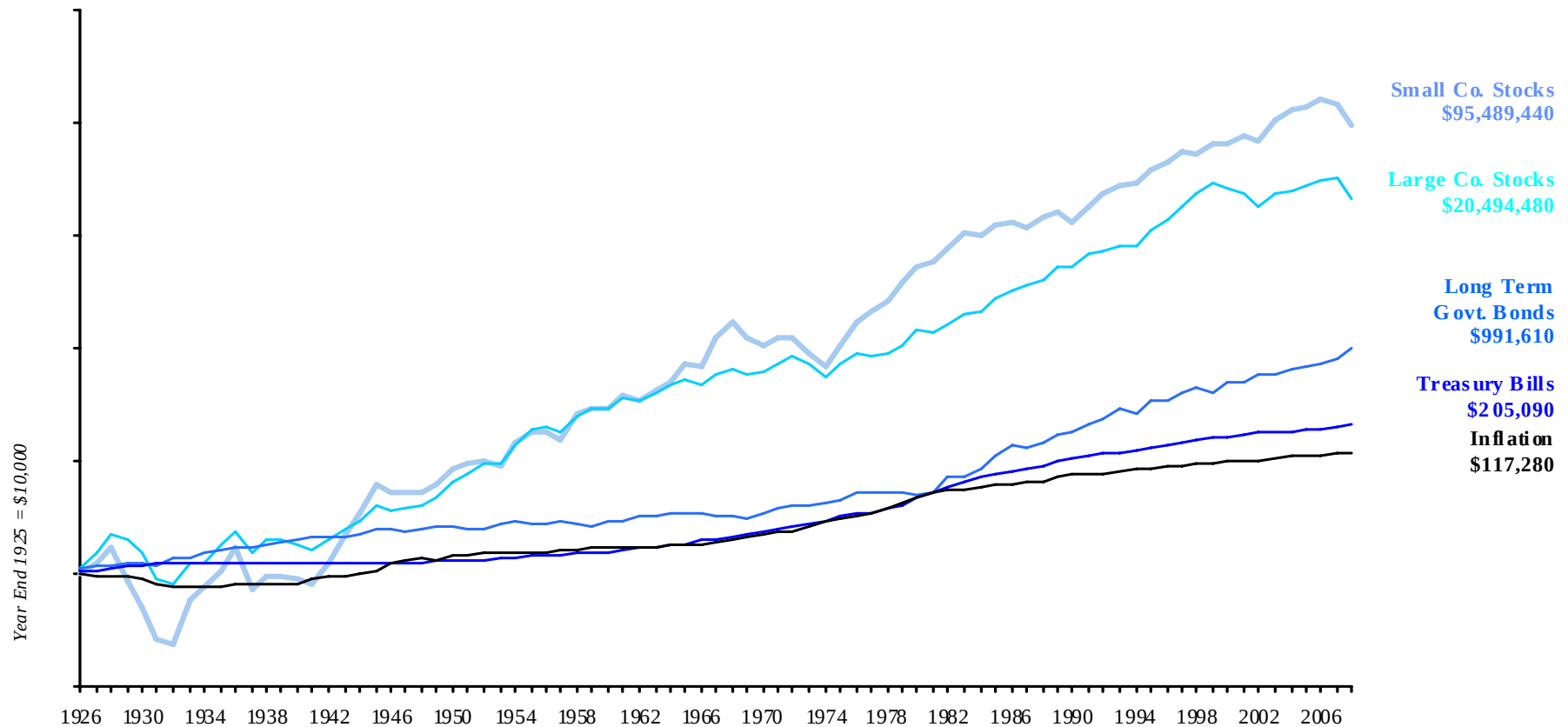
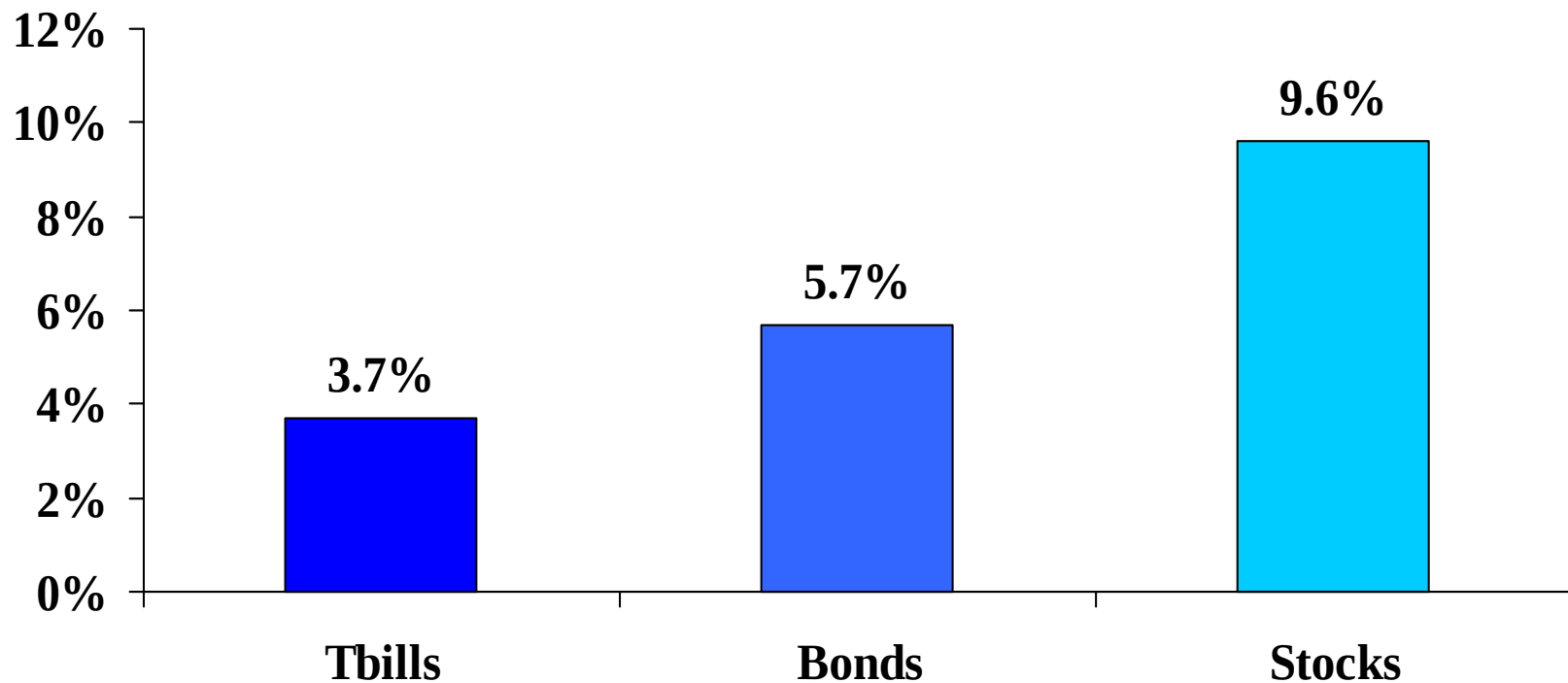


Historical Measures Of Investment Classes In U.S. Markets 1926-2008



Annualized Returns in U.S. Markets 1926-2008

Inflation 3.0%



Discussion Of Annualized Returns: Geometric Measurement

These annualized returns in U.S. Capital Markets rely on the information provided by Ibbotson Associates. These returns are geometric.

In a discussion of financial returns, it is important to note that geometric returns are more accurate than arithmetic returns. Arithmetic returns overstate the outcome and raise excessive expectations.

Example: If a stock goes up 50% and then down 50% or in reverse order, then the stock's price does not return to even, although it appears to by adding returns (arithmetic). Instead, the stock is down 25%, reflecting the compounding of returns (geometric).

Discussion Of Annualized Returns: Nominal vs. Real

These annualized returns in U.S. Capital Markets are “nominal” returns, meaning that these include the effects of inflation. “Nominal” returns are not as useful as “real” returns, because real returns are what determine purchasing power for investors.

Since 1802, U.S. purchasing power has declined twenty fold, that is, a book in 1802 that sold for \$1 would cost \$20 today. Most of this decline in purchasing power has occurred since WW II, as the U.S. moved to a paper-only currency.

*Investors must focus on a “real” return, that is a return rate distinct from the rate at which paper currency is changing (declining) in value.
“Real” returns are adjusted for inflation.*