

The Callan Periodic Table of Investment Returns

Annual Returns for Key Indices Ranked in Order of Performance (1999–2018)

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Non-U.S. Equity 27.92%	Real Estate 13.84%	U.S. Fixed Income 8.43%	Non-U.S. Fixed Income 22.37%	Emerging Market Equity 55.82%	Real Estate 37.96%	Emerging Market Equity 34.00%	Real Estate 42.12%	Emerging Market Equity 39.38%	U.S. Fixed Income 5.24%	Emerging Market Equity 78.51%	Small Cap Equity 26.85%	U.S. Fixed Income 7.84%	Real Estate 27.73%	Small Cap Equity 38.82%	Real Estate 15.02%	Large Cap Equity 1.38%	Small Cap Equity 21.31%	Emerging Market Equity 37.28%	Cash Equivalent 1.87%
Small Cap Equity 21.26%	U.S. Fixed Income 11.63%	High Yield 5.28%	U.S. Fixed Income 10.26%	Small Cap Equity 47.25%	Emerging Market Equity 25.55%	Real Estate 15.35%	Emerging Market Equity 32.17%	Non-U.S. Equity 12.44%	Non-U.S. Fixed Income 4.39%	High Yield 58.21%	Real Estate 19.63%	High Yield 4.98%	Emerging Market Equity 18.23%	Large Cap Equity 32.39%	Large Cap Equity 13.69%	U.S. Fixed Income 0.55%	High Yield 17.13%	Non-U.S. Equity 24.21%	U.S. Fixed Income 0.01%
Large Cap Equity 21.04%	Cash Equivalent 6.18%	Cash Equivalent 4.42%	Real Estate 2.82%	Real Estate 40.69%	Non-U.S. Equity 20.38%	Non-U.S. Equity 14.47%	Non-U.S. Equity 25.71%	Non-U.S. Fixed Income 11.03%	Cash Equivalent 2.06%	Real Estate 37.13%	Emerging Market Equity 18.88%	Non-U.S. Fixed Income 4.36%	Non-U.S. Equity 16.41%	Non-U.S. Equity 21.02%	U.S. Fixed Income 5.97%	Cash Equivalent 0.05%	Large Cap Equity 11.96%	Large Cap Equity 21.83%	High Yield -2.08%
Real Estate 8.87%	Small Cap Equity -3.02%	Small Cap Equity 2.49%	Cash Equivalent 1.78%	Non-U.S. Equity 39.42%	Small Cap Equity 18.33%	Large Cap Equity 4.91%	Small Cap Equity 18.37%	U.S. Fixed Income 6.97%	High Yield -26.16%	Non-U.S. Equity 33.67%	High Yield 15.12%	Large Cap Equity 2.11%	Small Cap Equity 16.35%	High Yield 7.44%	Small Cap Equity 4.89%	Real Estate -0.79%	Emerging Market Equity 11.19%	Small Cap Equity 14.65%	Non-U.S. Fixed Income -2.15%
Cash Equivalent 4.85%	Non-U.S. Fixed Income -3.91%	Emerging Market Equity -2.61%	High Yield -1.37%	High Yield 28.97%	Non-U.S. Fixed Income 12.54%	Small Cap Equity 4.55%	Large Cap Equity 15.79%	Large Cap Equity 5.49%	Small Cap Equity -33.79%	Small Cap Equity 27.17%	Large Cap Equity 15.06%	Cash Equivalent 0.10%	Large Cap Equity 16.00%	Real Estate 3.67%	High Yield 2.45%	Non-U.S. Equity -3.04%	Real Estate 4.06%	Non-U.S. Fixed Income 10.51%	Large Cap Equity -4.38%
High Yield 2.39%	High Yield -5.86%	Non-U.S. Fixed Income -3.75%	Emerging Market Equity -6.16%	Large Cap Equity 28.68%	High Yield 11.13%	Cash Equivalent 3.07%	High Yield 11.85%	Cash Equivalent 5.00%	Large Cap Equity -37.00%	Large Cap Equity 26.47%	Non-U.S. Equity 8.95%	Small Cap Equity -4.18%	High Yield 15.81%	Cash Equivalent 0.07%	Cash Equivalent 0.03%	Small Cap Equity -4.41%	Non-U.S. Equity 2.75%	Real Estate 10.36%	Real Estate -5.63%
U.S. Fixed Income -0.83%	Large Cap Equity -9.11%	Real Estate -3.81%	Non-U.S. Equity -15.80%	Non-U.S. Fixed Income 19.36%	Large Cap Equity 10.88%	High Yield 2.74%	Non-U.S. Fixed Income 8.16%	High Yield 1.87%	Non-U.S. Equity -43.56%	Non-U.S. Fixed Income 7.53%	U.S. Fixed Income 6.54%	Real Estate -6.46%	U.S. Fixed Income 4.21%	U.S. Fixed Income -2.02%	Emerging Market Equity -2.19%	High Yield -4.47%	U.S. Fixed Income 2.65%	High Yield 7.50%	Small Cap Equity -11.01%
Non-U.S. Fixed Income -8.83%	Non-U.S. Equity -13.37%	Large Cap Equity -11.89%	Small Cap Equity -20.48%	U.S. Fixed Income 4.10%	U.S. Fixed Income 4.34%	U.S. Fixed Income 2.43%	Cash Equivalent 4.85%	Small Cap Equity -1.57%	Real Estate -48.21%	U.S. Fixed Income 5.93%	Non-U.S. Fixed Income 4.95%	Non-U.S. Equity -12.21%	Non-U.S. Fixed Income 4.09%	Emerging Market Equity -2.60%	Non-U.S. Fixed Income -3.09%	Non-U.S. Fixed Income -6.02%	Non-U.S. Fixed Income 1.49%	U.S. Fixed Income 3.54%	Non-U.S. Equity -14.09%
		Non-U.S. Equity -21.40%	Large Cap Equity -22.10%	Cash Equivalent 1.15%	Cash Equivalent 1.33%	Non-U.S. Fixed Income -8.65%	U.S. Fixed Income 4.33%	Real Estate -7.39%	Emerging Market Equity -53.33%	Cash Equivalent 0.21%	Cash Equivalent 0.13%	Emerging Market Equity -18.42%	Cash Equivalent 0.11%	Non-U.S. Fixed Income -3.08%	Non-U.S. Equity -4.32%	Emerging Market Equity -14.92%	Cash Equivalent 0.33%	Cash Equivalent 0.86%	Emerging Market Equity -14.58%

The Callan Periodic Table of Investment Returns conveys the strong **case for diversification** across asset classes (stocks vs. bonds), capitalizations (large vs. small), and equity markets (U.S. vs. non-U.S.). The Table highlights the uncertainty inherent in all capital markets. Rankings change every year. Also noteworthy is the difference between absolute and relative performance, as returns for the top-performing asset class span a wide range over the past 20 years.



The Callan Periodic Table of Investment Returns 1999–2018

Callan's Periodic Table of Investment Returns depicts annual returns for 8 asset classes, ranked from best to worst performance for each calendar year. The asset classes are color-coded to enable easy tracking over time. We describe the well-known, industry-standard market indices that we use as proxies for each asset class in the text below.

- **Large Cap Equity (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. The weightings make each company's influence on the Index performance directly proportional to that company's market value.
- **Small Cap Equity (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.
- **Non-U.S. Equity (MSCI World ex USA)** is an international index that is designed to measure the performance of large and mid cap equities in developed markets in Europe, the Middle East, the Pacific region, and Canada.
- **Emerging Market Equity (MSCI Emerging Markets)** is an international index that is designed to measure the performance of equity markets in 24 emerging countries around the world.
- **U.S. Fixed Income (Bloomberg Barclays US Aggregate Bond Index)** includes U.S. government, corporate, and mortgage-backed securities with maturities of at least one year.
- **High Yield (Bloomberg Barclays High Yield Bond Index)** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.
- **Non-U.S. Fixed Income (Bloomberg Barclays Global Aggregate ex US Bond Index)** is an unmanaged index that is comprised of several other Bloomberg Barclays indices that measure the fixed income performance of regions around the world, excluding the U.S.
- **Real Estate (FTSE EPRA/NAREIT Developed REIT Index)** is designed to measure the stock performance of companies engaged in specific real estate activities in the North American, European, and Asian real estate markets.
- **Cash Equivalent (3-month Treasury Bill)** is a short-term debt obligation backed by the Treasury Department of the U.S. government with a maturity of less than one year.

Callan's Periodic Table Marks a Milestone in Its History

For the first time in the history of Callan's Periodic Table of Investment Returns, stretching back to 1979, the best-performing asset class in 2018 returned essentially zero! It is an unusual year when virtually all broad asset classes post negative returns. Rising interest rates hit fixed income, while a sell-off in the fourth quarter dinged equity returns around the globe. Cash—the risk-free alternative—was positive, up 1.87%. A selection of bond market segments (government bonds, mortgages, asset-backed securities, and municipal bonds) generated positive returns, but the broad fixed income market returned 0.01%. Volatility returned to the global equity markets in 2018, following several years of below-average readings during which the return to U.S. equity trended up strongly. This recent volatility, which is not remarkable from a historical standpoint, could well be a harbinger of 2019 market performance given a wide array of economic, political, and market-related uncertainties that are currently vexing investors. Callan has long advised clients that adherence to an appropriate and well-defined asset allocation (including periodic rebalancing!) remains the best course of action to manage the path to successful attainment of long-term investment goals.

Callan

Callan was founded as an employee-owned investment consulting firm in 1973. Ever since, we have empowered institutional clients with creative, customized investment solutions backed by proprietary research, exclusive data, and ongoing education. Today, Callan advises on more than \$2 trillion in total fund sponsor assets, which makes it among the largest independently owned investment consulting firms in the U.S. We use a client-focused consulting model to serve pension and defined contribution plan sponsors, endowments, foundations, independent investment advisers, investment managers, and other asset owners. Callan has six offices throughout the U.S. Learn more at www.callan.com.

Corporate Headquarters

San Francisco 800.227.3288

Regional Consulting Offices

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Chicago 800.999.3536

Denver 855.864.3377

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Summit, NJ 800.274.5878

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