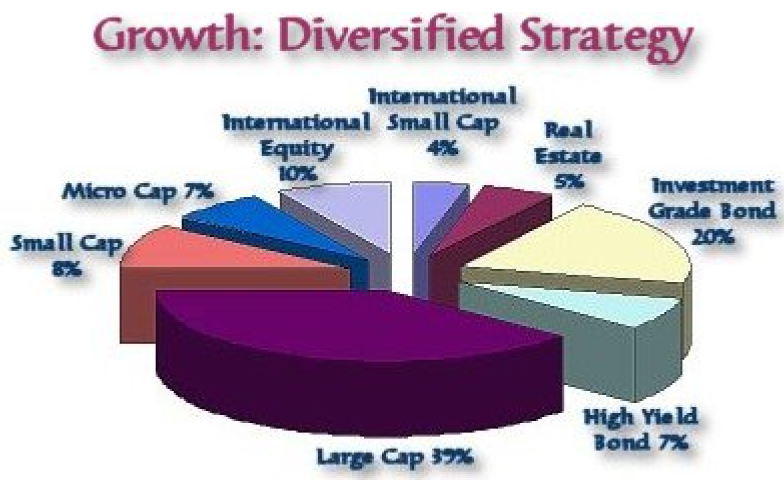
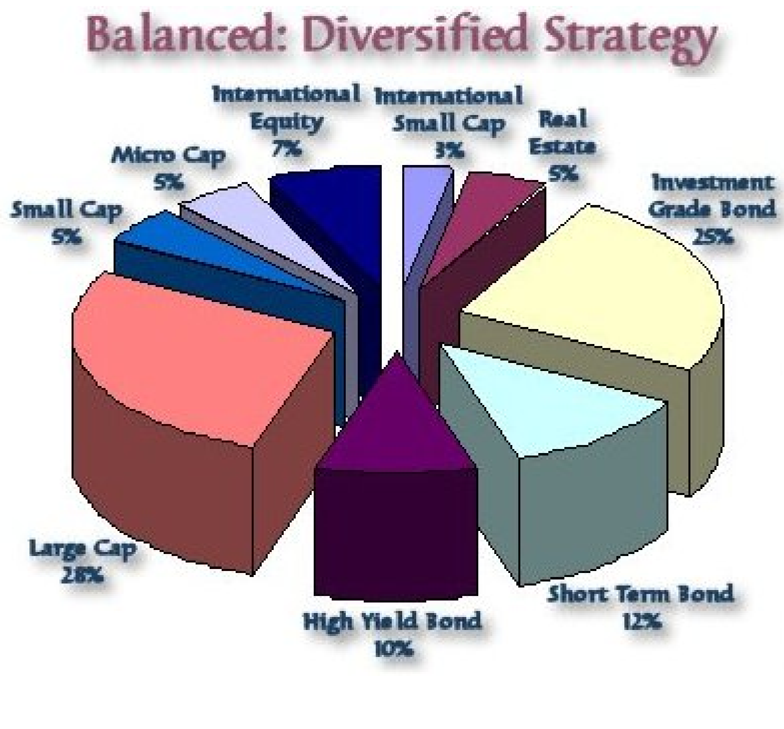
Expected Rates of Return

The following charts look at the historical rates of return and assume that over the long term the actual rates of return will be similar. However, neither TIAA-CREF nor the Foundation can or will predict investment returns. Therefore, the charts should be used as a guide to assess the strategies in light of each organization's needs and willingness to withstand the ups and downs of the stock market.



Historically a similarly constructed **Growth Portfolio** over an extended period produced a total rate of return (dividends, interest, and capital gains) of 8.7%. The Growth Portfolio, while expected to produce the greatest total return, will be subject to the greatest volatility. When the market is good, the results should be best. When the market is down, performance will suffer. Nevertheless, over the long term the Growth Portfolio's performance should generate the highest rate of total return.



A similarly constructed **Balanced Portfolio** over an extended period produced a total rate of return of 7.7%. The Balanced Portfolio has the best of both worlds. While it should not experience the same level of volatility as the Growth Portfolio, the Balanced Portfolio should generate more stable rates of total return since the portfolio has an equal amount of income generating securities and equities.

Over the long term, the investments similar to the **Income Portfolio** have produced an annual rate of return of 6.2%. The bulk of the return is generated by dividends and interest from bonds and other fixed income securities. This portfolio is best for those endowments that can only use income. In recent years, while bond yields have fallen because of lower interest rates, the price of bonds has risen. As interest rates rise and produce more income, the face value on many bonds will fall.

Once again, it is very important to note that **historic rates of return are not predictors of how the Common Fund will perform in the future.**