The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices (1990–2009) Ranked in Order of Performance

1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
BC Agg 8.96%	Russell 2000 Growth 51.19%	Russell 2000 Value 29.14%	MSCI EAFE 32.57%	MSCI EAFE 7.78%	S&P/Citi 500 Growth 38.13%	S&P/Citi 500 Growth 23.97%	S&P/Citi 500 Growth 36.52%	S&P/Citi 500 Growth 42.16%	Russell 2000 Growth 43.09%	Russell 2000 Value 22.83%	Russell 2000 Value 14.02%	BC Agg 10.26%	Russell 2000 Growth 48.54%	Russell 2000 Value 22.25%	MSCI EAFE 13.54%	MSCI EAFE 26.34%	MSCI EAFE 11.17%	BC Agg 5.24%	Russell 2000 Growth 34.47%
S&P/Citi 500 Growth 0.20%	Russell 2000 46.04%	Russell 2000 18.41%	Russell 2000 Value 23.77%	S&P/Citi 500 Growth 3.13%	S&P 500 37.58%	S&P 500 22.96%	S&P 500 33.36%	S&P 500 28.58%	S&P/Citi 500 Growth 28.24%	BC Agg 11.63%	BC Agg 8.43%	Russell 2000 Value -11.43%	Russell 2000 47.25%	MSCI EAFE 20.25%	S&P/Citi 500 Value 5.82%	Russell 2000 Value 23.48%	S&P/Citi 500 Growth 9.13%	Russell 2000 Value -28.92%	MSCI EAFE 31.78%
S&P 500 -3.11%	Russell 2000 Value 41.70%	S&P/Citi 500 Value 10.52%	Russell 2000 18.88%	S&P 500 1.32%	S&P/Citi 500 Value 36.99%	S&P/Citi 500 Value 22.00%	Russell 2000 Value 31.78%	MSCI EAFE 20.00%	MSCI EAFE 26.96%	S&P/Citi 500 Value 6.08%	Russell 2000 2.49%	MSCI EAFE -15.94%	Russell 2000 Value 46.03%	Russell 2000 18.33%	S&P 500 4.91%	S&P/Citi 500 Value 20.81%	Russell 2000 Growth 7.05%	Russell 2000 -33.79%	S&P/Citi 500 Growth 31.57%
S&P/Citi 500 Value -6.85%	S&P/Citi 500 Growth 38.37%	Russell 2000 Growth 7.77%	S&P/Citi 500 Value 18.61%	S&P/Citi 500 Value -0.64%	Russell 2000 Growth 31.04%	Russell 2000 Value 21.37%	S&P/Citi 500 Value 29.98%	S&P/Citi 500 Value 14.69%	Russell 2000 21.26%	Russell 2000 -3.02%	Russell 2000 Growth -9.23%	Russell 2000 -20.48%	MSCI EAFE 38.59%	S&P/Citi 500 Value 15.71%	Russell 2000 Value 4.71%	Russell 2000 18.37%	BC Agg 6.97%	S&P/Citi 500 Growth -34.92%	Russell 2000 27.17%
Russell 2000 Growth -17.42%	S&P 500 30.47%	S&P 500 7.62%	Russell 2000 Growth 13.37%	Russell 2000 Value -1.54%	Russell 2000 28.45%	Russell 2000 16.49%	Russell 2000 22.36%	BC Agg 8.70%	S&P 500 21.04%	S&P 500 -9.11%	S&P/Citi 500 Value -11.71%	S&P/Citi 500 Value -20.85%	S&P/Citi 500 Value 31.79%	Russell 2000 Growth 14.31%	Russell 2000 4.55%	S&P 500 15.79%	S&P 500 5.49%	S&P 500 -37.00%	S&P 500 26.47%
Russell 2000 -19.48%	S&P/Citi 500 Value 22.56%	BC Agg 7.40%	S&P 500 10.08%	Russell 2000 -1.82%	Russell 2000 Value 25.75%	Russell 2000 Growth 11.26%	Russell 2000 Growth 12.95%	Russell 2000 Growth 1.23%	S&P/Citi 500 Value 12.73%	MSCI EAFE -14.17%	S&P 500 -11.89%	S&P 500 -22.10%	S&P 500 28.68%	S&P 500 10.88%	Russell 2000 Growth 4.15%	Russell 2000 Growth 13.35%	S&P/Citi 500 Value 1.99%	Russell 2000 Growth -38.54%	S&P/Citi 500 Value 21.17%
Russell 2000 Value -21.77%	BC Agg 16.00%	S&P/Citi 500 Growth 5.06%	BC Agg 9.75%	Russell 2000 Growth -2.43%	BC Agg 18.46%	MSCI EAFE 6.05%	BC Agg 9.64%	Russell 2000 -2.55%	BC Agg -0.82%	S&P/Citi 500 Growth -22.08%	S&P/Citi 500 Growth -12.73%	S&P/Citi 500 Growth -23.59%	S&P/Citi 500 Growth 25.66%	S&P/Citi 500 Growth 6.13%	S&P/Citi 500 Growth 4.00%	S&P/Citi 500 Growth 11.01%	Russell 2000 -1.57%	S&P/Citi 500 Value -39.22%	Russell 2000 Value 20.58%
MSCI EAFE -23.45%	MSCI EAFE 12.14%	MSCI EAFE -12.18%	S&P/Citi 500 Growth 1.68%	BC Agg -2.92%	MSCI EAFE 11.21%	BC Agg 3.64%	MSCI EAFE 1.78%	Russell 2000 Value -6.45%	Russell 2000 Value -1.49%	Russell 2000 Growth -22.43%	MSCI EAFE -21.44%	Russell 2000 Growth -30.26%	BC Agg 4.10%	BC Agg 4.34%	BC Agg 2.43%	BC Agg 4.33%	Russell 2000 Value -9.78%	MSCI EAFE -43.38%	BC Agg 5.93%

- **S&P 500 Index** measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index performance directly proportional to that company's market value.
- **S&P/Citigroup 500 Growth** and **S&P/Citigroup 500 Value Indices** measure the performance of the growth and value styles of investing in large cap U.S. stocks. The indices are constructed by dividing the market capitalization of the S&P 500 Index into Growth and Value indices, using style "factors" to make the assignment. The Value index contains those S&P 500 securities with a greater-than-average value orientation, while the Growth index contains those securities with a greater-than-average growth orientation. The indices are market-capitalization-weighted. The constituent securities are not mutually exclusive.
- **Russell 2000 Index** measures the performance of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ.
- **Russell 2000 Value** and **Russell 2000 Growth Indices** measure the performance of the growth and value styles of investing in small cap U.S. stocks. The indices are constructed by dividing the market capitalization of the Russell 2000 Index into Growth and Value indices, using style "factors" to make the assignment. The Value index contains those Russell 2000 securities with a greater-than-average value orientation, while the Growth index contains those securities with a greater-than-average growth orientation. Securities in the Value index generally have lower price-to-book and price-earnings ratios than those in the Growth index. The constituent securities are not mutually exclusive.
- **MSCI EAFE** is a Morgan Stanley Capital International Index that is designed to measure the performance of the developed stock markets of Europe, Australasia and the Far East.
- **BC Agg** is the Barclays Capital Aggregate Bond Index (formerly the Lehman Brothers Aggregate Bond Index). This index includes U.S. government, corporate and mortgage-backed securities with maturities of at least one year.

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The Callan Periodic Table of Investment Returns 1990–2009

The Callan Periodic Table of Investment Returns conveys an enormous amount of information. Above all, the Table shows that the ***case for diversification*** across investment styles (growth vs. value), capitalization (large vs. small) and equity markets (U.S. vs. international) is strong.

While past performance is no indication of the future, consider the following observations:

- The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance. For example, witness the variability of returns for large cap growth, when it ranked second from last for the seven years from 2000 to 2006, or the wide swings in the ranking for fixed income over the last seven years while returns were bound in a very narrow range.
- Stock markets around the world enjoyed strong rebounds in 2009 after suffering historic losses in 2008. **International stocks** surged almost 32%, rebounding from the worst performance ranking among all asset categories the previous year. (While not depicted on the Table, emerging markets shot up by an astounding 79% after falling 53.2% in 2008). The **U.S. stock market** enjoyed its best year since 2003, with the S&P 500 climbing 26.5%. These gains were even more remarkable, given that the S&P 500 began the year with a sharp loss of 11% in the first quarter. **Large cap growth** (+31.6%) outperformed value (+21.2%) for the third year in a row and by the widest margin since 1999 (the heyday of growth). All equity categories reported positive returns for the first time since 2006.
- For the ninth year out of the last 11, **small cap** (+27.2%) outperformed large cap (+26.5%) stocks in 2009. Similar to large cap, **small cap growth** (+34.5%) outperformed **small cap value** (+20.6%).
- **Fixed income** (+5.9%) generated a return comparable to 2008 (+5.2%), yet its ranking in the Table fell from first to last. Credit markets began to improve in the second quarter, and record spreads to Treasurys narrowed rapidly. As in 2008, the modest return to the "broad" fixed income market disguised sharply divergent results for different segments. The Government portion of the Index suffered a 2.2% loss, pulled down by a decline of 3.6% in Treasurys. Corporate bonds rebounded sharply from the 4.9% loss in 2008, generating a return of 18.7%. The mortgage-backed portion of the market rose 5.9% in 2009, held up by continuing Fed intervention in the mortgage market. While not depicted in the Table, high yield bonds jumped an incredible 58% in 2009 after suffering a loss of 25% in 2008.
- The Table illustrates several sharply distinct periods for the capital markets over the past 20 years. First, note the unique experience of the 1995–1999 period, when large cap growth significantly outperformed all other asset classes and the U.S. stock market enjoyed one of its strongest five-year runs.
- The subsequent three years (2000–2002) saw consecutive declines in large cap stocks for the first time since 1929–1932. The S&P 500 suffered its largest loss since 1974, declining 40% from the market peak in March 2000 through the end of 2002.
- Stocks then recorded five years of gains from 2003-2007, led by particularly strong growth in non-U.S. markets. Then the bottom fell out in 2008, and large cap stocks in the U.S. market sustained their second-worst annual decline (-37%) since 1926.

This analysis assumes that market indices are reasonable representations of the asset classes and depict the returns an investor could expect from exposure to these styles of investment. In fact, investment manager performance relative to the different asset class indices has varied widely during the past 20 years.

Note: A printable copy of The Callan Periodic Table of Investment Returns is available on our website at www.callan.com.

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