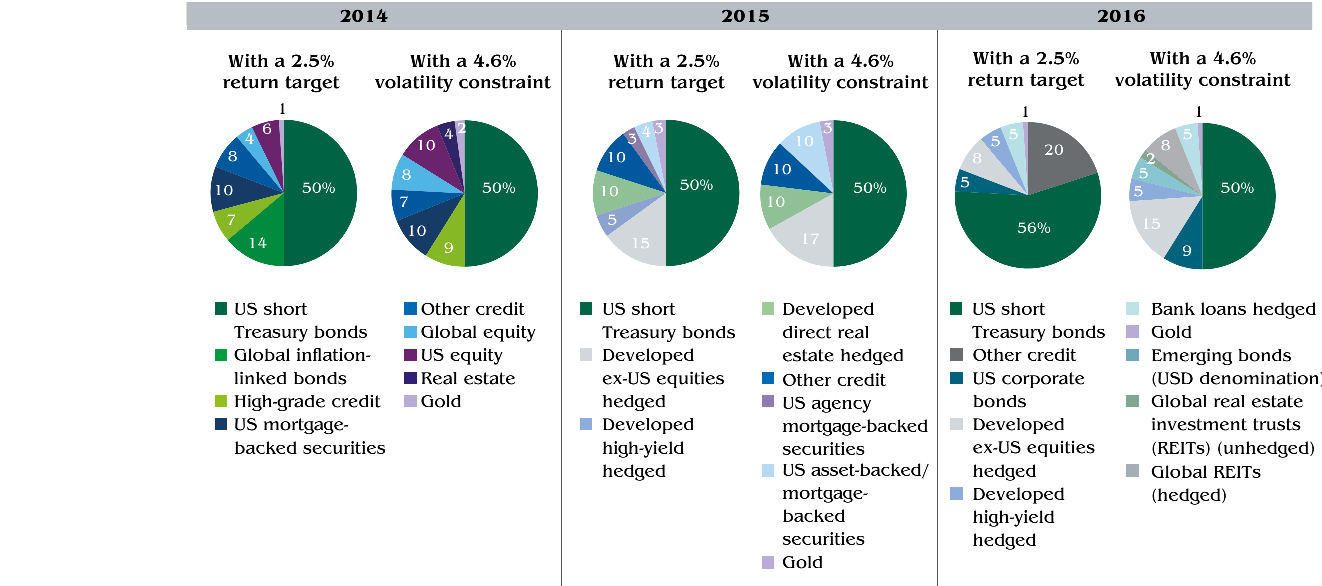
Chart 3. Changes in model reserve portfolios 2014–2016



	2014		2015		2016	
Hypothetical return	2.50%	3.10%	2.50%	2.49%	2.50%	3.43%
Expected volatility	3.30%	4.60%	4.52%	4.60%	2.06%	4.60%
Hypothetical return/risk ratio	0.76	0.67	0.55	0.57	1.21	0.75
Expected drawdown (95%)	-3.00%	-4.50%	-4.84%	-4.65%	-0.91%	-4.11%

Source: BlackRock Solutions, April 2016. The portfolios are modelled to achieve either a 2.5% return objective or a 4.6% volatility constraint, with a 50% liquidity constraint in both cases. The liquidity constraint of each portfolio is represented by the allocation to short (1–5y) US Treasury bonds. The outcomes for each hypothetical portfolio are then derived using BlackRock's five-year strategic assumptions for the respective asset class in an optimisation model. Please see *https://www.blackrock.com/official-institutions-group/official-insights/publications* for relevant asset class proxies. Other credit can include high-yield bonds, bank loans and other non-investment-grade fixed-income assets.