Appendix A
ESG Prototype: Model Parameters
US Economy : Sample Parameters

Valuation Date **2010.12**

Projection Period	50	time steps
Time Step	1.000	in years
Real Estate Time Step	1.000	in years

Current Risk Free Term Structure

Current 3-mo rate	0.14%	per year
Current 1-yr rate	0.29%	
Current 2-yr rate	0.62%	
Current 5-yr rate	1.93%	
Current 10-yr rate	3.29%	
Current 30-yr rate	4.42%	
50-yr Selection	4.60%	

Observed Term Structure (linearly interpolated between key rates)

1-yr	2-yr	3-yr	4-yr	5-yr	6-yr	7-yr	8-yr	9-yr	10-yr
0.29	0.62	1.06	1.49	1.93	2.20	2.47	2.75	3.02	3.29
11-yr	**12-yr**	**13-yr**	**14-yr**	**15-yr**	**16-yr**	**17-yr**	**18-yr**	**19-yr**	**20-yr**
3.35	3.40	3.46	3.52	3.57	3.63	3.69	3.74	3.80	3.86
21-yr	**22-yr**	**23-yr**	**24-yr**	**25-yr**	**26-yr**	**27-yr**	**28-yr**	**29-yr**	**30-yr**
3.91	3.97	4.02	4.08	4.14	4.19	4.25	4.31	4.36	4.42
31-yr	**32-yr**	**33-yr**	**34-yr**	**35-yr**	**36-yr**	**37-yr**	**38-yr**	**39-yr**	**40-yr**
4.43	4.44	4.45	4.46	4.47	4.47	4.48	4.49	4.50	4.51
41-yr	**42-yr**	**43-yr**	**44-yr**	**45-yr**	**46-yr**	**47-yr**	**48-yr**	**49-yr**	**50-yr**
4.52	4.53	4.54	4.55	4.56	4.56	4.57	4.58	4.59	4.60

Real Rate Parameters

Long INT Reversion Mean	0.0432	Long INT Volatility	2.33%
Long INT Reversion Speed	0.3516		
Short INT Reversion Speed	0.1382	Short INT Volatility	2.18%

Inflation Parameters

Initial Inflation	0.0148		
INF Mean	0.0259	INF Volatility	0.0215
INF Reversion Speed	0.3852		

Medical Inflation Parameters

Initial MED INF	0.0324
MED INF Mean	0.0271
MED INF Volatility	0.0088
MED INF Reversion Speed	0.0709

Large and Small Stock Parameters

					Prob
Stage0 Mean LS Return	9.00%	Stage0 LS Volatility	10.12%	stage: 1	0.9760
Stage1 Mean LS Return	-26.16%	Stage1 LS Volatility	27.12%	stage: 2	0.8507
Stage0 Mean SS Return	8.16%	Stage0 SS Volatility	13.86%	stage: 1	0.9760
Stage1 Mean SS Return	3.60%	Stage1 SS Volatility	57.50%	stage: 2	0.9000

Dividend Parameters

DIV Reversion Mean	4.17%	DIV Volatility	0.85%
DIV Reversion	0.13		
Initial DIV	1.83%		

Real Estate Parameters

RE Reversion Mean	2.22%	RE Volatility	2.82%
RE Reversion Speed	0.87		
Initial RE	4.62%		

Correlation Parameters

Correl LS, SS Regime Switch	90%
Correl LS, SS Return	90%
Correl DIV, LS	-25%
Correl INF, DIV	-50%
Correl Short, Long INT	68%
Correl INF, Short Real INT	2%
Correl INF, MED INF	72%

Dependence method to use?
Rank Dependence