

Method 2: Historical Returns (lambda = 0.0320%)

10Y Govt: $\mu = 7.2 \times 0.0320\% = 0.23\%$
5Y Corp: $\mu = 4.8 \times 0.0320\% = 0.15\%$

■ Risk-Free (2.4%)
■ Excess Return (Method 2)

Expected Return (% p.a.)

3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0

2.63%
+0.23%

2.55%
+0.15%

10Y Government Bond

5Y Corporate Bond

