

Asset for the Long Run

One of the most common educational props in the financial planning world is something known as the Callan Periodic Table of Investment Returns. The table is constructed in various ways—either with annual returns, or monthly returns—but the result for those shorter time periods is always the same and vividly illustrated. As you can see from the yearly and monthly return chart, the rank order of different asset classes (color coded; top is highest performers, lowest is worst returns), is always random.

See for yourself whether you can discern any pattern. That illustrates, better than words, that we really cannot predict whether international stocks will outperform domestic large cap or small cap stocks in any given year, or whether any of them will outperform various bond investments in the next 12 months. This explains why professionals recommend diversified portfolios. They simply don't know, from one year to the next, which is going to perform better than what.

But the interesting thing is that if you look out over longer time periods, the returns are not nearly so random. In fact, when a professor of business analytics at the University of San Francisco, Stephen Huxley, constructed the same chart over rolling 30-year periods, he found that small cap stocks and value stocks nearly always finished with the highest returns. You can see from the long-term Periodic Table that real estate investment trusts consistently fell in the middle of the pack, and the bond investments alternated places at the bottom of the long-term return chart.

Periodic Table of Annual Returns, 18 Asset Classes, 1998-2017

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Lrge Grw	Emrg Mkt	Cmnty	Sm Val	Cmnty	Sm Val	REIT	Emrg Mkt	REIT	Emrg Mkt	LT Gov	Emrg Mkt	Mid Grw	LT Gov	Lrge Val	Mid Val	REIT	Lrge Grw	Sm Val	Emrg Mkt
41.4%	66.5%	31.9%	23.7%	33.6%	63.9%	30.4%	34.0%	34.0%	39.4%	25.9%	78.5%	31.9%	28.2%	30.8%	49.0%	27.2%	5.5%	36.6%	37.3%
Lrge Val	Mid Grw	Mid Core	Sm Core	LT Gov	Emrg Mkt	Emrg Mkt	Cmnty	Emrg Mkt	Cmnty	5-Yr Gov	Mid Grw	Sm Grw	Corp	Sm Val	Sm Grw	LT Gov	REIT	Lrge Val	Lrge Grw
33.2%	47.1%	30.0%	15.7%	17.8%	55.8%	25.6%	24.9%	32.1%	22.1%	13.1%	42.9%	29.6%	17.9%	19.8%	45.2%	23.9%	2.1%	26.9%	29.8%
S&P 500	Sm Grw	Mid Val	REIT	Corp	Sm Grw	Mid Core	Mid Core	Intl Mkt	Lrge Grw	Corp	Sm Grw	Sm Core	5-Yr Gov	REIT	Sm Val	Corp	5-Yr Gov	Sm Core	Mid Grw
28.6%	46.7%	26.1%	15.5%	16.3%	54.2%	22.8%	16.0%	25.7%	12.9%	8.8%	37.0%	29.3%	9.5%	19.7%	17.3%	1.7%	1.7%	23.4%	26.9%
Intl Mkt	Cmnty	REIT	Corp	5-Yr Gov	Sm Core	Sm Core	Intl Mkt	Lrge Val	Intl Mkt	T-Bills	Mid Core	REIT	REIT	Mid Val	Sm Core	S&P 500	S&P 500	Mid Val	Sm Grw
18.8%	31.8%	25.9%	10.6%	12.9%	48.9%	20.7%	14.5%	25.4%	12.4%	1.6%	37.0%	27.6%	7.3%	19.2%	41.1%	13.7%	1.4%	23.2%	25.5%
LT Gov	Intl Mkt	Sm Val	Lrge Val	REIT	Mid Val	Intl Mkt	Mid Val	Sm Val	5-Yr Gov	Sm Core	Mid Val	Sm Val	Lrge Core	Sm Core	Mid Grw	Lrge Grw	Mid Grw	Mid Core	Intl Mkt
13.1%	27.9%	24.3%	7.9%	5.2%	47.8%	20.4%	9.8%	24.5%	10.1%	-30.8%	34.9%	26.6%	7.2%	18.5%	37.9%	13.1%	1.3%	22.3%	24.2%
Corp	Lrge Grw	Lrge Val	5-Yr Gov	T-Bills	Mid Core	Sm Val	Sm Val	Lrge Core	LT Gov	Lrge Grw	Intl Mkt	Mid Core	Lrge Grw	Emrg Mkt	Lrge Val	Lrge Val	T-Bills	Lrge Core	S&P 500
10.8%	23.1%	23.0%	7.6%	1.6%	41.8%	20.2%	8.9%	21.0%	9.9%	-32.6%	33.7%	25.7%	4.4%	18.2%	37.4%	12.1%	0.0%	13.9%	21.8%
5-Yr Gov	Sm Core	LT Gov	Mid Val	Emrg Mkt	Intl Mkt	Mid Val	Sm Core	Sm Core	Mid Grw	Sm Val	Sm Core	Mid Val	S&P 500	Intl Mkt	Mid Core	Mid Core	LT Gov	S&P 500	Lrge Val
10.2%	22.8%	21.5%	5.5%	-6.2%	39.4%	19.9%	8.6%	21.0%	9.3%	-32.9%	33.3%	20.7%	2.1%	16.4%	36.3%	11.3%	-0.1%	12.0%	19.6%
Lrge Core	S&P 500	Sm Core	Mid Core	Sm Val	Mid Grw	Cmnty	REIT	Mid Val	Sm Grw	Cmnty	Lrge Grw	Emrg Mkt	Mid Grw	Mid Grw	Lrge Grw	Lrge Core	Lrge Core	Emrg Mkt	Mid Core
10.1%	21.0%	17.7%	5.2%	-9.1%	39.2%	18.2%	8.3%	17.6%	5.5%	-35.0%	31.2%	18.9%	0.9%	16.3%	33.8%	11.1%	-0.4%	11.2%	18.7%
Mid Grw	Mid Val	Corp	T-Bills	Sm Core	REIT	Sm Grw	Lrge Val	S&P 500	S&P 500	Mid Val	Sm Val	Lrge Core	T-Bills	S&P 500	S&P 500	Mid Grw	Corp	Mid Grw	Mid Val
9.1%	10.3%	12.9%	3.8%	-12.1%	38.5%	15.5%	8.0%	15.8%	5.5%	-35.8%	31.1%	18.8%	0.0%	16.0%	32.4%	10.7%	-1.0%	10.1%	15.8%
T-Bills	Sm Val	5-Yr Gov	LT Gov	Mid Core	Lrge Val	Lrge Val	Mid Grw	Mid Grw	T-Bills	S&P 500	REIT	Cmnty	Mid Core	Mid Core	Lrge Core	Mid Val	Mid Core	Cmnty	Sm Core
4.9%	8.8%	12.6%	3.7%	-12.8%	30.2%	15.3%	7.9%	12.2%	4.7%	-37.0%	27.8%	17.6%	-0.9%	15.2%	31.3%	5.7%	-1.1%	9.7%	13.2%
Mid Val	T-Bills	Lrge Core	Sm Grw	Lrge Core	S&P 500	Mid Grw	LT Gov	Mid Core	Corp	REIT	S&P 500	S&P 500	Mid Val	Sm Grw	Intl Mkt	Sm Grw	Sm Grw	Lrge Grw	Lrge Core
4.8%	4.7%	11.4%	0.8%	-14.0%	28.7%	13.1%	7.8%	12.0%	2.6%	-37.8%	26.5%	15.1%	-4.7%	15.0%	21.0%	5.3%	-3.0%	9.6%	12.7%
Mid Core	Lrge Core	T-Bills	Lrge Core	Intl Mkt	Lrge Core	Lrge Core	Corp	Lrge Grw	Lrge Val	Mid Grw	Cmnty	Lrge Grw	Sm Core	Lrge Grw	REIT	Sm Val	Intl Mkt	REIT	Corp
0.3%	4.0%	5.9%	-2.5%	-15.8%	28.1%	13.0%	5.9%	11.4%	2.0%	-37.9%	23.7%	13.2%	-4.9%	14.1%	2.3%	3.9%	-3.3%	9.4%	12.3%
Sm Grw	Mid Core	Mid Grw	Emrg Mkt	Mid Grw	Lrge Grw	S&P 500	Lrge Grw	Sm Grw	Mid Core	Lrge Val	Lrge Core	Corp	Sm Grw	Lrge Core	T-Bills	Sm Core	Sm Core	Sm Grw	Sm Val
-2.6%	1.5%	-1.5%	-2.6%	-18.7%	28.0%	10.9%	5.4%	8.9%	1.0%	-38.2%	20.6%	12.4%	-5.6%	12.5%	0.0%	3.8%	-3.3%	7.9%	9.5%
Sm Val	5-Yr Gov	Lrge Grw	Mid Core	Mid Grw	Cmnty	Lrge Grw	S&P 500	T-Bills	Lrge Core	Sm Core	Lrge Val	LT Gov	Cmnty	Corp	5-Yr Gov	5-Yr Gov	Lrge Val	Corp	REIT
-2.9%	-1.8%	-7.5%	-4.5%	-21.4%	24.2%	9.1%	4.9%	4.8%	-0.6%	-40.2%	10.6%	10.1%	-3.2%	10.7%	-1.1%	3.1%	-7.4%	6.7%	9.3%
Sm Core	Lrge Val	S&P 500	Lrge Grw	Lrge Grw	Corp	Corp	Lrge Core	Corp	Sm Core	Mid Core	Corp	Intl Mkt	Sm Val	LT Gov	Emrg Mkt	T-Bills	Sm Val	Intl Mkt	LT Gov
-4.4%	-6.0%	-9.1%	-11.1%	-21.9%	5.3%	8.7%	4.4%	3.2%	-2.5%	-41.0%	3.0%	8.9%	-9.5%	3.3%	-2.6%	0.0%	-9.7%	2.7%	6.2%
REIT	REIT	Intl Mkt	S&P 500	S&P 500	5-Yr Gov	LT Gov	T-Bills	5-Yr Gov	Mid Val	Lrge Core	T-Bills	5-Yr Gov	Intl Mkt	5-Yr Gov	Cmnty	Emrg Mkt	Mid Val	5-Yr Gov	Cmnty
-18.8%	-6.5%	-13.4%	-21.4%	-22.1%	2.4%	8.5%	3.0%	3.1%	-5.4%	-42.9%	0.1%	7.1%	-12.2%	2.1%	-5.0%	-2.2%	-9.8%	1.9%	7.7%
Emrg Mkt	Corp	Sm Grw	Intl Mkt	Sm Grw	LT Gov	5-Yr Gov	5-Yr Gov	LT Gov	Sm Val	Intl Mkt	5-Yr Gov	Lrge Val	Lrge Val	T-Bills	Corp	Intl Mkt	Emrg Mkt	LT Gov	5-Yr Gov
-25.3%	-7.4%	-24.8%	-21.4%	-31.0%	1.4%	1.4%	1.2%	1.2%	-11.1%	-43.8%	-2.4%	1.6%	-15.1%	0.1%	-7.1%	-4.3%	-14.9%	1.8%	1.6%
Cmnty	LT Gov	Emrg Mkt	Cmnty	Lrge Val	T-Bills	T-Bills	Sm Grw	Cmnty	REIT	Emrg Mkt	LT Gov	T-Bills	Emrg Mkt	Cmnty	LT Gov	Cmnty	-23.4%	0.2%	0.8%
-27.2%	-9.0%	-30.8%	-21.8%	-35.5%	1.0%	1.2%	0.0%	-2.9%	-17.8%	-53.3%	-14.9%	0.1%	-18.4%	-3.3%	-11.4%	-17.9%	-23.4%	0.2%	0.8%

Rolling Overlapping 30-year Spans

1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Sm Val																			
16.2%	17.7%	18.3%	18.6%	18.0%	21.2%	22.8%	21.3%	20.2%	18.9%	16.6%	16.3%	16.5%	15.5%	14.9%	14.7%	14.5%	13.1%	13.7%	14.4%
Mid Val	Sm Neut																		
15.2%	16.6%	17.9%	16.8%	15.5%	18.3%	20.3%	18.8%	18.0%	17.3%	15.1%	15.0%	14.9%	14.3%	13.8%	13.8%	13.9%	12.6%	13.0%	13.7%
Lrge Val	Emrg Mkt	Sm Neut	Sm Neut	Sm Neut	Mid Val	Emrg Mkt	Mid Val												
15.1%	15.7%	16.2%	16.0%	15.2%	17.5%	19.2%	17.6%	16.6%	16.1%	14.0%	14.2%	14.5%	13.9%	13.5%	13.8%	13.7%	12.2%	12.4%	13.0%
Emrg Mkt	Lrge Val	Lrge Val	Lrge Val	Lrge Val	Mid Neut	Mid Neut	Mid Neut	Lrge Val	Emrg Mkt	Lrge Val	Lrge Val	Mid Neut	Mid Neut	Mid Val	Emrg Mkt	Mid Neut	Mid Neut	Mid Neut	Mid Neut
14.4%	15.6%	16.0%	15.8%	13.6%	15.4%	17.2%	16.1%	15.1%	15.4%	12.6%	12.9%	12.9%	12.5%	13.4%	12.7%	12.8%	11.7%	11.9%	12.5%
Sm Neut	Sm Neut	Mid Neut	Mid Neut	Mid Neut	Lrge Val	Lrge Val	Lrge Val	Mid Neut	Lrge Val	Mid Neut	Emrg Mkt	Lrge Val	Emrg Mkt	Mid Neut	Mid Neut	Mid Neut	Lrge Grw	Lrge Grw	Mid Grw
13.5%	15.2%	14.4%	14.0%	13.2%	14.6%	16.8%	15.6%	15.1%	15.1%	12.6%	12.9%	12.5%	11.9%	12.2%	12.4%	12.6%	11.7%	11.5%	12.3%
Mid Neut	S&P 500	Lrge Neut	Lrge Neut	Lrge Neut	Lrge Neut	Mid Grw	Emrg Mkt	Emrg Mkt	Mid Neut	Emrg Mkt	Mid Neut	Emrg Mkt	Lrge Grw	Mid Grw	Lrge Grw				
12.8%	13.7%	13.9%	13.7%	12.6%	13.7%	15.2%	14.5%	15.0%	14.9%	11.9%	12.4%	12.9%	11.8%	11.6%	12.2%	12.6%	11.6%	11.5%	12.2%
Lrge Neut	Lrge Neut	Emrg Mkt	Emrg Mkt	Emrg Mkt	Mid Grw	Lrge Neut	Mid Grw	Emrg Mkt	Emrg Mkt	Emrg Mkt	Lrge Val								
12.8%	13.7%	13.8%	12.5%	11.3%	13.1%	15.2%	14.2%	13.7%	14.0%	11.9%	11.9%	11.5%	11.6%	11.5%	12.2%	12.2%	10.7%	10.7%	11.2%
S&P 500	Mid Neut	S&P 500	S&P 500	S&P 500	Emrg Mkt	REIT	Lrge Neut	Lrge Val	Lrge Val	Lrge Val	Lrge Val	S&P 500	Lrge Val	Emrg Mkt					
12.7%	13.6%	13.2%	12.2%	10.7%	12.5%	14.7%	13.9%	13.5%	13.6%	11.4%	11.9%	11.3%	11.5%	11.5%	11.7%	11.5%	10.4%	10.4%	11.1%
Lrge Grw	S&P 500	Emrg Mkt	REIT	REIT	Lrge Grw	Lrge Neut	S&P 500	S&P 500	Lrge Neut	Lrge Neut	Lrge Neut	S&P 500	Lrge Val	S&P 500	S&P 500				
12.6%	13.3%	13.1%	11.9%	10.3%	12.2%	13.8%	13.8%	13.4%	13.1%	11.3%	11.2%	10.7%	11.1%	11.0%	11.2%	11.3%	10.2%	10.2%	10.7%
Intern	Intern	Mid Grw	Mid Grw	Mid Grw	Lrge Grw	S&P 500	Lrge Neut	Lrge Neut	LT Gov	S&P 500	S&P 500	Lrge Neut	Lrge Neut	Lrge Neut	Lrge Neut				
11.5%	12.3%	12.5%	11.4%	10.2%	12.1%	13.7%	12.1%	12.5%	13.0%	11.0%	11.1%	10.5%	11.0%	10.8%	11.1%	11.3%	10.1%	9.9%	10.2%
Mid Grw	Mid Grw	Intern	Intern	LT Gov	REIT	Lrge Grw	Lrge Grw	Lrge Grw	REIT	REIT	REIT	REIT	S&P 500	Corp	LT Gov	LT Gov	LT Gov	REIT	REIT
10.3%	12.1%	12.4%	10.4%	9.3%	11.6%	13.4%	12.5%	12.2%	12.0%	10.3%	10.2%	10.2%	11.0%	9.9%	9.4%	9.7%	9.3%	9.0%	9.7%
Corp	Corp	LT Gov	REIT	Corp	Sm Grw	Sm Grw	Intern	Intern	Intern	LT Gov	LT Gov	Corp	Corp	LT Gov	Corp	REIT	LT Gov	Corp	Corp
9.1%	9.2%	9.2%	9.4%	9.3%	10.4%	12.4%	11.2%	12.0%	11.9%	10.2%	9.7%	10.2%	10.8%	9.9%	9.4%	9.4%	8.7%	8.0%	8.4%
LT Gov	Sm Grw	REIT	Corp	REIT	Intern	Intern	Sm Grw	Sm Grw	LT Gov	Corp	Corp	LT Gov	REIT	REIT	Intern	Corp	Corp	LT Gov	LT Gov
9.1%	9.0%	9.2%	9.0%	9.2%	10.3%	11.8%	10.6%	9.8%	9.3%	9.4%	9.6%	10.2%	10.2%	9.8%	9.2%	9.4%	8.4%	8.0%	8.3%
5-Yr Gov	LT Gov	Corp	LT Gov	5-Yr Gov	Corp	Corp	Corp	Corp	Sm Grw	Intern	Intern	Intern	Intern	Intern	REIT	Intern	Intern	Sm Grw	Sm Grw
8.7%	8.9%	9.0%	8.9%	8.8%	9.4%	9.8%	9.6%	9.0%	9.3%	8.8%	9.5%	9.1%	8.7%	9.3%	9.1%	9.0%	7.4%	6.6%	7.9%
REIT	5-Yr Gov	Sm Grw	5-Yr Gov	Intern	LT Gov	LT Gov	LT Gov	LT Gov	Corp	5-Yr Gov	Sm Grw	Sm Grw	5-Yr Gov	5-Yr Gov					
7.7%	8.7%	8.9%	8.5%	8.6%	9.4%	9.5%	9.5%	9.0%	9.1%	8.6%	8.4%	8.5%	8.5%	7.7%	7.4%	7.5%	6.4%	6.0%	5.9%
T-Bills	REIT	5-Yr Gov	Sm Grw	Sm Grw	5-Yr Gov	Sm Grw	5-Yr Gov	5-Yr Gov	Intern	Intern									
6.8%	8.4%	8.5%	8.1%	6.7%	8.7%	8.6%	8.3%	8.0%	8.3%	6.9%	6.6%	6.0%	6.2%	6.0%	6.7%	7.0%	6.4%	5.7%	5.7%
Sm Grw	T-Bills	Commod	T-Bills	T-Bills	T-Bills	Commod	Commod												
6.6%	6.7%	6.7%	6.7%	6.6%	6.4%	6.1%	6.0%	6.0%	6.0%	5.8%	5.5%	5.1%	4.6%	4.6%	4.0%	3.7%	3.4%	3.5%	3.2%
Commod	T-Bills	Commod	Commod	Commod	T-Bills	T-Bills													
3.4%	4.2%	5.3%	4.4%	4.4%	3.8%	4.3%	5.4%	5.0%	5.8%	3.8%	3.8%	4.1%	4.4%	4.3%	3.9%	3.6%	2.9%	3.2%	3.1%

What does that mean? To professionals, the striking consistency of this simple chart is strong evidence of something that is talked about but never actually proven: that over longer time spans, returns become more consistent and predictable than they are in shorter intervals, and that certain asset classes consistently, if unpredictably, provide more upside potential than others. A simple way to think of it is that as an owner of companies (buying stocks), you will eventually earn higher returns than if you are a lender to companies (buying bonds). You just must wait long enough for the trend to play itself out.

Does that mean we should throw away the idea of diversification? Of course not. But it might mean that, if you have a long enough time horizon, you have a decent chance of earning higher returns if your overweight certain categories of stocks, and underweight bonds. You should still hold both and rebalance each year, which raises the odds of experiencing a smooth investment ride while you wait for the asset returns to sort themselves out over time.

If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:(215)325-1595) or you can [click here to schedule a meeting](#).

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About the advisor

Jeff Broadhurst is a wealth manager at Broadhurst Financial Advisors, Inc. He focuses on providing wealth management solutions to business owners and family stewards in the Philadelphia area. Together with his partners, he helps affluent clients address their five biggest concerns:

1. Preserving their wealth
2. Mitigating taxes
3. Taking care of their heirs
4. Ensuring their assets are not unjustly taken
5. Charitable giving.

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Best regards,

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