

Stocks, Bonds, Bills, and Inflation[®]

2012 Ibbotson[®] SBBI[®]

Market Report

Data as of December 2011



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Results for 2011 Capital Markets

Large Company Stocks

The market for U.S. large company stocks is represented here by the total return on the S&P 500 (the total return includes reinvestment of dividends). Large company stocks for the year produced a total return of 2.11 percent, while in 2010 the annual return was 15.06 percent. Six of the twelve months of 2011 produced positive returns. The month of October produced the highest return at 10.93 percent, while September produced the lowest return at -7.03 percent.

An index of large company stock total returns, initialized at \$1.00 on December 31, 1925, increased to \$3,045.22 by the end of 2011, compared with \$2,982.24 a year earlier.

Small Company Stocks

Small company stocks produced a total return of -3.26 percent in 2011. Five of the twelve months of 2011 produced positive returns. The month of October produced the highest return at 15.43 percent, while September produced the lowest return at -10.58 percent.

The cumulative wealth index, initialized at \$1.00 at the end of 1925, decreased to \$15,532.07 at the end of 2011, compared with \$16,054.70 at the end of 2010.

Long-Term Corporate Bonds

Long-term corporate bonds (with maturity near 20 years) posted a total return of 17.95 percent in 2011. Total returns were positive in eight of the twelve months during the year with September having the highest return of 5.75 percent, while November had the lowest return of -3.56.

The bond default premium, or net return from investing in long-term corporate bonds rather than long-term government bonds of equal maturity, was -8.02 percent in 2011, compared with 2.08 percent in 2010. The default premium has significantly decreased as credit spreads tightened, reflecting a preference for corporate bonds.

One dollar invested in long-term corporate bonds at year-end 1925 rose to \$157.32 by the end of 2011, compared with \$133.38 at the end of 2010.

Long-Term Government Bonds

Long-term government bonds (with maturity near 20 years) returned 28.23 percent in 2011. This return was higher than both the 10.14 percent return seen in 2010 and the long-term average return (1926–2011) of 5.72 percent. Eight of the twelve months produced positive returns with August having the highest return at 7.20 percent, and October having the lowest with return of -2.74 percent.

A wealth index of long-term government bonds, initialized at \$1.00 at year-end 1925, rose to \$119.78 by December 2011. The capital appreciation index of long-term government bond returns closed at \$1.39 at year's end, up from \$1.12 in 2010. This index reached its all-time high of \$1.43 in early 1946.

Results for 2011 Capital Markets

Intermediate-Term government Bonds

The total return on intermediate-term government bonds (with maturity near 5 years) in 2011 was 9.46 percent. This return was higher than both the 7.12 percent return seen in 2010 and the long-term average return (1926–2011) of 5.40 percent. Returns were positive for eight months of the year with August having the highest return of 2.17 percent while November had the lowest return of –1.27 percent.

The wealth index of intermediate-term government bonds, initialized at \$1.00 at year-end 1925, rose to \$92.08 at the end of 2011, up from \$84.12 at year-end 2010.

Treasury Bills

An investment in bills with approximately 30 days to maturity had another low year-end total return of 0.04 percent in 2011, lower than the return in 2010 of 0.12 percent and well below the long-term average (1926 to 2011) of 3.58 percent. The cumulative index of Treasury bill total returns ended the year at \$20.56, compared with \$20.55 a year earlier. Because monthly Treasury bill returns are nearly always positive, each monthly index value typically sets a new all-time high.

Inflation

Consumer prices rose 2.96 percent in 2011, after rising 1.50 percent in 2010. The result is slightly higher than the long-term historical average (1926–2011) of 3.0 percent. Inflation has remained below 5 percent for 29 of the last 30 years (the exception was the 6.11 percent rate seen in 1990).

A cumulative inflation index, initialized at \$1.00 at year-end 1925, finished 2011 at \$12.59, up from \$12.23 at year-end 2010. That is, a “basket” of consumer goods and services that cost \$1.00 in 1925 would cost \$12.23 on Dec. 31, 2011. The two baskets are not identical, but are intended to be comparable.

Graph 1

Wealth Indices of Investments in the U.S. Capital Markets

Index (Year-end 1925 = \$1.00)

From December 1925 to December 2011

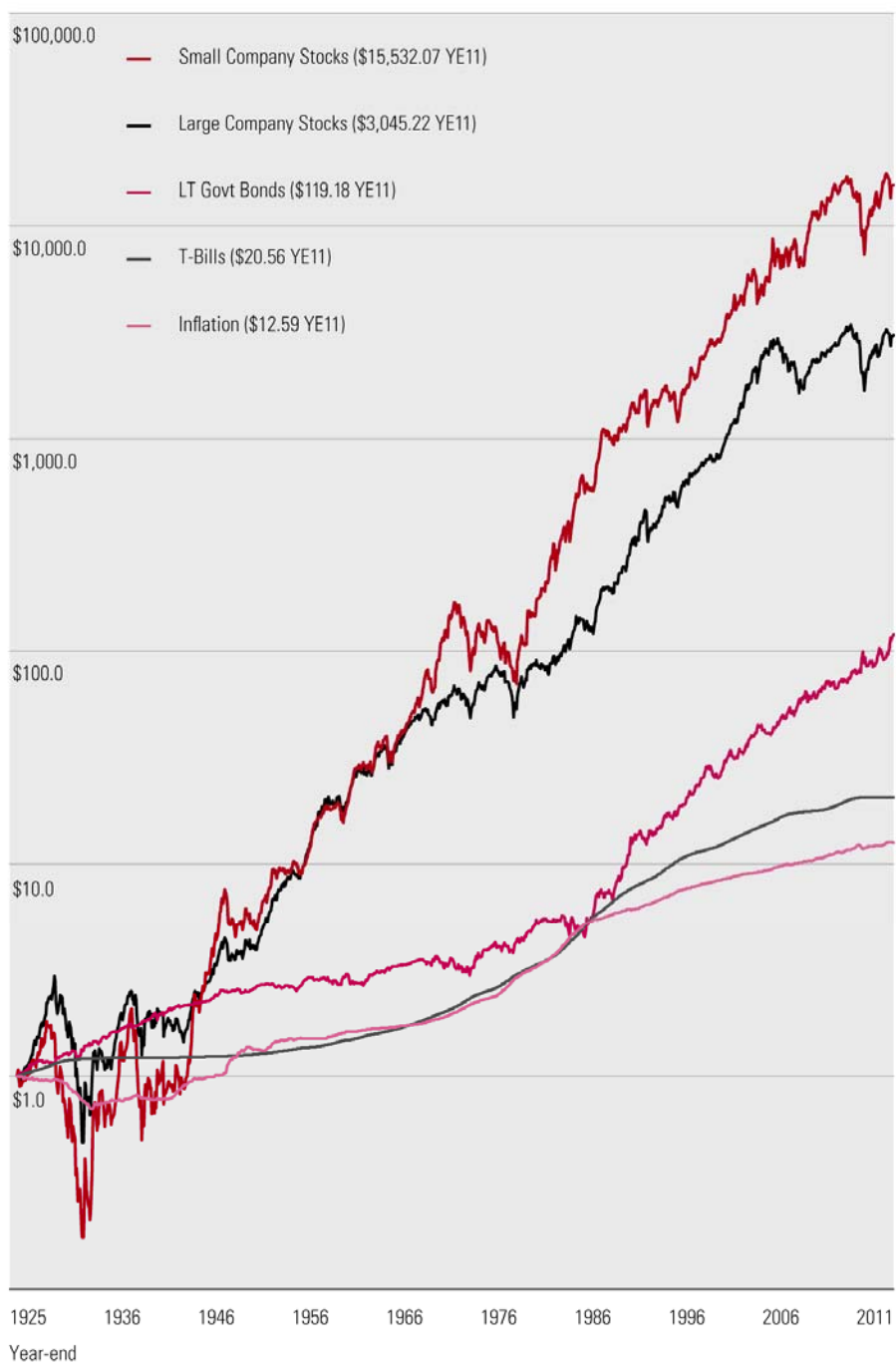


Table 1
Basic Series: Annual Total Returns in Percent

From 2002 to 2011

Year	Large Company Stocks	Small Company Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds	Intermediate-Term Government Bonds	U.S. Treasury Bills	Inflation
2002	-22.10	-13.28	16.33	17.84	12.93	1.65	2.38
2003	28.68	60.70	5.27	1.45	2.40	1.02	1.88
2004	10.88	18.39	8.72	8.51	2.25	1.20	3.26
2005	4.91	5.69	5.87	7.81	1.36	2.98	3.42
2006	15.79	16.17	3.24	1.19	3.14	4.80	2.54
2007	5.49	-5.22	2.60	9.88	10.05	4.66	4.08
2008	-37.00	-36.72	8.78	25.87	13.11	1.60	0.09
2009	26.46	28.09	3.02	-14.90	-2.40	0.10	2.72
2010	15.06	31.26	12.44	10.14	7.12	0.12	1.50
2011	2.11	-3.26	17.95	28.23	9.46	0.04	2.96

Table 2
Portfolios: Annual Total Returns in Percent

From 2002 to 2011

Year	100% Large Company Stocks	90% Stocks 10% Bonds	70% Stocks 30% Bonds	50% Stocks 50% Bonds	30% Stocks 70% Bonds	10% Stocks 90% Bonds	100% Long-Term Govt. Bonds
2002	-22.10	-18.45	-10.90	-3.04	5.12	13.54	17.84
2003	28.68	25.86	20.27	14.77	9.36	4.06	1.45
2004	10.88	10.70	10.29	9.84	9.34	8.80	8.51
2005	4.91	5.28	5.96	6.58	7.12	7.60	7.81
2006	15.79	14.30	11.33	8.40	5.49	2.61	1.19
2007	5.49	6.03	7.03	7.95	8.79	9.54	9.88
2008	-37.00	-32.14	-21.55	-9.72	3.43	18.02	25.87
2009	26.46	21.86	12.97	4.49	-3.58	-11.23	-14.90
2010	15.06	14.97	14.52	13.70	12.53	11.02	10.14
2011	2.11	4.77	10.07	15.34	20.56	25.70	28.23

Table 3
Basic Series: Monthly and Quarterly Returns in Percent

From 2009 to 2011

Month	Large Company Stocks			Small Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds				Intermediate-Term Government Bonds				Treasury Bills	Inflation
	Total Return	Income Return	Cap Appr			Total Return	Income Return	Cap Appr	Yield	Total Return	Income Return	Cap Appr	Yield		
12/10	6.68	0.15	6.53	8.19	-0.36	-3.88	0.32	-4.20	4.14	-1.71	0.11	-1.82	1.70	0.01	0.17
1/11	2.37	0.11	2.26	-1.09	-1.98	-1.96	0.35	-2.31	4.32	0.62	0.19	0.44	2.15	0.01	0.48
2/11	3.43	0.23	3.20	5.87	1.57	1.13	0.32	0.81	4.26	-0.53	0.17	-0.70	2.29	0.01	0.49
3/11	0.04	0.15	-0.11	3.25	-0.72	-0.06	0.36	-0.42	4.29	-0.05	0.19	-0.24	2.34	0.01	0.98
4/11	2.96	0.11	2.85	1.68	2.39	1.99	0.34	1.65	4.16	1.54	0.19	1.36	2.06	0.00	0.64
5/11	-1.13	0.22	-1.35	-1.92	2.57	3.55	0.36	3.18	3.91	1.79	0.18	1.61	1.72	0.00	0.47
6/11	-1.67	0.16	-1.83	-2.16	-2.10	-1.27	0.32	-1.60	4.04	0.51	0.14	0.37	1.64	0.00	-0.11
7/11	-2.03	0.11	-2.15	-2.69	4.73	5.26	0.32	4.94	3.66	1.89	0.13	1.76	1.26	0.00	0.09
8/11	-5.43	0.25	-5.68	-8.93	2.40	7.20	0.33	6.88	3.14	2.17	0.11	2.06	0.81	0.01	0.28
9/11	-7.03	0.15	-7.18	-10.58	5.75	6.84	0.25	6.59	2.65	-0.24	0.07	-0.31	0.87	0.00	0.15
10/11	10.93	0.16	10.77	15.43	0.94	-2.74	0.22	-2.97	2.88	1.67	0.07	1.59	0.52	0.00	-0.21
11/11	-0.22	0.28	-0.51	-0.60	-3.56	2.53	0.23	2.30	2.71	-1.27	0.04	-1.31	0.82	0.00	-0.08
12/11	1.02	0.17	0.85	0.86	5.12	3.24	0.22	3.03	2.48	1.04	0.07	0.97	0.59	0.00	-0.25
2011	2.11	2.13	0.00	-3.26	17.95	28.23	3.81	23.74	2.48	9.46	1.58	7.79	0.59	0.04	2.96
Quarter															
I-09	-11.01	0.63	-11.67	-16.13	-12.42	-6.08	0.81	-6.93	3.55	-0.62	0.43	-1.05	1.68	0.03	1.18
II-09	15.93	0.70	15.22	24.77	8.24	-8.05	0.94	-8.99	4.29	-3.69	0.50	-4.19	2.59	0.02	1.40
III-09	15.61	0.60	14.98	19.32	11.09	4.30	1.06	3.22	4.03	2.29	0.62	1.66	2.22	0.03	0.13
IV-09	6.04	0.54	5.49	2.58	-2.17	-5.52	1.01	-6.50	4.58	-0.31	0.52	-0.82	2.42	0.01	-0.01
I-10	5.39	0.49	4.87	9.51	1.80	1.12	1.10	0.03	4.58	1.76	0.62	1.14	2.54	0.01	0.78
II-10	-11.43	0.46	-11.86	-7.88	8.40	12.33	1.11	11.17	3.76	3.79	0.58	3.20	1.84	0.04	0.15
III-10	11.29	0.55	10.72	10.58	4.98	5.64	0.92	4.71	3.41	3.39	0.39	3.00	1.15	0.04	0.22
IV-10	10.76	0.53	10.20	17.67	-2.94	-8.21	0.87	-9.06	4.14	-1.90	0.29	-2.18	1.70	0.03	0.34
I-11	5.92	0.49	5.42	8.12	-1.15	-0.91	1.02	-1.93	4.29	0.04	0.55	-0.50	2.34	0.03	1.96
II-11	0.10	0.50	-0.39	-2.43	2.82	4.26	1.05	3.21	4.04	3.89	0.52	3.37	1.64	0.01	1.01
III-11	-13.87	0.49	-14.33	-20.76	13.40	20.56	0.95	19.54	2.65	3.85	0.31	3.54	0.87	0.01	0.52
IV-11	11.82	0.66	11.15	15.72	2.33	2.95	0.67	2.27	2.48	1.42	0.18	1.23	0.59	0.00	-0.54

Table 4
Portfolios: Monthly and Quarterly Returns in Percent

From 2009 to 2011

Month	100% Large Company Stocks	90% Stocks 10% Bonds	70% Stocks 30% Bonds	50% Stocks 50% Bonds	30% Stocks 70% Bonds	10% Stocks 90% Bonds	100% Long-Term Govt. Bonds
12/10	6.68	5.63	3.51	1.40	-0.71	-2.82	-3.88
1/11	-2.37	1.94	1.07	0.21	-0.66	-1.53	-1.96
2/11	3.43	3.20	2.74	2.28	1.82	1.36	1.13
3/11	0.04	0.03	0.01	-0.01	-0.03	-0.05	-0.06
4/11	2.96	2.86	2.67	2.48	2.28	2.09	1.99
5/11	-1.13	-0.66	0.27	1.21	2.14	3.08	3.55
6/11	-1.67	-1.63	-1.55	-1.47	-1.39	-1.31	-1.27
7/11	-2.03	-1.30	0.16	1.61	3.07	4.53	5.26
8/11	-5.43	-4.17	-1.64	0.89	3.41	5.94	7.20
9/11	-7.03	-5.64	-2.87	-0.10	2.68	5.45	6.84
10/11	10.93	9.56	6.83	4.09	1.36	-1.38	-2.74
11/11	-0.22	0.05	0.60	1.15	1.70	2.25	2.53
12/11	1.02	1.25	1.69	2.13	2.58	3.02	3.24
2011	2.11	4.77	10.07	15.34	20.56	25.70	28.23

Quarter

I-09	-11.01	-10.48	-9.44	-8.43	-7.47	-6.54	-6.08
II-09	15.93	13.43	8.49	3.65	-1.10	-5.76	-8.05
III-09	15.61	14.45	12.16	9.89	7.64	5.41	4.30
IV-09	6.04	4.86	2.51	0.19	-2.11	-4.39	-5.52
I-10	5.39	5.00	4.20	3.37	2.49	1.59	1.12
II-10	-11.43	-9.19	-4.62	0.07	4.88	9.82	12.33
III-10	11.29	10.85	9.88	8.80	7.61	6.32	5.64
IV-10	10.76	8.77	4.86	1.03	-2.72	-6.40	-8.21
I-11	5.92	5.23	3.85	2.48	1.12	-0.24	-0.91
II-11	0.10	0.52	1.35	2.19	3.02	3.85	4.26
III-11	-13.87	-10.76	-4.32	2.42	9.45	16.78	20.56
IV-11	11.82	10.99	9.29	7.54	5.74	3.90	2.95

Table 5
Basic Series: Monthly Index Values
 December 31, 1925 = \$1.00

From 2002 to 2011

Month	Large Company Stocks		Small Stocks	Long-Term Corporate Bonds	Long-Term Government Bonds		Intermediate-Term Government Bonds		Treasury Bills	Inflation
	Total Return	Capital Appreciation	Total Return	Total Return	Total Return	Capital Appreciation	Total Return	Capital Appreciation	Total Return	
12/10	2982.240	98.560	16054.698	133.384	92.942	1.124	84.121	1.598	20.553	12.227
1/11	3052.924	100.792	15879.702	130.742	91.121	1.099	84.645	1.605	20.555	12.285
2/11	3157.514	104.013	16811.840	132.801	92.152	1.107	84.196	1.593	20.557	12.346
3/11	3158.770	103.904	17358.225	131.846	92.095	1.103	84.156	1.590	20.559	12.466
4/11	3252.318	106.865	17649.843	134.997	93.929	1.121	85.453	1.611	20.560	12.546
5/11	3215.504	105.422	17310.966	138.468	97.261	1.157	86.984	1.637	20.560	12.605
6/11	3161.904	103.497	16937.049	135.566	96.022	1.138	87.427	1.643	20.561	12.592
7/11	3097.607	101.275	16481.443	141.976	101.074	1.194	89.080	1.672	20.560	12.603
8/11	2929.340	95.524	15009.650	145.378	108.355	1.276	91.013	1.706	20.562	12.638
9/11	2723.410	88.668	13421.629	153.736	115.765	1.361	90.792	1.701	20.562	12.657
10/11	3021.060	98.220	15492.586	155.178	112.589	1.320	92.305	1.728	20.562	12.631
11/11	3014.384	97.723	15399.631	149.657	115.437	1.351	91.131	1.705	20.562	12.620
12/11	3045.218	98.557	15532.068	157.324	119.183	1.391	92.080	1.722	20.562	12.589

Table 6
Portfolios: Monthly Index Values
 December 31, 1925 = \$1.00

From 2002 to 2011

Month	100% Large Company Stocks	90% Stocks 10% Bonds	70% Stocks 30% Bonds	50% Stocks 50% Bonds	30% Stocks 70% Bonds	10% Stocks 90% Bonds	100% Long-Term Govt. Bonds
12/10	2982.240	2458.117	1505.205	804.048	375.239	153.070	92.942
1/11	3052.924	2505.734	1521.328	805.697	372.758	150.732	91.121
2/11	3157.514	2585.830	1562.977	824.058	379.543	152.784	92.152
3/11	3158.770	2586.596	1563.124	823.968	379.425	152.706	92.095
4/11	3252.318	2660.688	1604.864	844.371	388.083	155.894	93.929
5/11	3215.504	2643.023	1609.230	854.572	396.404	160.696	97.261
6/11	3161.904	2600.002	1584.299	842.002	390.885	158.584	96.022
7/11	3097.607	2566.099	1586.756	855.593	402.897	165.772	101.074
8/11	2929.340	2459.128	1560.708	863.170	416.646	175.618	108.355
9/11	2723.410	2320.359	1515.928	862.346	427.806	185.193	115.765
10/11	3021.060	2542.233	1619.428	897.641	433.617	182.644	112.589
11/11	3014.384	2543.608	1629.214	908.004	441.008	186.763	115.437
12/11	3045.218	2575.278	1656.739	927.380	452.379	192.408	119.183

Table 7
Basic Series and Portfolios: Summary Statistics of Annual Total Returns in Percent

Asset Class	From 1926 to 2011		
	Geometric Mean	Arithmetic Mean	Standard Deviation
Large Company Stocks	9.8	11.8	20.3
Small Company Stocks	11.9	16.5	32.5
Long-Term Corporate Bonds	6.1	6.4	8.4
Long-Term Government Bonds	5.7	6.1	9.8
Intermediate-Term Government Bonds	5.4	5.5	5.7
U.S. Treasury Bills	3.6	3.6	3.1
Inflation	3.0	3.1	4.2
90% Stocks/10% Bonds	9.6	11.2	18.3
70% Stocks/30% Bonds	9.0	10.0	14.5
50% Stocks/50% Bonds	8.3	8.9	11.3
30% Stocks/70% Bonds	7.4	7.8	9.3
10% Stocks/90% Bonds	6.3	6.7	9.1

Table 8
Derived Series: Monthly and Quarterly Returns in Percent

From 2009 to 2011

Month	Equity Risk Premia	Small Stock Premia	Bond Default Premia	Bond Horizon Premia	Inflation Adjusted Total Returns (%)					
					Large Stocks	Small Stocks	LT-Corp Bonds	LT-Govt Bonds	IT-Govt Bonds	T-Bill
12/10	6.67	1.41	3.66	-3.89	6.50	8.00	-0.53	-4.05	-1.88	-0.16
1/11	2.36	-3.38	-0.02	-1.97	1.88	-1.56	-2.45	-2.42	0.15	-0.47
2/11	3.41	2.36	0.44	1.12	2.92	5.35	1.08	0.64	-1.02	-0.48
3/11	0.03	3.21	-0.66	-0.07	-0.93	2.25	-1.68	-1.03	-1.01	-0.96
4/11	2.96	-1.24	0.39	1.99	2.30	1.03	1.74	1.34	0.89	-0.64
5/11	-1.13	-0.80	-0.94	3.55	-1.59	-2.38	2.09	3.06	1.32	-0.47
6/11	-1.67	-0.50	-0.83	-1.28	-1.56	-2.06	-1.99	-1.17	0.62	0.11
7/11	-2.03	-0.67	-0.51	5.26	-2.12	-2.78	4.63	5.17	1.80	-0.09
8/11	-5.44	-3.70	-4.48	7.19	-5.69	-9.18	2.12	6.91	1.89	-0.27
9/11	-7.03	-3.82	-1.02	6.84	-7.17	-10.72	5.59	6.68	-0.39	-0.15
10/11	10.93	4.06	3.79	-2.74	11.16	15.67	1.15	-2.54	1.88	0.21
11/11	-0.22	-0.38	-5.94	2.53	-0.14	-0.52	-3.48	2.62	-1.19	0.08
12/11	1.02	-0.16	1.82	3.24	1.27	1.11	5.38	3.50	1.29	0.25
Quarter										
I-09	-11.04	-5.75	-6.75	-6.11	-12.05	-17.10	16.35	-7.18	-1.78	-1.14
II-09	15.90	7.62	17.72	-8.07	14.33	23.04	6.74	-9.33	-5.02	-1.36
III-09	15.57	3.21	6.50	4.27	15.46	19.16	10.94	4.17	2.16	-0.09
IV-09	6.03	-3.26	3.55	-5.53	6.05	2.59	-2.16	-5.51	-0.30	0.02
I-10	5.38	3.91	0.68	1.11	4.57	8.66	1.02	0.34	0.97	-0.76
II-10	-11.46	4.00	-3.50	12.29	-11.56	-8.02	8.23	12.16	3.63	-0.12
III-10	11.25	-0.64	-0.63	5.60	11.05	10.34	4.75	5.41	3.16	-0.18
IV-10	10.72	6.24	5.74	-8.24	10.38	17.27	-3.27	-8.52	-2.23	-0.30
I-11	5.89	2.08	-0.24	-0.94	3.89	6.04	-3.05	-2.81	-1.88	-1.89
II-11	0.09	-2.52	-1.38	4.25	-0.90	-3.40	1.79	3.22	2.85	-0.99
III-11	-13.87	-8.00	-5.94	20.55	-14.31	-21.16	12.82	19.94	3.32	-0.51
IV-11	11.82	3.49	-0.60	2.95	12.42	16.35	2.89	3.51	1.97	0.54

Table 9
Derived Series: Monthly Index Values
 December 31, 1925 = \$1.00

From 2002 to 2011

Month	Inflation Adjusted Total Return (\$)					
	Large Stocks	Small Stocks	LT-Corp Bonds	LT-Govt Bonds	IT-Govt Bonds	T-Bill
12/10	243.909	1313.068	10.909	7.601	6.880	1.681
1/11	248.506	1292.599	10.642	7.417	6.890	1.673
2/11	255.759	1361.759	10.757	7.464	6.820	1.665
3/11	253.390	1392.438	10.576	7.388	6.751	1.649
4/11	259.225	1406.773	10.760	7.487	6.811	1.639
5/11	255.090	1373.302	10.985	7.716	6.901	1.631
6/11	251.107	1345.079	10.766	7.626	6.943	1.633
7/11	245.783	1307.738	11.265	8.020	7.068	1.631
8/11	231.792	1187.682	11.503	8.574	7.202	1.627
9/11	215.171	1060.415	12.146	9.146	7.173	1.625
10/11	239.181	1226.567	12.286	8.914	7.308	1.628
11/11	238.854	1220.237	11.859	9.147	7.221	1.629
12/11	241.894	1233.774	12.497	9.467	7.314	1.633

Glossary

Bond Default Premia

Calculated as the geometric difference between long-term corporate bond total returns and long-term government bond total returns.

Bond Horizon Premia

Calculated as the geometric difference between long-term government bond total returns and Treasury bill total returns.

Equity Risk Premia

Calculated as the geometric difference between large company stock total returns and U.S. Treasury bill total returns.

Inflation

Represented by Consumer Price Index for All Urban Consumer (CPI-U), not seasonally adjusted.

Intermediate-Term Government Bonds

Measured using a one-bond portfolio with a maturity near 5 years.

Large Company Stocks

Represented by the Standard and Poor's 500 Stock Composite Index® (S&P 500) 1957–present; and the S&P 90, 1926–1956.

Long-Term Corporate Bonds

Represented by the Citigroup long-term, high-grade corporate bond total return index.

Long-Term Government Bonds

Measured using a one-bond portfolio with a Maturity near 20 years.

Small Company Stocks

A portfolio of stocks represented by the fifth capitalization quintile of stocks on the NYSE for 1926–1981. For January 1982 to March 2001, the series is represented by the DFA U.S. 9–10 Small Company Portfolio and the DFA U.S. Micro Cap Portfolio thereafter.

Small Stock Premia

Calculated as the geometric difference between small company stock total returns and large company stock total returns.

U.S. Treasury Bills

Measured by rolling over each month a one-bill portfolio containing, at the beginning of each month, the bill having the shortest maturity not less than one month.