

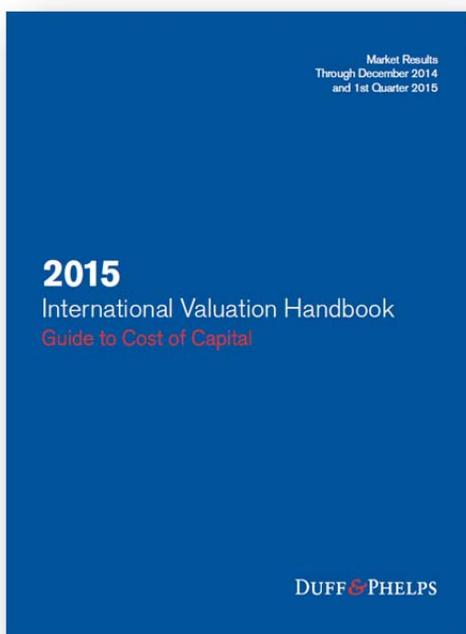
2015 International Valuation Handbook – Guide to Cost of Capital

Wiley & Sons has partnered with Duff & Phelps, the premier global valuation and corporate finance advisor with expertise in complex valuation, dispute and legal management consulting, M&A, restructuring, and compliance and regulatory consulting, to produce a new annual source for this data: the new *International Valuation Handbook – Guide to Cost of Capital*.

The *2015 International Valuation Handbook – Guide to Cost of Capital* provides the same type of rigorous country-level analysis previously published in the former Morningstar/Ibbotson *International Cost of Capital Report* (discontinued), the former Morningstar/Ibbotson *International Cost of Capital Perspectives Report* (discontinued), and the former Morningstar/Ibbotson *International Equity Risk Premia Report* (discontinued). The *2015 International Valuation Handbook – Guide to Cost of Capital* ships in June 2015, with data through December 2014 and March 2015, and includes an optional September Semi-annual Update, with data through June 2015 and September 2015.

The *2015 International Valuation Handbook – Guide to Cost of Capital* provides data and methodology guidance that will enable the reader to assess risk and develop cost of capital estimates on a global scale.

This new publication provides country-level country risk premia (CRPs), Relative Volatility (RV) factors, and equity risk premia (ERPs), which can be used to estimate country-level cost of equity capital globally, for up to 188 countries, from the perspective of investors based in up to 55 different countries.*



NEW: *2015 International Valuation Handbook – Guide to Cost of Capital*

Includes optional September Semi-annual Update

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*Depending on the estimation model being employed, and data availability. Some models do not include estimates for all countries.

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The data exhibits in the *International Valuation Handbook – Guide to Cost of Capital* include:

- International Equity Risk Premia (ERPs)
- Country Yield Spread Model: Country Risk Premia (CRPs)
- Relative Volatility Model: Relative Volatility (RV) Factors
- Erb-Harvey-Viskanta Country Credit Rating Model: Country Risk Premia (CRPs)

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Data Exhibit 2: Country Yield Spread Model: Country Risk Premia (CRPs)

Data Exhibit 3: Relative Volatility Model: Relative Volatility (RV) Factors

Data Exhibit 4: Erb-Harvey-Viskanta Country Credit Rating Model: Country Risk Premia (CRPs)

Sample Data Exhibits

Sample Data Exhibits

The new *2015 International Valuation Handbook – Guide to Cost of Capital* provides country-level country risk premia (CRPs), Relative Volatility (RV) factors, and equity risk premia (ERPs), which can be used to estimate country-level cost of equity capital globally, for up to 188 countries, from the perspective of investors based in up to 55 different countries.

Representative data exhibits from last year's *2014 International Valuation Handbook – Guide to Cost of Capital* is provided in the following seven pages, for evaluative purposes. The 2015 version of the book ships in June 2015 with data through December 2014 and March 2015.

Country Risk Rating (CRP) Matrix
This table displays Country Risk Premia (CRPs) for 188 countries, categorized by region and country. The data is presented in a grid format with columns for Country, Region, and CRP values. The table is titled 'Country Risk Rating (CRP) Matrix' and includes a subtitle 'Data as of 12/31/2014'.

Australia Long-Horizon Equity Risk Premia
This table shows the long-horizon equity risk premia for Australia from 1970 to 2012. The data is presented in a grid format with columns for Year, CRP, and other metrics. The table is titled 'Australia Long-Horizon Equity Risk Premia' and includes a subtitle 'Data as of 12/31/2014'.

Relative Volatility Matrix
This table displays Relative Volatility (RV) factors for 188 countries, categorized by region and country. The data is presented in a grid format with columns for Country, Region, and RV values. The table is titled 'Relative Volatility Matrix' and includes a subtitle 'Data as of 12/31/2014'.

Sample Data Exhibits

Country-level Equity Risk Premia (ERPs)

Australia Long-Horizon Equity Risk Premia

Long-Horizon Equity Risk Premia in Local Currency
in Percent

End Date	Start Date												
	1970	1975	1980	1985	1990	1995	2000	2005	2010	2013			
1970	-25.4												
1971	-19.8												
1972	-10.1												
1973	-15.8												
1974	-19.1												
1975	-8.0	47.7											
1976	-7.7	20.7											
1977	-7.2	12.6											
1978	-5.1	12.4											
1979	-0.6	18.0											
1980	2.6	20.8	34.7										
1981	-0.3	13.1	0.9										
1982	-2.3	8.2	-8.0										
1983	1.9	13.6	8.0										
1984	0.5	10.4	2.8										
1985	2.6	12.5	7.8	33.1									
1986	4.4	14.2	11.4	33.1									
1987	3.5	12.2	8.5	18.1									
1988	3.5	11.6	8.0	14.6									
1989	3.7	11.3	7.9	13.1									
1990	2.2	8.9	4.8	6.4	-27.0								
1991	3.3	9.9	6.5	9.2	-0.5								
1992	2.7	8.8	5.3	6.8	-3.6								
1993	3.9	9.9	7.1	9.4	4.8								
1994	3.2	8.7	5.6	7.1	1.1								
1995	3.3	8.7	5.8	7.1	2.1	7.4							
1996	3.3	8.4	5.5	6.7	2.1	4.8							
1997	3.3	8.1	5.4	6.4	2.2	4.2							
1998	3.4	8.1	5.5	6.5	2.9	5.1							
1999	3.5	8.0	5.6	6.5	3.2	5.3							
2000	3.4	7.7	5.3	6.1	2.9	4.5	0.5						
2001	3.5	7.7	5.3	6.1	3.2	4.7	3.2						
2002	2.9	6.9	4.4	4.9	1.8	2.2	-2.9						
2003	3.1	6.9	4.6	5.1	2.2	2.8	-0.3						
2004	3.6	7.4	5.2	5.9	3.5	4.6	4.0						
2005	4.0	7.8	5.8	6.6	4.5	6.1	6.7	20.3					
2006	4.4	8.1	6.3	7.1	5.3	7.1	8.3	19.1					
2007	4.6	8.2	6.4	7.2	5.6	7.3	8.6	16.3					
2008	3.4	6.7	4.7	5.1	3.0	3.7	2.9	1.5					
2009	4.1	7.4	5.6	6.2	4.5	5.7	5.8	7.7					
2010	-3.9	7.1	5.3	5.8	4.1	5.0	4.9	5.6	-4.8				
2011	-3.4	6.4	4.6	5.0	3.1	3.8	3.1	2.5	-10.4				
2012	3.7	6.7	5.0	5.4	3.8	4.5	4.2	4.3	-1.2				
2013	4.0	7.0	5.4	5.8	4.3	5.2	5.2	5.8	3.5	17.6			

Long-Horizon Equity Risk Premia in U.S. Dollars
in Percent

End Date	Start Date												
	1970	1975	1980	1985	1990	1995	2000	2005	2010	2013			
1970	-25.4												
1971	-17.1												
1972	-6.5												
1973	-9.7												
1974	-15.9												
1975	-6.3	41.9											
1976	-8.1	11.5											
1977	-6.9	8.1											
1978	-4.8	9.2											
1979	-0.8	14.4											
1980	3.3	19.3	43.5										
1981	0.0	11.4	3.8										
1982	-2.7	5.5	-9.3										
1983	0.6	9.7	3.8										
1984	-1.1	6.2	-1.9										
1985	-0.5	6.6	0.1	10.0									
1986	1.3	8.5	4.3	19.8									
1987	1.0	7.5	3.2	11.8									
1988	2.2	8.6	5.4	14.7									
1989	2.0	8.0	4.8	11.5									
1990	0.6	5.7	1.8	4.8	-28.7								
1991	1.6	6.8	3.6	7.6	-2.3								
1992	0.8	5.4	1.9	4.3	-7.6								
1993	1.9	6.6	3.8	7.0	1.3								
1994	1.8	6.2	3.4	6.1	0.7								
1995	1.8	6.0	3.4	5.8	1.1	3.0							
1996	2.1	6.2	3.7	6.1	2.2	6.0							
1997	1.4	5.2	2.7	4.4	0.0	-1.1							
1998	1.5	5.1	2.6	4.2	0.2	-0.5							
1999	1.8	5.4	3.1	4.8	1.5	2.2							
2000	1.3	4.6	2.3	3.6	0.0	-0.6	-14.7						
2001	1.2	4.4	2.1	3.2	-0.2	-0.9	-8.6						
2002	0.9	4.0	1.7	2.7	-0.7	-1.6	-7.9						
2003	2.2	5.3	3.5	4.9	2.5	3.5	5.1						
2004	2.9	6.0	4.4	5.9	4.1	5.8	9.3						
2005	3.2	6.2	4.7	6.3	4.6	6.4	9.8	12.6					
2006	3.8	6.9	5.5	7.2	5.9	8.1	12.2	19.6					
2007	4.3	7.4	6.1	7.9	6.9	9.2	13.6	20.9					
2008	2.8	5.6	4.0	5.3	3.6	4.7	6.0	1.9					
2009	4.5	7.4	6.3	7.9	7.0	9.1	12.5	15.7					
2010	4.6	7.5	6.3	7.9	7.1	9.1	12.2	14.5	8.6				
2011	4.1	6.8	5.6	7.0	6.0	7.6	9.8	10.2	-3.7				
2012	4.5	7.1	6.0	7.4	6.6	8.2	10.5	11.2	3.7				
2013	4.4	7.0	5.9	7.2	6.4	7.8	9.8	10.1	3.1	1.4			

Source of underlying data: 1) Morningstar Direct database. Used with permission. All rights reserved. All calculations performed by Duff & Phelps LLC.

Country Yield Spread Model: Country Risk Premia (CRPs)*

Investor Perspective: United States Currency: United States dollar (USD)			Country Yield Spread Model: Country Risk Premia (CRPs)			
The country risk premium (CRP) is not the cost of equity capital (COE). The CRP is to be added to base COE. See Chapter 4 for proper application.						
	Data Updated Through December 2013		Data Updated Through March 2014			
Investee Country	December 2013 Country Risk Premium (CRP) (%)	Tier Method*	March 2014 Country Risk Premium (CRP) (%)	Tier Method*	S&P Sovereign Credit Rating ‡	MSCI Market Classification †
Afghanistan	11.3	4	11.6	4		
Albania	5.5	3	5.4	3	B	
Algeria	3.9	4	3.7	4		
Angola	3.6	3	3.5	3	BB-	
Antigua & Barbuda	6.8	4	3.2	2		
Argentina	10.9	2	10.2	2	CCC+	Frontier
Armenia	3.7	2	3.1	2		
Aruba	2.2	2	2.3	2	BBB+	
Australia	0.0	1	0.0	1	AAA	Developed
Austria	0.1	2	0.0	2	AA+	Developed
//	//	//	//	//	//	//
Czech Republic	0.6	3	0.5	3	AA-	Emerging
Denmark	0.0	1	0.0	1	AAA	Developed
Djibouti	23.6	4	30.9	4		
Dominica	7.0	4	6.4	4		
Dominican Republic	3.4	2	3.4	2	B+	

* Tier 1: S&P sovereign credit rating - AAA, CRP upward to be B.BX; Tier 2: Overnight Yield Spread, Tier 3: S&P Regression Yield Spread, Tier 4: Economy (ECR) Regression Yield Spread. For purposes of this analysis, the U.S. is being treated as if it were rated AAA by S&P.

‡ S&P Credit Rating based on long-term foreign sovereign issuer rating. See <http://www.standardandpoors.com/>

† MSCI Market Classification based on MSCI Market Classification Framework. See http://www.msci.com/products/indexes/market_classification.html

*This is an abbreviated version of the Country Yield Spread Model: Country Risk Premium (CRP) exhibit from the *International Valuation Handbook – Guide to Cost of Capital*. The hardcover book's Country Yield Model CRP exhibits provide country-level CRP estimates for up 188 different countries, from the perspective of investors in the U.S. and Germany.

Relative Standard Deviation Model: Relative Volatility (RV) Factors*

Investor Perspective: Germany
Currency: Euro (EUR)

Relative Volatility Model:
Relative Volatility RV Factors

The RV Factor is to be multiplied to the ERP. See Chapter 5 for proper application.

Data Updated Through March 2014

Investee Country	December 2013 Relative Volatility Factor (RV)*	March 2014 Relative Volatility Factor (RV)*	S&P Sovereign Credit Rating §	MSCI Market Classification †
Argentina	1.8	2.1	CCC+	Frontier
Australia	1.0	1.0	AAA	Developed
Austria	1.2	1.1	AA+	Developed
Bahrain	0.9	0.8	BBB	Frontier
Belgium	0.8	0.8	AA	Developed
Brazil	1.2	1.2	BBB-	Emerging
Bulgaria	1.5	1.6	BBB	Frontier
Canada	1.0	1.0	AAA	Developed
Chile	1.1	1.0	AA-	Emerging
China	0.9	0.9	AA-	Emerging
//	//	//	//	//
Peru	1.3	1.3	BBB+	Emerging
Philippines	1.1	1.1	BBB-	Emerging
Poland	1.5	1.5	A-	Emerging
Portugal	0.8	0.8	BB	Developed
Qatar	0.9	0.9	AA	Emerging

* S&P sovereign credit rating = AAA, RV assumed to be 1.0. For purposes of this analysis, the U.S. is being treated as if it were rated AAA by S&P.

§ S&P Credit Rating based on long-term foreign currency issuer rating. See <http://www.standardandpoors.com/>

† MSCI Market Classification based on MSCI Market Classification Framework. See http://www.msci.com/products/indexes/market_classification.html

*This is an abbreviated version of the Relative Standard Deviation Model: Relative Volatility (RV) Factors exhibit from the *International Valuation Handbook – Guide to Cost of Capital*. The hardcover book's Relative Standard Deviation Model RV Factor exhibits provide country-level relative volatility factor estimates for up to 69 different countries, from the perspective of investors in the U.S. and Germany.

Country Credit Rating Model: Country Risk Premia (CRPs)*

Investor Perspective: India **Erb-Harvey-Viskanta**
Currency: Indian Rupee (INR) **Country Credit Rating (CCR) Model**

The country risk premium (CRP) is not the cost of equity capital (COE). The CRP is to be added to base COE. See Chapter 6 for proper application.

Data Updated Through March 2014

Investee Country	December 2013 Country Risk Premium (CRP) (%)	March 2014 Country Risk Premium (CRP) (%)	S&P Sovereign Credit Rating §	World Rank Out of 179*	MSCI Market Classification †	Institutional Investor Region ‡	Regional Rank ‡
El Salvador	5.4	4.9	BB-	80		Latin America/Caribbean	14 out of 29
Equatorial Guinea	8.9	10.5		121		Africa (Sub-Saharan)	17 out of 49
Eritrea	21.1	19.7		164		Africa (Sub-Saharan)	40 out of 49
Estonia	-3.4	-3.8	AA-	29	Frontier	Eastern Europe/Central Asia	2 out of 29
Ethiopia	17.8	17.2		157		Africa (Sub-Saharan)	34 out of 49
Fiji	12.3	12.1	B	130		Asia/Pacific (South & East)	14 out of 24
Finland	-6.6	-6.9	AAA	8	Developed	Western Europe	6 out of 19
France	-5.3	-5.6	AA	15	Developed	Western Europe	11 out of 19
Gabon	4.7	4.4	BB-	77		Africa (Sub-Saharan)	5 out of 49
Gambia	17.1	16.8		154		Africa (Sub-Saharan)	31 out of 49
//	//	//	//	//	//	//	//
Liberia	18.8	18.4		161		Africa (Sub-Saharan)	38 out of 49
Libya	7.4	7.2		95		North Africa/Middle East	12 out of 19
Lithuania	-0.5	-0.9	BBB	49	Frontier	Eastern Europe/Central Asia	6 out of 29
Luxembourg	-6.5	-6.9	AAA	6		Western Europe	5 out of 19
Macedonia	4.9	4.7	BB-	79		Eastern Europe/Central Asia	16 out of 29

§ S&P Credit Rating based on long-term foreign currency issuer rating. See <http://www.standardandpoors.com/>

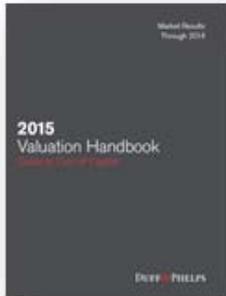
* World rank based on 179 countries covered by Institutional Investor. Ranking based on ascending order in which "1" equals the smallest country risk premium (CRP) and "179" equals the largest country risk premium (CRP).

† MSCI Market Classification based on MSCI Market Classification Framework. See http://www.msci.com/products/indexes/market_classification.html

‡ Regional classification based on Institutional Investor. Regional rankings based on ascending order in which "1" equals the smallest country risk premium (CRP) for each region.

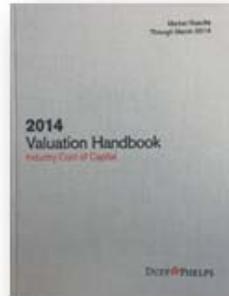
*This is an abbreviated version of the Country Credit Rating Model: Country Risk Premium (CRP) exhibit from the *International Valuation Handbook – Guide to Cost of Capital*. The hardcover book's Country Credit Rating Model CRP exhibits provide country-level CRP estimates for up 179 different countries, from the perspective of 55 different countries.

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