

# The Callan Periodic Table of Investment Returns



## Annual Returns for Key Indices (1984–2003)

Ranked in order of performance (Best to Worst)

| 1984                           | 1985                           | 1986                           | 1987                           | 1988                           | 1989                           | 1990                           | 1991                           | 1992                          | 1993                          | 1994                          | 1995                           | 1996                           | 1997                           | 1998                           | 1999                           | 2000                            | 2001                            | 2002                            | 2003                           |
|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|---------------------------------|---------------------------------|---------------------------------|--------------------------------|
| LB Agg<br>15.15%               | MSCI EAFE<br>56.14%            | MSCI EAFE<br>69.46%            | MSCI EAFE<br>24.64%            | Russell 2000 Value<br>29.47%   | S&P/Barra 500 Growth<br>36.40% | LB Agg<br>8.96%                | Russell 2000 Growth<br>51.18%  | Russell 2000 Value<br>29.15%  | MSCI EAFE<br>32.57%           | MSCI EAFE<br>7.78%            | S&P/Barra 500 Growth<br>38.13% | S&P/Barra 500 Growth<br>23.97% | S&P/Barra 500 Growth<br>36.52% | S&P/Barra 500 Growth<br>42.16% | Russell 2000 Growth<br>43.09%  | Russell 2000 Value<br>22.83%    | Russell 2000 Value<br>14.02%    | LB Agg<br>10.26%                | Russell 2000 Growth<br>48.54%  |
| S&P/Barra 500 Value<br>10.52%  | S&P/Barra 500 Growth<br>33.31% | S&P/Barra 500 Value<br>21.67%  | S&P/Barra 500 Growth<br>6.50%  | MSCI EAFE<br>28.26%            | S&P 500 Value<br>31.69%        | S&P/Barra 500 Growth<br>0.20%  | Russell 2000<br>46.05%         | Russell 2000<br>18.42%        | Russell 2000 Value<br>23.86%  | S&P/Barra 500 Growth<br>3.14% | S&P 500 Index<br>37.58%        | S&P 500 Index<br>22.96%        | S&P 500 Index<br>33.36%        | S&P 500 Index<br>28.58%        | S&P/Barra 500 Growth<br>28.25% | LB Agg<br>11.63%                | LB Agg<br>8.43%                 | Russell 2000 Value<br>-11.43%   | Russell 2000<br>47.25%         |
| MSCI EAFE<br>7.41%             | S&P 500 Index<br>31.73%        | S&P 500 Index<br>18.67%        | S&P 500 Index<br>5.25%         | Russell 2000<br>24.89%         | S&P/Barra 500 Value<br>26.13%  | S&P 500 Index<br>-3.11%        | Russell 2000 Value<br>41.70%   | S&P/Barra 500 Value<br>10.52% | Russell 2000<br>18.89%        | S&P 500 Index<br>1.32%        | S&P/Barra 500 Value<br>36.99%  | S&P/Barra 500 Value<br>22.00%  | Russell 2000 Value<br>31.78%   | MSCI EAFE<br>20.00%            | MSCI EAFE<br>26.96%            | S&P/Barra 500 Value<br>6.08%    | Russell 2000<br>2.49%           | MSCI EAFE<br>-15.94%            | Russell 2000 Value<br>46.03%   |
| S&P 500 Index<br>6.27%         | Russell 2000<br>31.04%         | LB Agg<br>15.30%               | S&P/Barra 500 Value<br>3.68%   | S&P/Barra 500 Value<br>21.67%  | Russell 2000 Growth<br>20.16%  | S&P/Barra 500 Value<br>-6.85%  | S&P/Barra 500 Growth<br>38.37% | Russell 2000 Growth<br>7.77%  | S&P/Barra 500 Value<br>18.61% | S&P/Barra 500 Value<br>-0.64% | Russell 2000 Growth<br>31.04%  | Russell 2000 Value<br>21.37%   | S&P/Barra 500 Value<br>29.98%  | S&P/Barra 500 Value<br>14.69%  | Russell 2000<br>21.26%         | Russell 2000<br>-3.02%          | Russell 2000 Growth<br>-9.23%   | Russell 2000<br>-20.48%         | MSCI EAFE<br>38.59%            |
| S&P/Barra 500 Growth<br>2.33%  | Russell 2000 Value<br>31.01%   | S&P/Barra 500 Growth<br>14.50% | LB Agg<br>2.75%                | Russell 2000 Growth<br>20.38%  | Russell 2000<br>16.25%         | Russell 2000 Growth<br>-17.42% | S&P 500 Index<br>30.47%        | S&P 500 Index<br>7.62%        | Russell 2000 Growth<br>13.37% | Russell 2000 Value<br>-1.55%  | Russell 2000<br>28.44%         | Russell 2000<br>16.53%         | Russell 2000<br>22.36%         | LB Agg<br>8.70%                | S&P 500 Index<br>21.04%        | S&P 500 Index<br>-9.11%         | S&P/Barra 500 Value<br>-11.71%  | S&P/Barra 500 Value<br>-20.85%  | S&P/Barra 500 Value<br>31.79%  |
| Russell 2000 Value<br>2.27%    | Russell 2000 Growth<br>30.97%  | Russell 2000 Value<br>7.41%    | Russell 2000 Value<br>-7.12%   | S&P 500 Index<br>16.61%        | LB Agg<br>14.53%               | Russell 2000<br>-19.50%        | S&P/Barra 500 Value<br>22.56%  | LB Agg<br>7.40%               | S&P 500 Index<br>10.08%       | Russell 2000<br>-1.81%        | Russell 2000 Value<br>25.75%   | Russell 2000 Growth<br>11.32%  | Russell 2000 Growth<br>12.93%  | Russell 2000 Growth<br>1.23%   | S&P/Barra 500 Value<br>12.73%  | MSCI EAFE<br>-14.17%            | S&P 500 Index<br>-11.89%        | S&P 500 Index<br>-22.10%        | S&P 500 Index<br>28.68%        |
| Russell 2000<br>-7.13%         | S&P/Barra 500 Value<br>29.68%  | Russell 2000<br>5.69%          | Russell 2000<br>-8.76%         | S&P/Barra 500 Growth<br>11.95% | Russell 2000 Value<br>12.43%   | Russell 2000 Value<br>-21.77%  | LB Agg<br>16.00%               | S&P/Barra 500 Growth<br>5.06% | LB Agg<br>9.75%               | Russell 2000 Growth<br>-2.44% | LB Agg<br>18.46%               | MSCI EAFE<br>6.05%             | LB Agg<br>9.64%                | Russell 2000<br>-2.55%         | LB Agg<br>-0.82%               | S&P/Barra 500 Growth<br>-22.08% | S&P/Barra 500 Growth<br>-12.73% | S&P/Barra 500 Growth<br>-23.59% | S&P/Barra 500 Growth<br>25.66% |
| Russell 2000 Growth<br>-15.84% | LB Agg<br>22.13%               | Russell 2000 Growth<br>3.59%   | Russell 2000 Growth<br>-10.48% | LB Agg<br>7.89%                | MSCI EAFE<br>10.53%            | MSCI EAFE<br>-23.45%           | MSCI EAFE<br>12.14%            | MSCI EAFE<br>-12.18%          | S&P/Barra 500 Growth<br>1.68% | LB Agg<br>-2.92%              | MSCI EAFE<br>11.21%            | LB Agg<br>3.64%                | MSCI EAFE<br>1.78%             | Russell 2000 Value<br>-6.45%   | Russell 2000 Value<br>-1.49%   | Russell 2000 Growth<br>-22.43%  | MSCI EAFE<br>-21.44%            | Russell 2000 Growth<br>-30.26%  | LB Agg<br>4.10%                |

**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/Barra 500 Growth** and **S&P/Barra 500 Value** indices measure the performance of growth and value styles of investing in large cap U.S. stocks. The indices are constructed by dividing the stocks in the S&P 500 Index according to price-to-book ratios. The Growth index contains stocks with higher price-to-book ratios. The Value index contains stocks with lower price-to-book ratios. The indices are market-capitalization-weighted and their constituents are 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 growth and value styles of investing in small cap U.S. stocks. The Value index contains those Russell 2000 securities with a less-than-average growth 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.

**LB Agg** is 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 (1984–2003)

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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/resource/](http://www.callan.com/resource/).*

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 illustrates 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 1929–32. The S&P 500 suffered its largest loss since 1974, declining 40% from the market peak in March 2000 through the end of 2002.
- 2003 was the best year for large cap stocks since 1997 and the best year for **international stocks** since 1986. It was also the first time since 1997 that all of the asset categories depicted on the Table enjoyed positive returns.
- 2003 marked the fifth year in a row that **small cap stocks** outperformed large cap. Small cap growth topped the performance rankings among all asset categories, rising from the ashes of a last place finish in 2002. It is interesting to note that while the rankings among equity asset categories barely changed from 2002, the level of equity returns swung from double-digit losses across the board to double-digit gains. Large cap growth ranked last among all equity categories with a return of 25.66%.
- Value outperformed growth in both large and small cap equity markets following the bursting of the technology bubble in March 2000. While value remained on top in large cap during 2003, growth won the race in small cap. The huge disparity in performance between the two styles, seen during 1997–2000 for large cap and from 1996–2002 for small cap, has disappeared.
- **Fixed income** ranked last in 2003 after ranking first in 2002 and second during the two previous years. The bond market suffered one of its worst months in July and recorded its lowest annual return since 1999. Investors who clung to the relative safety and quality of bonds following the three-year decline in the equity markets paid dearly for their protection.
- 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 international equity when it ranked last for four straight years 1989–1992.

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.

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