

## Media Release

### **New research from Credit Suisse and London Business School in the Credit Suisse Global Investment Returns Yearbook 2011**

Experts from London Business School address the search for income in worldwide bond and stock markets. They reveal unexpected long-term profits from seeking high levels of investment income.

London / Zurich, 28 February 2011

**The Credit Suisse Global Investment Returns Yearbook and Sourcebook are produced for the Credit Suisse Research Institute by London Business School professors, Elroy Dimson, Paul Marsh and Mike Staunton. They are the global authority on long-run investment returns. The Sourcebook, which analyses the long-term worldwide performance of stocks, bonds, bills, inflation and currency, was published on February 7. The Yearbook is published today.**

**The 2011 Yearbook reports substantial profits from strategies that aim to enhance income. This surprising evidence spans 21 countries and periods of up to 111 years. At a time when investors find it challenging to generate the income they need and when they are concerned about accelerating inflation, this new research is exceptionally topical.**

Giles Keating, Head of Private Banking Research at Credit Suisse, said: "We are proud to be associated with the work of Elroy Dimson, Paul Marsh, and Mike Staunton, whose research has had a major impact. The Credit Suisse Investment Returns Yearbook is now widely read by investors."

Stefano Natella, Head of Global Equity Research at Credit Suisse, said: "In inflationary times, investors need strategies that are supported by solid evidence. The authors' research has breadth, depth, and rigor. It is precisely the kind of world-class work that the Credit Suisse Research Institute supports."

Building on a database covering 111 years of financial market returns in 19 countries, from 1900 to date, the Credit Suisse Global Investment Returns Yearbook 2011 provides a definitive record of long-run investment returns. It puts the current outlook for asset prices in perspective as the global economic recovery gathers pace, and as inflation becomes a leading matter of concern to investors. In this context, Elroy Dimson, Paul Marsh and Mike Staunton of London Business School examine two very relevant issues.

First, following the decades-long bull market in fixed income since 1982, they ask whether investors should now be fearful of bond markets. In "Fear of Falling", they question whether the strong bond returns of the last quarter century can continue. They examine periods when there have been sharp falls, or drawdowns, in the real value of government bonds – typically during inflationary episodes – and how long

these have persisted. From a cross-asset class point of view, this article investigates the correlations between bonds and stocks and how these have changed over time. They show how bond values have been eroded by inflation, but they demonstrate that investing in bonds, once inflation is established, can give rise to higher long-run real returns, thereby providing some compensation for the additional uncertainty about future purchasing power. They conclude that it would be fantasy to expect a continuation of the high real bond returns achieved since 1982.

In their second paper, the three academics turn to investors' current search for income. In "The Quest for Yield", they examine whether income, per se, should matter to equity investors, and focus on the contribution of income and long-run dividend growth to long-term stock returns. Within equity markets, they look at the performance of yield-tilt strategies, and at the risk and risk-to-reward ratios of different income-oriented approaches. They also look across markets to see whether higher-yielding countries have outperformed lower-yielding markets. In general, the authors highlight that investment strategies favoring stocks and markets with high dividend yields tend to pay off handsomely over the long run for the patient investor. They also present a long-term perspective on the risk and return from investing in corporate bonds.

In a third paper, "Market Implied Returns: Past and Present", the Yearbook takes a different, market-based view on risk premia, asking what discount rates are implied by current market levels. From Credit Suisse, David Holland and Bryant Matthews use the proprietary Credit Suisse HOLT framework to investigate historical market-implied expectations and quantify what equity markets are currently pricing in. They conclude that, in the case of developing and resource-rich markets, future growth and optimism are already embedded in market expectations. Mature, developed markets look attractive in comparison.

The attached presentation, given at today's press launch in London, provides an overview of the research presented in the Credit Suisse Global Investment Returns Yearbook 2011.

### **Obtaining the Yearbook**

Credit Suisse distributes the Yearbook to clients. The Yearbook is also available as a free download [here](#).

Others may obtain a copy from London Business School (contact Patricia Rowham, [prowham@london.edu](mailto:prowham@london.edu)). Journalists may email a request for a complimentary copy to one of the press contacts below.

### **Press contacts**

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### **Charts and analysis**

For charts, graphics or queries, please contact the authors, [edimson@london.edu](mailto:edimson@london.edu), [pmarsh@london.edu](mailto:pmarsh@london.edu) and [mstaunton@london.edu](mailto:mstaunton@london.edu).

### **Credit Suisse Research Institute**

The Credit Suisse Research Institute identifies and provides insights on global themes and trends. The objective of the Credit Suisse Research Institute is to provide clients with leading-edge advice by leveraging internal and external expertise, thus reinforcing Credit Suisse's integrated global bank approach. The Institute conducts research on new fundamental topics, working with some of the world's leading experts, academics and institutions and Credit Suisse's global network of 400 analysts, and makes this available throughout the Bank for the business units to create innovative products, solutions and services for Credit Suisse's clients.

### **Credit Suisse AG**

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### **London Business School**

London Business School's purpose is to deliver insights and leaders that have impact. The School is ranked number one in the world for both full-time and executive MBA programmes. In research, the School is ranked within the global top ten and holds the highest average research score of any UK academic institution. With a presence in four international cities – London, New York, Hong Kong and Dubai – and a faculty from over 30 countries, the School is well positioned to equip students from more than 130 countries with the capabilities needed to operate in today's business environment. Students further benefit from 30,000 alumni who provide a wealth of knowledge, business experience and worldwide networking opportunities. The School awards 1200 degrees every year, across MBA, Executive MBA, Masters in Finance, Sloan Fellow, Masters in Management, and PhD programmes. The Executive Education team offers a portfolio of over 30 open programmes as well as custom-designed programmes. Annually, over 8000 participants attend executive programmes which are led by many of the world's leading business thinkers. [www.london.edu](http://www.london.edu)

**The Credit Suisse Global Investment Returns Yearbook 2011** is launched today, 28 February 2011. The Yearbook draws on the Dimson-Marsh-Staunton database, which now covers 111 years of investment returns for all the main asset categories in Australia, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, South Africa, Spain, Sweden, Switzerland, the UK, the US, and three continental and worldwide indexes. The Credit Suisse Global Investment Returns Yearbook 2011 contains the three papers described above, plus a summary of long-run investment performance for every Yearbook country. Additional analysis is contained in the Credit Suisse Global Investment Returns Sourcebook 2011, described below.

Yearbook: A4 full-color glossy, hard-copy or PDF, 56 pages, 25 chapters, 98 figures/tables. **ISBN 978-3-9523513-4-5.**

**The Credit Suisse Global Investment Returns Sourcebook 2011** was published on 7 February 2011. It contains extensive and fully up-to-date information on long-run capital market history for every Yearbook country. Chapter 1 summarizes the long-run evidence on equity, bond and Treasury bill returns, and the impact of inflation and exchange rates. Chapter 2 presents historical evidence and forward-looking projections of investment risk, the equity premium, and the bond maturity premium. Chapter 3 provides long-run international evidence on the small-firm, value/growth, and momentum effects. Other chapters contain detailed statistical analysis of the performance of five asset classes in each of the 19 countries and three regions over the full 111 years from 1900, including a statistical review of returns and risk premia, performance charts, analyses of return dispersion, histograms of excess returns, tables of multi-year performance, index levels, selected annual returns, and data sources.

Sourcebook: A4 color, perfect-bound only, 202 pages, 26 chapters, 216 figures/tables, 111 references. **ISBN 978-3-9523513-5-2.**