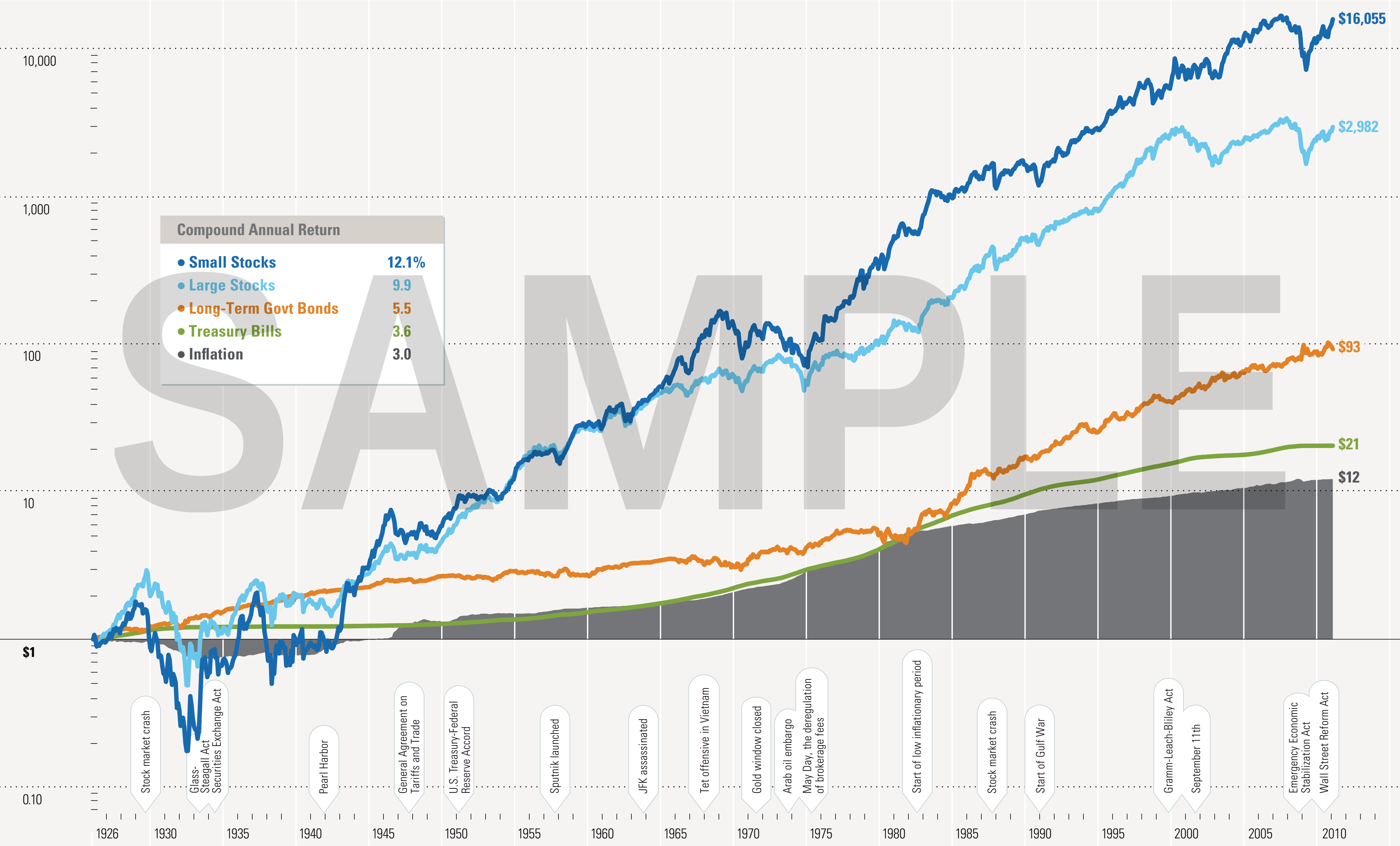
Ibbotson® SBBI®

Stocks, Bonds, Bills, and Inflation 1926–2010



MORNINGSTAR®

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Stocks, Bonds, Bills, and Inflation 1926–2010

An 85-year examination of past capital market returns provides historical insight into the performance characteristics of various asset classes. This graph illustrates the hypothetical growth of inflation and a $1 investment in four traditional asset classes over the time period January 1, 1926 through December 31, 2010.

Large and small stocks have provided the highest returns and largest increase in wealth over the past 85 years. As illustrated by the image, the fixed-income investments provided only a fraction of the growth provided by stocks. However, the higher returns achieved by stocks are associated with much greater risk, which can be identified by the volatility or fluctuation of the graph lines.

Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest, while stocks are not guaranteed and have been more volatile than the other asset classes. Furthermore, small stocks are more volatile than large stocks, are subject to significant price fluctuations and business risks, and are thinly traded.

Source: Small Stocks—represented by the fifth capitalization quintile of stocks on the NYSE for 1926–1981 and the performance of the Dimensional Fund Advisors (DFA) U.S. Micro Cap Portfolio thereafter; Large Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and considered to be representative of the stock market in general; Long-Term Government Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index.

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