

SBBI® (Stocks, Bonds, Bills and Inflation®)

Sample Report



800.825.8763 • 719.548.4900

Fax: 719.548.4479

sales@valusourcesoftware.com

www.valusourcesoftware.com

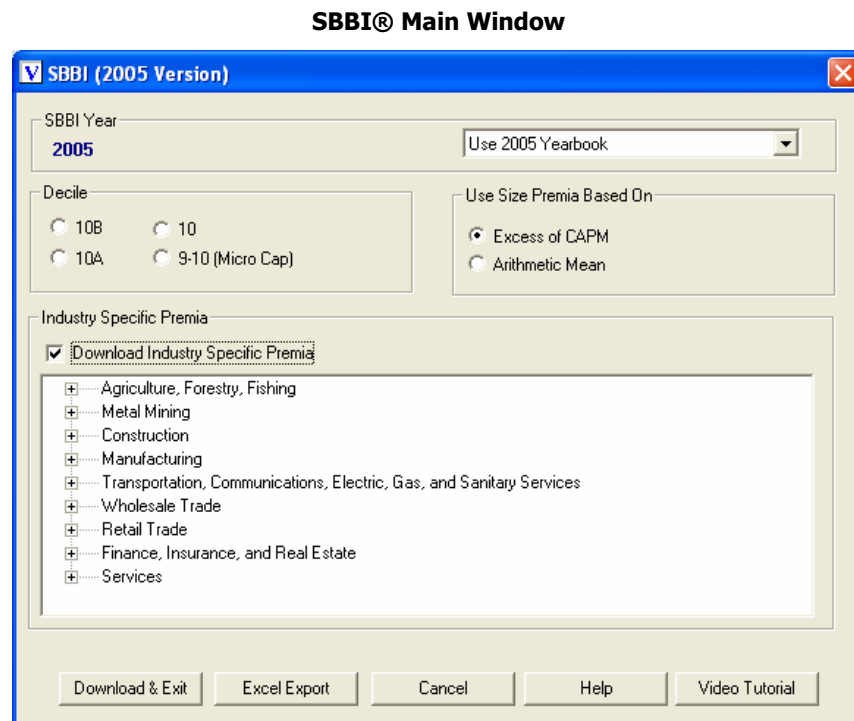
SBBI® Valuation Yearbook & CD

ValuSource's SBBI® database contains data from Ibbotson Associates' SBBI® (Stocks, Bonds, Bills, and Inflation®) Valuation Edition Yearbook, which documents the history of security market returns. SBBI® uncovers the relationships between the various asset class returns, as revealed by inflation, real interest rates, risk premia, and other premia. The series presented are total returns, and where applicable or available, include after-tax capital appreciation returns and income returns for:

- Common Stocks – represented by the Standard and Poors 500 Stock Composite Index with dividends reinvested (S&P500 1957-Present; S&P90 1926-1956).
- Small Company Stock – represented by the performance of the fifth capitalization quintile of stocks on the NYSE for 1926-1981. Performance of the Dimensional Fund Advisors (DFA) Small Company Fund 1982-March 2001. Performance of DFA Micro Cap Fund April 2001-Present.
- Long Term Government Bonds – measured using a one-bond portfolio with an approximate maturity of twenty years.

Using SBBI®

You use SBBI® to download data into a ValuSource application, or to export data into an Excel workbook. You start from the SBBI® Main Window (see diagram below).



Video Tutorial

SBBI® comes with an in-depth video tutorial. To see it, click on the button labeled “Video Tutorial” in the bottom right corner of the SBBI® Main Window.

Selecting the Year

If you have SBBI® data for multiple years, you can change the source book year.

Selecting the Industry

SBBI® contains industry-specific risk premia. To select an industry, fill the checkbox labeled “Download Industry Specific Premia”. SBBI® will display a tree control for selecting the industry .

Using SBBI® Data in ValuSource Applications

You can download SBBI® data into ValuSource applications, including ValuSource Pro and Express Business Valuation. The downloaded data automatically appears in the correct lines on the appropriate schedules.

Selecting the Decile

SBBI® groups the companies from the NYSE, AMEX, and NASDAQ exchanges into ten categories based on market capitalization.

- A **decile** is one of ten portfolios formed by ranking these companies by market capitalization and dividing them into ten equally-populated subsets.
- The **micro-cap** category is the 9th and 10th deciles combined.

The following table shows the range of market capitalization for companies in the micro-cap, 10th decile, 10A, and 10B size categories:

<u>Category</u>	<u>Low</u>	<u>High</u>
Micro-Cap	332K	330M
10 th	332K	166M
10A	96M	166M
10B	332K	96M

Size Premia and Industry Specific Premia

You can select the basis of the size premia (excess of CAPM or arithmetic mean), and you can select premia for a specific industry. The following example shows an industry risk premium in the build up model using a 10th decile Beta Adjusted risk premium:

Risk Free Rate	5.20
Large Company Equity Risk	7.80
Small Stock Equity Risk	4.63
Company Specific Risk	?..?
Industry Specific Risk*	-3.10
Total Risk (less Company Specific Risk)	14.52

*SIC 01, Agricultural Production - Crops

Downloading the Data

When you're done selecting the data options, click on the button labeled "Download & Exit" at the bottom of the SBBI® Main Window. SBBI® will close and you will return to the valuation application that you're using. The downloaded data will automatically appear in the correct lines on the appropriate schedules. In the following example, the first four numbers (all in blue) — risk free rate, common stock premium, small stock premium, and industry risk premium — can be downloaded from SBBI® .

Please Note: This example schedule does not contain actual SBBI® data.

Capitalization Rate Schedule (Example)		
Cost of equity		
Risk-free Rate of Return	5.1%	
Common Stock Equity Risk Premium	7.1%	
Small Stock Risk Premium	4.2%	
Plus/Minus Industry Risk Premium	-0.3%	
Company Specific Premium		
Depth of Management	6.0%	
Importance of Key Personnel	4.0%	
Stability of Industry	3.0%	
Diversification of Product Line	2.0%	
Diversification of Customer Base	1.0%	
Diversification/Stability of Suppliers	1.0%	
Geographic Location	1.0%	
Stability of Earnings	1.0%	
Earnings Margins	1.0%	
Financial Structure	1.0%	
Total Company Specific Premium	21.0%	
Total Cost of Equity		37.1%
Less Sustainable Growth		5.0%
Next Year Capitalization Rate		32.1%
Current Year Capitalization Rate		30.6%
Selected Capitalization Rate		30.6%

Exporting SBBI® Data to Excel

You can export SBBI® data to an Excel workbook. The workbook contains all of the data from the selected year's source book, including all of the industry risk premiums. The size premium is also calculated using both methods (excess of CAPM and arithmetic mean).