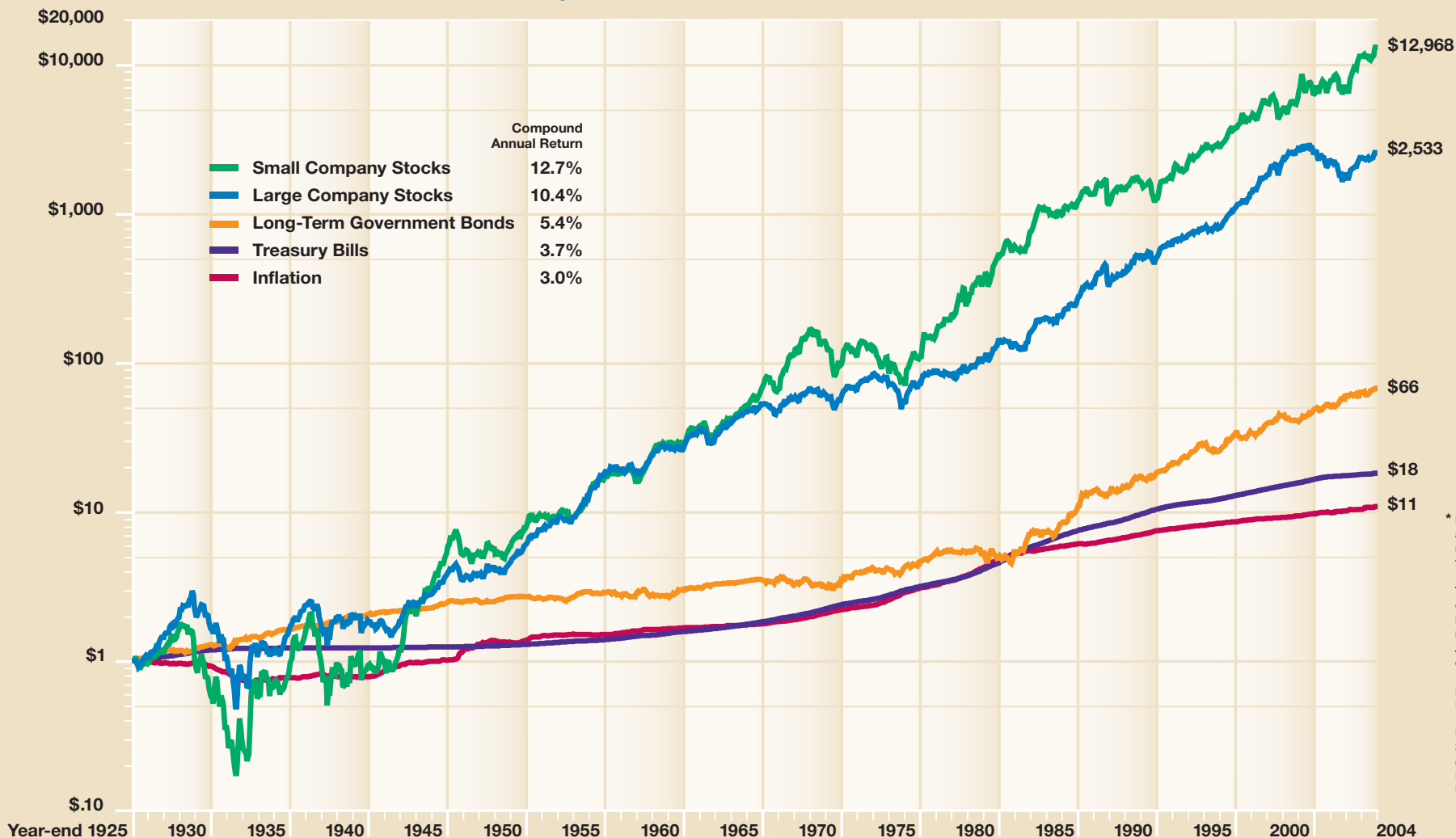


# Stocks, Bonds, Bills, and Inflation

## Year-end 1925–2004



Wealth indices of investments in the U.S. capital markets\*



\* Hypothetical value of \$1 invested at year-end 1925. Assumes reinvestment of income and no transaction costs or taxes.

This is for illustrative purposes only and not indicative of any investment. Past performance is no guarantee of future results. An investment cannot be made directly in an index.

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Underlying data is from the Stocks, Bonds, Bills, and Inflation® (SBBII®) Yearbook, by Roger G. Ibbotson and Rex A. Sinquefeld. Updated annually.

1929 Peak of bull market—Dow Jones Industrial Average 381.17  
1930 Smoot-Hawley Tariff—cuts world trade

1932 Bottom of Great Crash—Dow Jones Industrial Average 41.22  
1933 Gold standard dropped in U.S.  
1933 Glass-Steagall Act  
1934 Securities Exchange Act  
1939 World War II begins in Europe

1941 Pearl Harbor—U.S. declares war  
1942 First nuclear chain reaction  
1944 Bretton Woods international monetary accord  
1946 Post-war recession begins  
1947 General Agreement on Tariffs and Trade (GATT)  
1950 Troops sent to Korea

1951 U.S. Treasury-Federal Reserve Accord  
1952 Steel labor dispute—U.S. seizes mills  
1957 Sputnik launched  
1958 First U.S. earth satellite

1961 Bay of Pigs  
1962 Cuban missile crisis  
1963 President Kennedy assassinated  
1967 Six-Day War in Middle East  
1968 Tet offensive by Communist forces in Vietnam  
1969 Neil Armstrong first man on moon

1972 Gold window closed  
1973 Arab oil embargo—oil prices triple  
1974 President Nixon resigns  
1975 May Day—deregulation of securities brokerage fees  
1979 Oil crisis in Iran

1984 AT&T divestiture  
1985 Oil prices collapse  
1987 Stock market crash  
1989 Berlin Wall opened  
1990 Mutual fund total assets hit \$1 trillion

1991 Gulf War  
1993 U.S. Congress passes North American Free Trade Agreement (NAFTA)  
1994 U.S. Congress passes GATT World Trade Agreement  
1999 Dow Jones Industrial Average surpasses 10,000  
1999 Gramm-Leach-Bliley Act

2001 September 11th terrorist attack—U.S. combats terrorism  
2002 Sarbanes-Oxley Act—redesigns federal securities law  
2003 War in Iraq

## Stocks, Bonds, Bills, and Inflation® 1925–2004

*A 79-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 December 31, 1925 through December 31, 2004.

Large and small company stocks have provided the largest increase in wealth over the past 79 years. The fixed-income investments provided only a fraction of the growth provided by stocks.

As illustrated in this image, stocks produced greater returns and a higher ending wealth value than fixed-income investments. However, these higher returns are associated with much greater volatility (risk).

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 company stocks are more volatile than large company stocks, are subject to significant price fluctuations and business risks, and are thinly traded.

Source: Small Company 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 Company Stocks—Standard & Poor's 500®, which is an unmanaged group of securities and is considered to be representative of the stock market in general; Government Bonds—20-year U.S. Government Bond; Treasury Bills—30-day U.S. Treasury Bill; Inflation—Consumer Price Index.

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