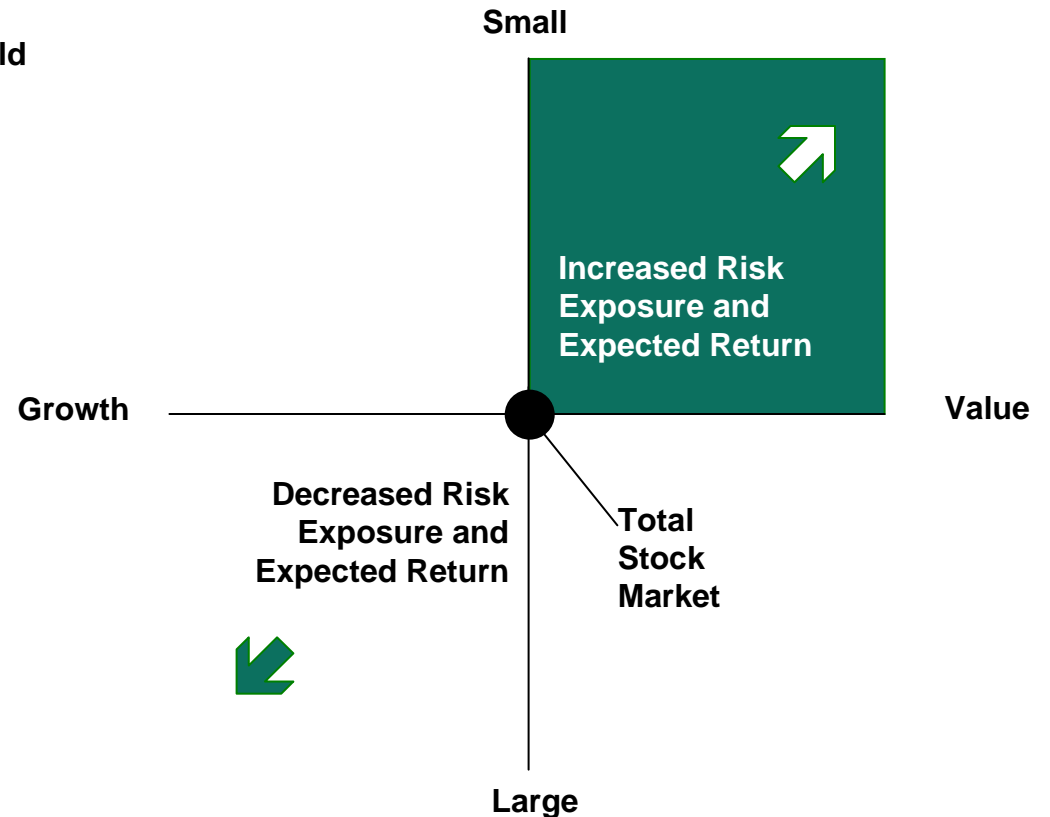


# Risk and Return Are Related

## Three Dimensions of Stock Returns around the World

- **Equity Market**  
(complete value-weighted universe of stocks)  
Stocks tend to have higher expected returns than fixed income over time.
- **Company Size**  
(measured by market capitalization)  
Small company stocks tend to have higher expected returns than large company stocks over time.
- **Company Price**  
(measured by ratio of company book value to market equity)  
Lower-priced “value” stocks tend to have higher expected returns than higher-priced “growth” stocks over time.



Eugene F. Fama and Kenneth R. French, “The Cross-Section of Expected Stock Returns,” *Journal of Finance* 47, no. 2 (June 1992): 427-65.

Eugene F. Fama and Kenneth R. French are consultants for Dimensional Fund Advisors. This page contains the opinions of Eugene F. Fama and Kenneth R. French but not necessarily of Dimensional Fund Advisors or DFA Securities LLC, and does not represent a recommendation of any particular security, strategy, or investment product. The opinions expressed are subject to change without notice. This material is distributed for educational purposes only and should not be considered investment advice or an offer of any security for sale. This material may not be reproduced or shown to investors or the general public.