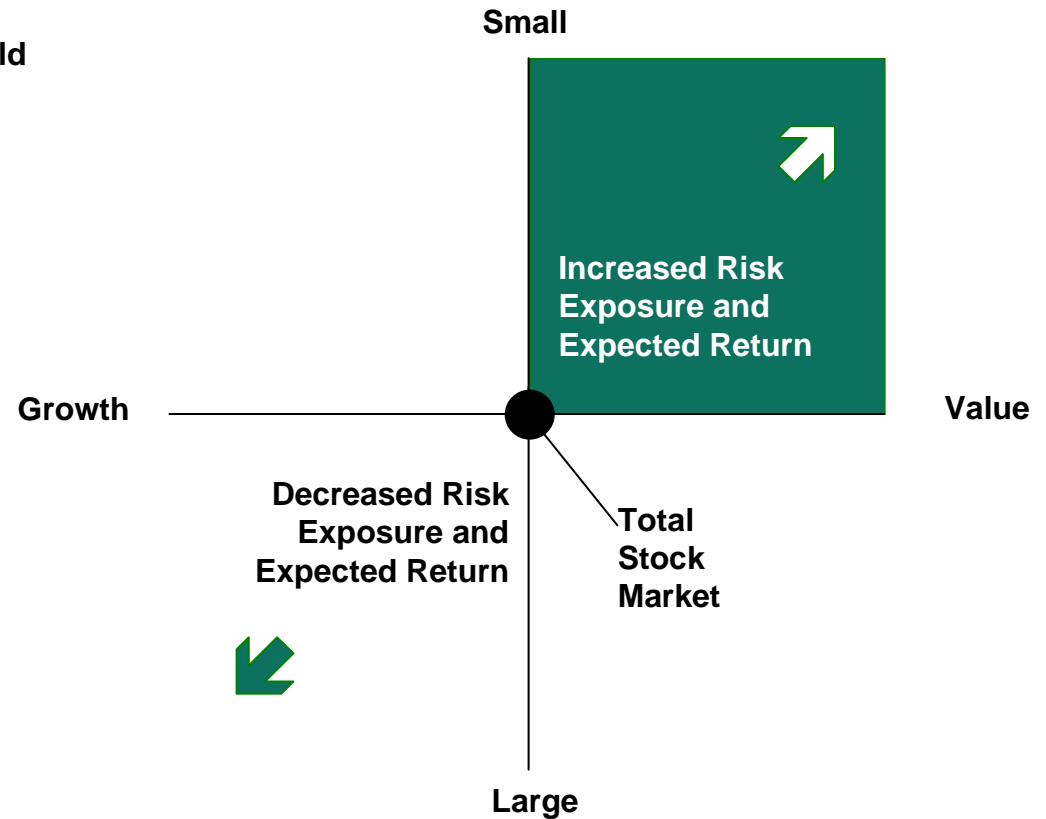


# Risk and Return Are Related

## 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.

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