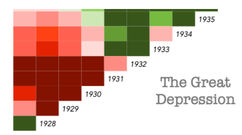
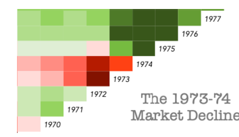
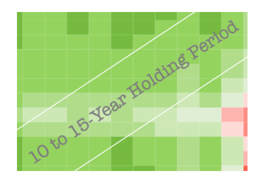
How to understand this investment graphic

- “Patience rewarded” shows the hypothetical outcome for an investment made in **US Small Value** stocks beginning in any year since 1928. The top left cell in the graphic represents the annual return for the full period **(13.2%)**. We use the Dimensional US Small Cap Value Index as the proxy for US small value stocks.
- The index returns are shown in shades of green (positive) and red (negative). This “heat map” technique provides a unique and powerful way to visualize risk and return for US stocks.
- **Yearly** returns (1928, 1929, 1930 and so on) are shown along the up-sloping diagonal. Notice that returns are most volatile over these one-year periods—the highest highs (deep green) and lowest lows (deep red). This represents the short-term risk and return of the market.





- As you move **up** from the diagonal in any given year, you will see the annualized returns for periods longer than one year (two, three, four and so on).
- The graphic includes a range (**white-banded area**) of 10-15 years from any starting year as reference. This is an example of longer-term risk and return of US stocks. Of course, investors can and *should* look further out from the starting years for an even longer return perspective to match their investment time horizon.

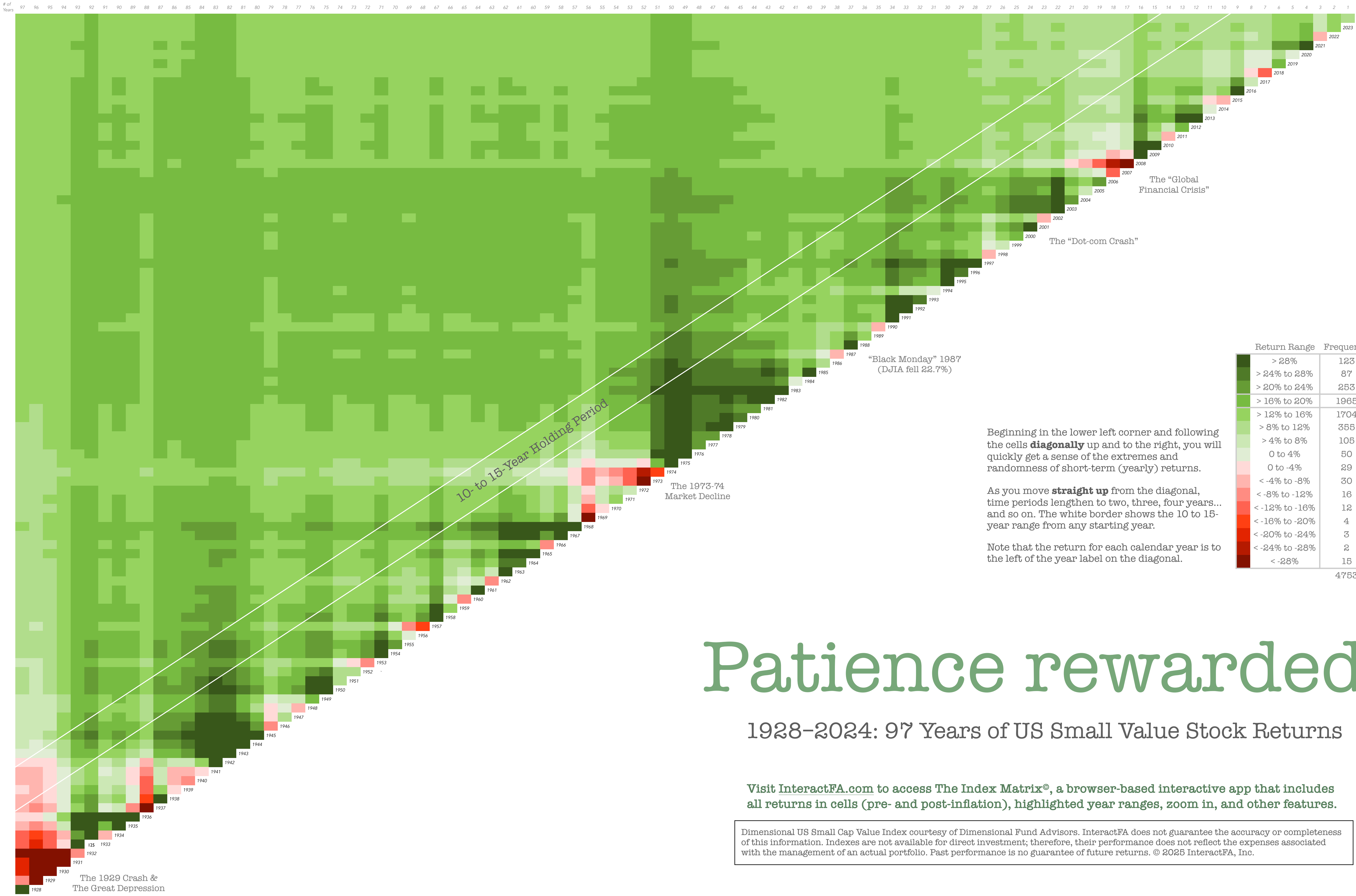


- We often refer to the diagonal (year-to-year returns) as the “barbed-wire fence” of investing. If patient investors can understand and persevere through short-term periods in the market, they have the opportunity to enjoy the “green pastures” that US stocks have to offer over time.
- Investing in stocks in the aggregate (through a “total market” index fund, for example) is a way to participate in the overall growth of the US economy over time without the higher risks, higher costs and greater uncertainty associated with stock picking and market timing (traditional active management techniques).
- Comparing the returns matrix for the **Total US Stock Market** (which is dominated by very large, higher-priced “growth” stocks) to one showing the returns for **US Small Value Stocks** (a subset of the total US market representing small, lower-priced stocks) demonstrates the direct relationship between risk and return. The deeper greens (higher returns) and deeper reds (lower returns) for US small value stocks you see in some years represent higher risk, consistent with a higher expected return over time (**13.2% from 1928 to 2024**).

Patience rewarded.

97 Years of **US Small Value Stock** Returns

1928 to 2024



Return Range	Frequency
> 28%	123
> 24% to 28%	87
> 20% to 24%	253
> 16% to 20%	1965
> 12% to 16%	1704
> 8% to 12%	355
> 4% to 8%	105
0 to 4%	50
0 to -4%	29
< -4% to -8%	30
< -8% to -12%	16
< -12% to -16%	12
< -16% to -20%	4
< -20% to -24%	3
< -24% to -28%	2
< -28%	15
	4753

Beginning in the lower left corner and following the cells **diagonally** up and to the right, you will quickly get a sense of the extremes and randomness of short-term (yearly) returns.

As you move **straight up** from the diagonal, time periods lengthen to two, three, four years... and so on. The white border shows the 10 to 15-year range from any starting year.

Note that the return for each calendar year is to the left of the year label on the diagonal.

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1928–2024: 97 Years of US Small Value Stock Returns

Visit InteractFA.com to access The Index Matrix©, a browser-based interactive app that includes all returns in cells (pre- and post-inflation), highlighted year ranges, zoom in, and other features.