5%	18.3%	7.4%	20.5%	0.9%	2.2%
Non-US Equity - Emerging	7.5%	24.3%	7.9%	24.0%	0.4%	-0.3%
US Fixed Income - Core	2.4%	5.5%	2.9%	4.0%	0.5%	-1.5%
US Fixed Income - Long Duration Corp	2.5%	10.4%	3.9%	9.5%	1.4%	-0.9%
US Fixed Income - High Yield	4.0%	9.9%	4.3%	10.5%	0.3%	0.6%
Non-US Fixed Income - Developed	1.5%	7.2%	2.5%	5.5%	1.0%	-1.7%
Non-US Fixed Income - Emerging	4.6%	11.3%	5.2%	11.0%	0.6%	-0.3%
Treasuries (Cash Equivalents)	1.5%	1.3%	2.3%	1.0%	0.8%	-0.3%
TIPS (Inflation-Protected)	1.9%	5.6%	2.0%	3.5%	0.1%	-2.1%
Real Estate	5.5%	17.6%	5.6%	15.0%	0.1%	-2.6%
Hedge Funds	4.7%	8.1%	5.2%	9.0%	0.5%	0.9%
Commodities	3.6%	17.3%	5.2%	17.0%	1.6%	-0.3%
Infrastructure	6.5%	17.0%	8.1%	14.5%	1.6%	-2.5%
Private Equity	9.1%	22.3%	9.3%	25.0%	0.2%	2.8%
Private Debt	6.7%	11.4%	7.9%	16.5%	1.2%	5.1%
Inflation	2.5%	2.1%	2.7%	1.5%	0.2%	-0.6%

Notes (Horizon Survey):

Source: Horizon Actuarial survey of 2022 capital market assumptions from 40 independent investment advisors

Expected returns are median annualized (geometric).

Notes (Aon Investments' Forecasts):

Aon Investments' Forecasts are for Q2 2022

- US Equity - Small/Mid Cap forecasts represents Aon Investments' forecasts for US Small Cap
- US Fixed Income - Long Duration forecasts represents Aon Investments' forecasts for Long Duration Credit
- Non-US Fixed Income - Developed forecasts represents Aon Investments' forecasts for Non-US Fixed Income - Developed (50% Hedged)
- Non-US Fixed Income - Emerging forecasts represents Aon Investments' forecasts for Emerging Market Bonds - Sovereign USD
- Real Estate forecasts represents Aon Investments' forecasts for Core Real Estate
- Hedge Fund forecasts represents Aon Investments' forecasts for Direct Hedge Funds (Universe)

Aon Investments' expected returns are annualized over 10-years as of 2Q 2022 (3/31/2022). CMAs contain projections about future returns on asset classes. Our CMA projections are designed to reflect the typical cost of implementing an investment program. Not a guarantee of future results. Additional information regarding our capital market assumptions can be made available upon request.

Leading Methodologies & Reasons for Differences

Leading Methodologies

- Building block
- Global capital asset pricing model (Global CAPM)
- Surveys
- Historical data (as a guide to future)
- Black-Litterman (combination of building block and CAPM)

Reasons for differences

- Methodology
- Time horizon
- Timing of assumptions
- Arithmetic vs. geometric forecasts*
- Alpha (active management)*
- Inflation
- Investment Fees*
- Asset class definition

* While some firms in the Horizon survey responded with arithmetic forecasts, the results have been converted to geometric forecasts for comparison purposes. Additionally, the return expectations included in the Horizon survey are generally market returns that do not reflect active management. Returns for asset classes where passive investments are not available (e.g., hedge funds and private equity) are net of fees.

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