

# The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices (1991–2010) Ranked in Order of Performance

| 1991                                  | 1992                                  | 1993                                  | 1994                            | 1995                            | 1996                           | 1997                             | 1998                             | 1999                                  | 2000                             | 2001                            | 2002                            | 2003                                  | 2004                                  | 2005                                  | 2006                                  | 2007                                  | 2008                             | 2009                                  | 2010                            |
|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------|---------------------------------|--------------------------------|----------------------------------|----------------------------------|---------------------------------------|----------------------------------|---------------------------------|---------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------------|---------------------------------------|---------------------------------|
| MSCI Emerging Markets Value<br>59.91% | Russell 2000 Value<br>29.14%          | MSCI Emerging Markets Value<br>74.84% | MSCI EAFE<br>7.78%              | S&P/Citi 500 Growth<br>38.13%   | S&P/Citi 500 Growth<br>23.97%  | S&P/Citi 500 Growth<br>36.52%    | S&P/Citi 500 Growth<br>42.16%    | MSCI Emerging Markets Value<br>66.42% | Russell 2000 Value<br>22.83%     | Russell 2000 Value<br>14.02%    | BC Agg<br>10.26%                | MSCI Emerging Markets Value<br>56.28% | MSCI Emerging Markets Value<br>25.95% | MSCI Emerging Markets Value<br>34.54% | MSCI Emerging Markets Value<br>32.59% | MSCI Emerging Markets Value<br>39.78% | BC Agg<br>5.24%                  | MSCI Emerging Markets Value<br>79.02% | Russell 2000 Growth<br>29.09%   |
| Russell 2000 Growth<br>51.19%         | Russell 2000<br>18.41%                | MSCI EAFE<br>32.57%                   | S&P/Citi 500 Growth<br>3.13%    | S&P 500<br>37.58%               | S&P 500<br>22.96%              | S&P 500<br>33.36%                | S&P 500<br>28.58%                | Russell 2000 Growth<br>43.09%         | BC Agg<br>11.63%                 | BC Agg<br>8.43%                 | MSCI Emerging Markets<br>-6.00% | Russell 2000 Growth<br>48.54%         | Russell 2000 Value<br>22.25%          | MSCI EAFE<br>13.54%                   | MSCI EAFE<br>26.34%                   | MSCI EAFE<br>11.17%                   | Russell 2000 Value<br>-28.92%    | Russell 2000 Growth<br>34.47%         | Russell 2000<br>26.85%          |
| Russell 2000<br>46.04%                | MSCI Emerging Markets Value<br>11.40% | Russell 2000 Value<br>23.77%          | S&P 500<br>1.32%                | S&P/Citi 500 Value<br>36.99%    | S&P/Citi 500 Value<br>22.00%   | Russell 2000 Value<br>31.78%     | MSCI EAFE<br>20.00%              | S&P/Citi 500 Growth<br>28.24%         | S&P/Citi 500 Value<br>6.08%      | Russell 2000<br>2.49%           | Russell 2000 Value<br>-11.43%   | Russell 2000<br>47.25%                | MSCI EAFE<br>20.25%                   | S&P/Citi 500 Value<br>5.82%           | Russell 2000 Value<br>23.48%          | S&P/Citi 500 Growth<br>9.13%          | Russell 2000<br>-33.79%          | MSCI EAFE<br>31.78%                   | Russell 2000 Value<br>24.50%    |
| Russell 2000 Value<br>41.70%          | S&P/Citi 500 Value<br>10.52%          | Russell 2000<br>18.88%                | S&P/Citi 500 Value<br>-0.64%    | Russell 2000 Growth<br>31.04%   | Russell 2000 Value<br>21.37%   | S&P/Citi 500 Value<br>29.98%     | S&P/Citi 500 Value<br>14.69%     | MSCI EAFE<br>26.96%                   | Russell 2000<br>-3.02%           | MSCI Emerging Markets<br>-2.37% | MSCI EAFE<br>-15.94%            | Russell 2000 Value<br>46.03%          | Russell 2000<br>18.33%                | S&P 500<br>4.91%                      | S&P/Citi 500 Value<br>20.81%          | Russell 2000 Growth<br>7.05%          | S&P/Citi 500 Growth<br>-34.92%   | S&P/Citi 500 Growth<br>31.57%         | MSCI Emerging Markets<br>19.20% |
| S&P/Citi 500 Growth<br>38.37%         | Russell 2000 Growth<br>7.77%          | S&P/Citi 500 Value<br>18.61%          | Russell 2000 Value<br>-1.54%    | Russell 2000<br>28.45%          | Russell 2000<br>16.49%         | Russell 2000<br>22.36%           | BC Agg<br>8.70%                  | Russell 2000<br>21.26%                | S&P 500<br>-9.11%                | Russell 2000 Growth<br>-9.23%   | Russell 2000<br>-20.48%         | MSCI EAFE<br>38.59%                   | S&P/Citi 500 Value<br>15.71%          | Russell 2000 Value<br>4.71%           | Russell 2000<br>18.37%                | BC Agg<br>6.97%                       | S&P 500<br>-37.00%               | Russell 2000<br>27.17%                | S&P/Citi 500 Value<br>15.10%    |
| S&P 500<br>30.47%                     | S&P 500<br>7.62%                      | Russell 2000 Growth<br>13.37%         | Russell 2000<br>-1.82%          | Russell 2000 Value<br>25.75%    | Russell 2000 Growth<br>11.26%  | Russell 2000 Growth<br>12.95%    | Russell 2000 Growth<br>1.23%     | S&P 500<br>21.04%                     | MSCI EAFE<br>-14.17%             | S&P/Citi 500 Value<br>-11.71%   | S&P/Citi 500 Value<br>-20.85%   | S&P/Citi 500 Value<br>31.79%          | Russell 2000 Growth<br>14.31%         | Russell 2000<br>4.55%                 | S&P 500<br>15.79%                     | S&P 500<br>5.49%                      | Russell 2000 Growth<br>-38.54%   | S&P 500<br>26.47%                     | S&P 500<br>15.06%               |
| S&P/Citi 500 Value<br>22.56%          | BC Agg<br>7.40%                       | S&P 500<br>10.08%                     | Russell 2000 Growth<br>-2.43%   | BC Agg<br>18.46%                | MSCI EAFE<br>6.05%             | BC Agg<br>9.64%                  | Russell 2000<br>-2.55%           | S&P/Citi 500 Value<br>12.73%          | S&P/Citi 500 Growth<br>-22.08%   | S&P 500<br>-11.89%              | S&P 500<br>-22.10%              | S&P 500<br>28.68%                     | S&P 500<br>10.88%                     | Russell 2000 Growth<br>4.15%          | Russell 2000<br>13.35%                | S&P/Citi 500 Value<br>1.99%           | S&P/Citi 500 Value<br>-39.22%    | S&P/Citi 500 Value<br>21.17%          | S&P/Citi 500 Growth<br>15.05%   |
| BC Agg<br>16.00%                      | S&P/Citi 500 Growth<br>5.06%          | BC Agg<br>9.75%                       | BC Agg<br>-2.92%                | MSCI EAFE<br>11.21%             | MSCI Emerging Markets<br>6.03% | MSCI EAFE<br>1.78%               | Russell 2000 Value<br>-6.45%     | BC Agg<br>-0.82%                      | Russell 2000 Growth<br>-22.43%   | S&P/Citi 500 Growth<br>-12.73%  | S&P/Citi 500 Growth<br>-23.59%  | S&P/Citi 500 Growth<br>25.66%         | S&P/Citi 500 Growth<br>6.13%          | S&P/Citi 500 Growth<br>4.00%          | S&P/Citi 500 Growth<br>11.01%         | Russell 2000<br>-1.57%                | MSCI EAFE<br>-43.38%             | Russell 2000 Value<br>20.58%          | MSCI EAFE<br>7.75%              |
| MSCI EAFE<br>12.14%                   | MSCI EAFE<br>-12.18%                  | S&P/Citi 500 Growth<br>1.68%          | MSCI Emerging Markets<br>-7.32% | MSCI Emerging Markets<br>-5.21% | BC Agg<br>3.64%                | MSCI Emerging Markets<br>-11.59% | MSCI Emerging Markets<br>-25.34% | Russell 2000 Value<br>-1.49%          | MSCI Emerging Markets<br>-30.61% | MSCI EAFE<br>-21.44%            | Russell 2000 Growth<br>-30.26%  | BC Agg<br>4.10%                       | BC Agg<br>4.34%                       | BC Agg<br>2.43%                       | BC Agg<br>4.33%                       | Russell 2000 Value<br>-9.78%          | MSCI Emerging Markets<br>-53.18% | BC Agg<br>5.93%                       | BC Agg<br>6.54%                 |

- **S&P 500** 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** 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** 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** 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 indices are market-capitalization-weighted. 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.
- **MSCI Emerging Markets** is a Morgan Stanley Capital International Index that is designed to measure the performance of equity markets in 21 emerging countries around the world.
- **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.



# The Callan Periodic Table of Investment Returns 1991–2010

The Callan Periodic Table of Investment Returns conveys that the *case for diversification* across investment styles (growth vs. value), capitalization (large vs. small) and regions (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 six years from 2001 to 2006, or the variability in the ranking for fixed income over the last eight years while returns remained bound in a very narrow range.
- Stock markets around the world enjoyed a second year of rebound in 2010, building on the double-digit gains in 2009. In a reversal of the pattern in 2009, the U.S. stock market generated a return (15.1%) superior to that of stocks in the developed markets overseas (7.8%). Emerging markets equities rose 19.2% and, combined with the 79% gain in 2009, have managed to erase the 53.2% loss suffered in 2008. Large cap growth (15.1%) tied the performance of value. All equity categories reported positive returns for the second year in a row.
- For the tenth year out of the last 12, small cap (26.9%) outperformed large cap (15.1%) stocks, and by a wide margin in 2010. Small cap growth (29.1%) outperformed small cap value (24.5%) for the second year in a row, and led the rankings among all asset categories.
- Fixed income (6.5%) generated a higher return than the 5.9% reported in 2009, yet once again ranked last among all categories. The performance of fixed income actually surprised on the upside in 2010. At the start of the year, economic growth was expected to lead to inevitably higher interest rates, and weak performance for fixed income. However, investor confidence in the economic recovery wavered, held back by uncertain economic news and the unfolding debt crisis in Europe. Interest rates declined through the first three quarters of the year, and bond returns soared. As confidence returned in the fourth quarter, equity markets jumped and bond yields moved up, reducing some of the gains in the fixed income market. While not depicted in the chart, high yield bonds notched another strong (15.1%) return in 2010, after an incredible 58.2% gain in 2009.
- 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 in general 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 recorded five years of gains from 2003–2007, led by particularly strong growth in emerging markets. Then the bottom fell out in 2008, and large cap stocks suffered the second-worst annual decline (-37%) since 1926. The strong performance of the S&P 500 in 2009 and 2010 has still not been enough to overcome the loss sustained in 2008.

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 across the asset classes during the past 20 years.



## Callan Associates Inc.

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Note: A printable copy of The Callan Periodic Table of Investment Returns is available on our website at [www.callan.com](http://www.callan.com).