

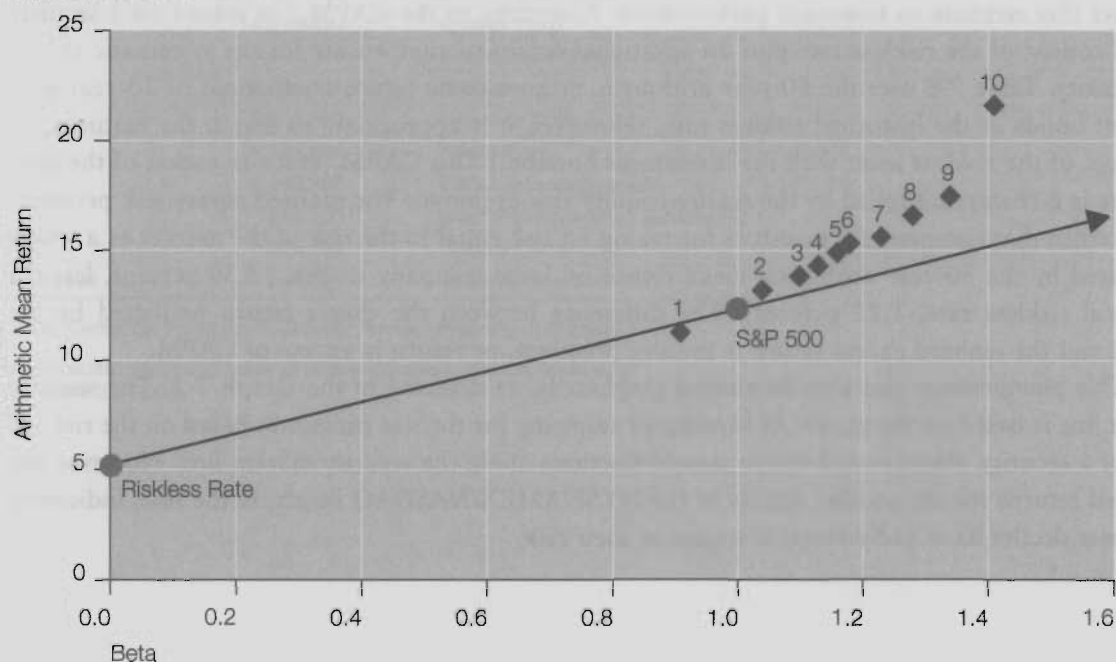
Table 7-6
Size-Decile Portfolios of the NYSE/AMEX/NASDAQ:
 Long-Term Returns in Excess of CAPM
 from 1926 to 2005

Decile	Beta*	Arithmetic Mean Return	Actual Return in Excess of Riskless Rate**	CAPM Return in Excess of Riskless Rate**	Size Premium (Return in Excess of CAPM)
1-Largest	0.91	11.29%	6.07%	6.45%	-0.37%
2	1.04	13.22%	8.00%	7.33%	0.67%
3	1.10	13.84%	8.62%	7.77%	0.85%
4	1.13	14.31%	9.09%	7.98%	1.10%
5	1.16	14.91%	9.69%	8.20%	1.49%
6	1.18	15.33%	10.11%	8.38%	1.73%
7	1.23	15.62%	10.40%	8.73%	1.67%
8	1.28	16.60%	11.38%	9.05%	2.33%
9	1.34	17.48%	12.26%	9.50%	2.76%
10-Smallest	1.41	21.59%	16.37%	10.01%	6.36%
Mid-Cap, 3-5	1.12	14.15%	8.94%	7.91%	1.02%
Low-Cap, 6-8	1.22	15.66%	10.44%	8.63%	1.81%
Micro-Cap, 9-10	1.36	18.77%	13.55%	9.61%	3.95%

*Betas are estimated from monthly returns in excess of the 30-day U.S. Treasury bill total return, January 1926–December 2005.

**Historical riskless rate measured by the 80-year arithmetic mean income return component of 20-year government bonds (5.22).

Graph 7-2
Security Market Line Versus Size-Decile Portfolios of the NYSE/AMEX/NASDAQ:
 from 1926 to 2005



Source: Center for Research in Security Prices, University of Chicago (decile data).