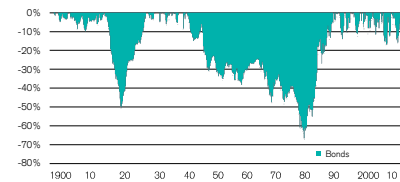


Seven questions for long-term investors – Elroy Dimson



Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 1

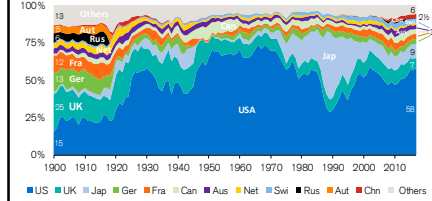
Real drawdowns in the US 1900–2016



Q1: Should long-term investors aim to control downside risk, and how?

Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 2

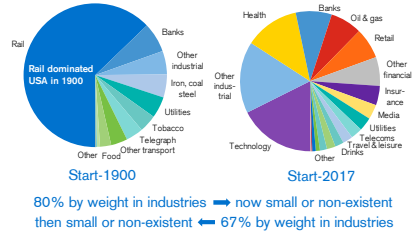
Stock market capitalisations 1900–2017



Q2: Should long-term investors hold capitalization-weighted portfolios?

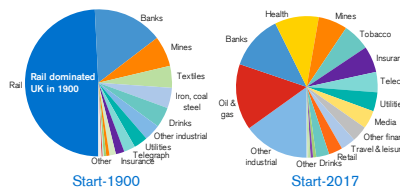
Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 3

The USA's industrial transformation 1900–2017



Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 4

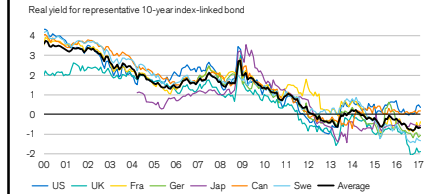
The UK's industrial transformation 1900–2017



Q3: Should long-term investors seek to avoid holding stranded assets?

Panel on Long-Term Returns | Elroy Dimson | Source: Financial Market History on 1 | NBER, London | 20 May 2017 | Slide 5

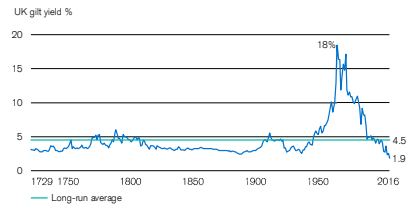
Real bond yields 2000–2017



Q4: Can long-term investors be confident about real yields recovering?

Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 6

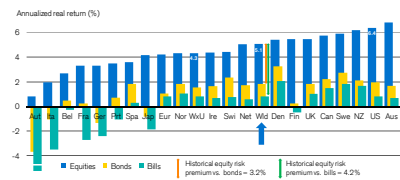
Bond yields in the UK



Q5: Should long-term investors assume reversion to the mean?

Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 7

Asset-class returns 1900–2016



Q6: Should long-term investors expect this equity premium to persist?

Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 8

Factor premia since the crisis

Country	Year	Lowest Value	Lowest Momentum	Lowest Size	Lowest Value	Lowest Momentum	Lowest Size	Lowest Value	Lowest Momentum	Lowest Size	2008-16 Average
USA	2008	20.3	29.5	12.6	48.5	11.6	5.3	11.3	12.5	17.7	8.0
	2009	20.7	29.2	12.5	29.5	7.9	8.0	13.9	12.9	17.9	8.0
	2010	22.1	29.2	12.4	29.5	7.9	8.0	13.9	12.9	17.9	8.0
UK	2008	19.5	28.1	11.6	48.5	11.6	5.3	11.3	12.5	17.7	8.0
	2009	19.9	27.8	11.5	29.5	7.9	8.0	13.9	12.9	17.9	8.0
	2010	21.3	27.8	11.4	29.5	7.9	8.0	13.9	12.9	17.9	8.0

Q7: Should long-term investors take exposure to alternative factor premia?

Panel on Long-Term Returns | Elroy Dimson | New Developments in Long-Term Asset Management | NBER, London | 20 May 2017 | Slide 9