

# **THE INTELLIGENT INVESTOR**

A BOOK OF PRACTICAL COUNSEL

REVISED EDITION

**BENJAMIN GRAHAM**

Updated with New Commentary by Jason Zweig

FIGURE 1-1

## Stocks on Speed

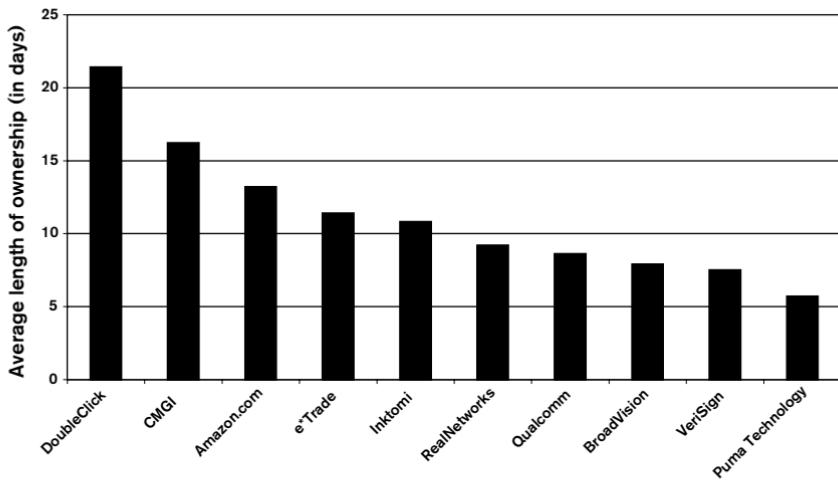
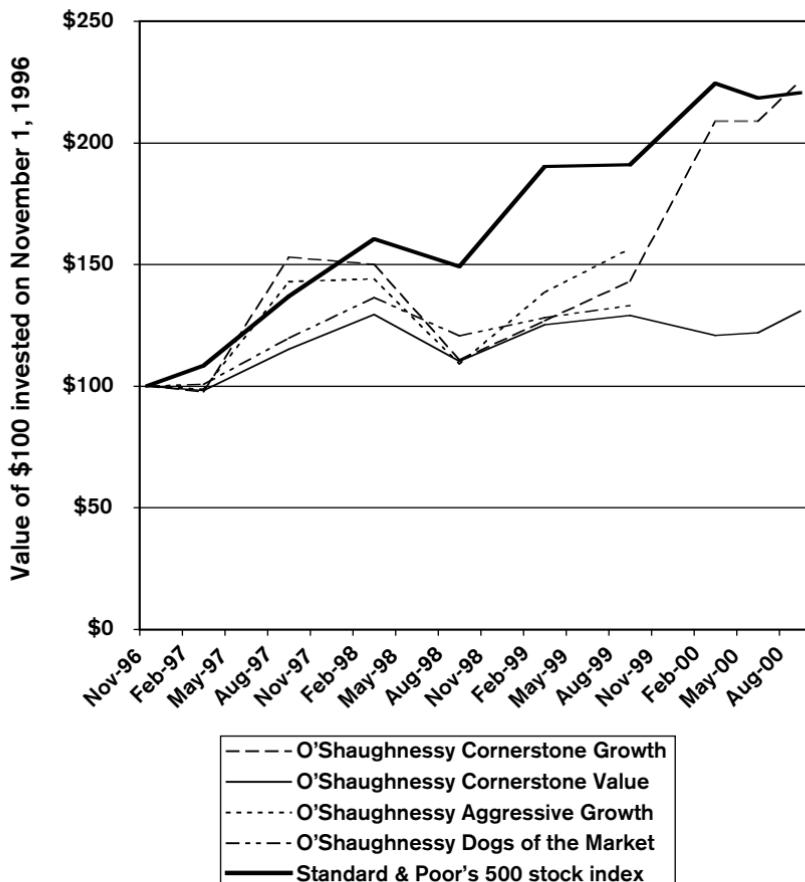


FIGURE 1-2

## What Used to Work on Wall Street . . .



Source: Morningstar, Inc.

TABLE 2-1 The General Price Level, Stock Earnings, and Stock Prices at Five-Year Intervals, 1915–1970

Year	Price Level <sup>a</sup>		S & P 500-Stock Index <sup>b</sup>		Percent Change from Previous Level			
	Wholesale	Consumer	Earnings	Price	Wholesale Prices	Consumer Prices	Stock Earnings	Stock Prices
1915	38.0	35.4		8.31				
1920	84.5	69.8		7.98	+96.0%	+96.8%		- 4.0%
1925	56.6	61.1	1.24	11.15	-33.4	-12.4		+ 41.5
1930	47.3	58.2	.97	21.63	-16.5	- 4.7	- 21.9%	+ 88.0
1935	43.8	47.8	.76	15.47	- 7.4	-18.0	- 21.6	- 26.0
1940	43.0	48.8	1.05	11.02	- 0.2	+ 2.1	+ 33.1	- 28.8
1946 <sup>c</sup>	66.1	68.0	1.06	17.08	+53.7	+40.0	+ 1.0	+ 55.0
1950	86.8	83.8	2.84	18.40	+31.5	+23.1	+168.0	+ 21.4
1955	97.2	93.3	3.62	40.49	+ 6.2	+11.4	+ 27.4	+121.0
1960	100.7	103.1	3.27	55.85	+ 9.2	+10.5	- 9.7	+ 38.0
1965	102.5	109.9	5.19	88.17	+ 1.8	+ 6.6	+ 58.8	+ 57.0
1970	117.5	134.0	5.36	92.15	+14.6	+21.9	+ 3.3	+ 4.4

<sup>a</sup> Annual averages. For price level 1957 = 100 in table; but using new base, 1967 = 100, the average for 1970 is 116.3 for consumers' prices and 110.4 for wholesale prices for the stock index.

<sup>b</sup> 1941–1943 average = 10.

<sup>c</sup> 1946 used, to avoid price controls.

TABLE 2-2 Corporate Debt, Profits, and Earnings on Capital,  
1950–1969

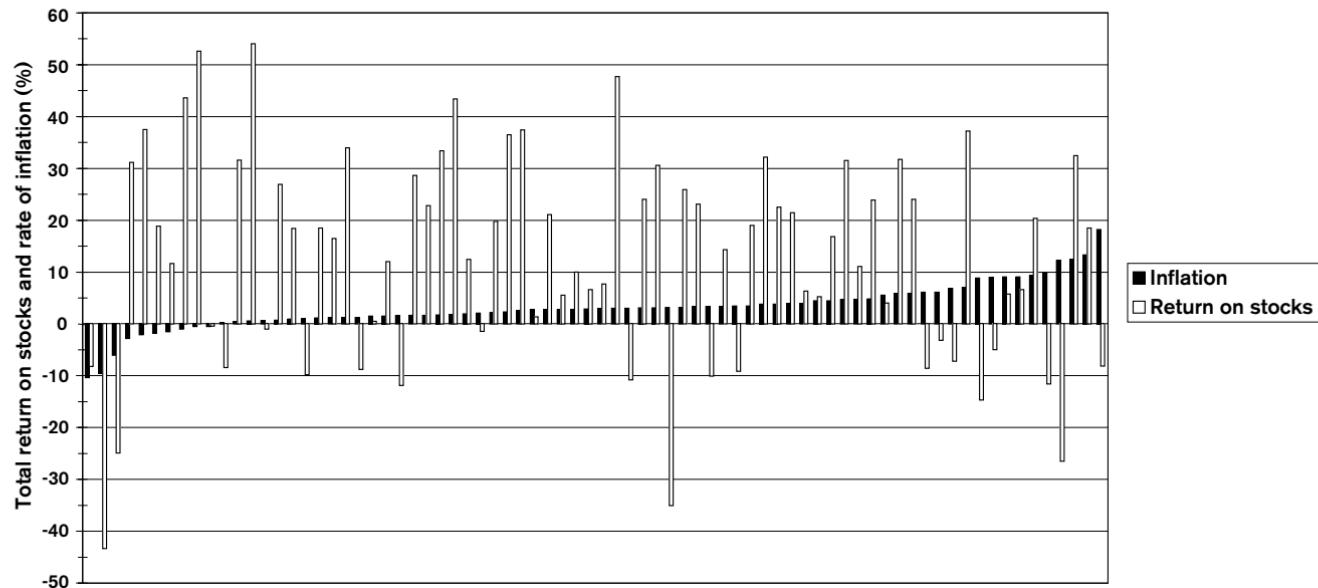
Year	Net Corporate Debt (billions)	Corporate Profits			Percent Earned on Capital	
		Before Income Tax (millions)	After Tax (millions)	S & P Data <sup>a</sup>	Other Data <sup>b</sup>	
1950	\$140.2	\$42.6	\$17.8	18.3%	15.0%	
1955	212.1	48.6	27.0	18.3	12.9	
1960	302.8	49.7	26.7	10.4	9.1	
1965	453.3	77.8	46.5	10.8	11.8	
1969	692.9	91.2	48.5	11.8	11.3	

<sup>a</sup> Earnings of Standard & Poor's industrial index divided by average book value for year.

<sup>b</sup> Figures for 1950 and 1955 from Cottle and Whitman; those for 1960–1969 from Fortune.

FIGURE 2-1

How Well Do Stocks Hedge Against Inflation?



*This graph shows inflation and stock returns for each year between 1926 and 2002—arrayed not in chronological order but from the lowest annual inflation rates to the highest. When inflation is highly negative (see far left), stocks do very poorly. When inflation is moderate, as it was in most years during this period, stocks generally do well. But when inflation heats up to very high levels (see far right), stocks perform erratically, often losing at least 10%.*

Source: Ibbotson Associates

TABLE 3-1 Major Stock-Market Swings Between  
1871 and 1971

Year	Cowles-Standard 500 Composite			Dow-Jones Indus-		
	High	Low	Decline	High	Low	Decline
1871		4.64				
1881	6.58					
1885		4.24	28%			
1887	5.90					
1893		4.08	31			
1897					38.85	
1899				77.6		
1900					53.5	31%
1901	8.50			78.3		
1903		6.26	26		43.2	45
1906	10.03			103		
1907		6.25	38		53	48
1909	10.30			100.5		
1914		7.35	29		53.2	47
1916–18	10.21			110.2		
1917		6.80	33		73.4	33
1919	9.51			119.6		
1921		6.45	32		63.9	47
1929	31.92			381		
1932		4.40	86		41.2	89
1937	18.68			197.4		
1938		8.50	55		99	50
1939	13.23			158		
1942		7.47	44		92.9	41
1946	19.25			212.5		
1949		13.55	30		161.2	24
1952	26.6			292		
1952–53		22.7	15		256	13
1956	49.7			521		
1957		39.0	24		420	20
1961	76.7			735		
1962		54.8	29		536	27
1966–68	108.4			995		
1970		69.3	36		631	37
early 1972		100	—	900		—

CHART 1

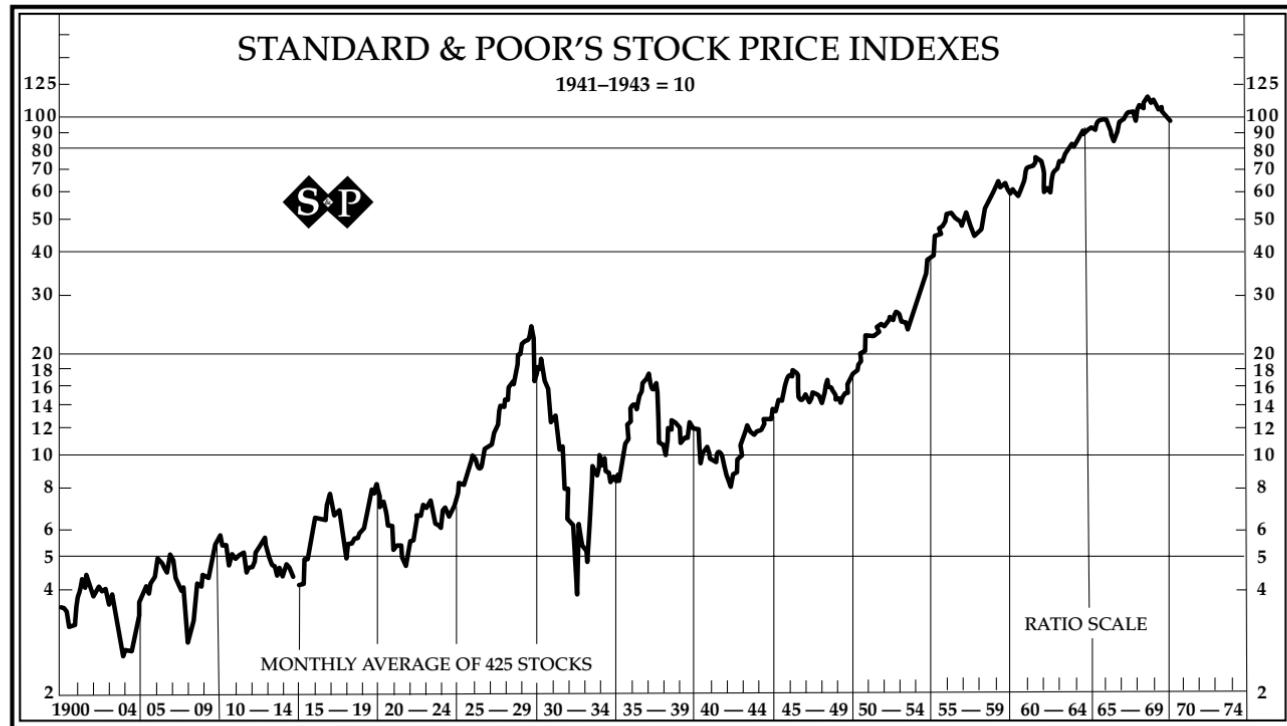


TABLE 3-2 A Picture of Stock-Market Performance, 1871–1970<sup>a</sup>

Period	Average Price	Average Earnings	Average P/E Ratio	Dividend Average	Average Yield	Average Payout	Annual Growth Rate <sup>b</sup>	
							Earnings	Dividends
1871–1880	3.58	0.32	11.3	0.21	6.0%	67%	—	—
1881–1890	5.00	0.32	15.6	0.24	4.7	75	– 0.64%	–0.66%
1891–1900	4.65	0.30	15.5	0.19	4.0	64	– 1.04	–2.23
1901–1910	8.32	0.63	13.1	0.35	4.2	58	+ 6.91	+5.33
1911–1920	8.62	0.86	10.0	0.50	5.8	58	+ 3.85	+3.94
1921–1930	13.89	1.05	13.3	0.71	5.1	68	+ 2.84	+2.29
1931–1940	11.55	0.68	17.0	0.78	5.1	85	– 2.15	–0.23
1941–1950	13.90	1.46	9.5	0.87	6.3	60	+10.60	+3.25
1951–1960	39.20	3.00	13.1	1.63	4.2	54	+ 6.74	+5.90
1961–1970	82.50	4.83	17.1	2.68	3.2	55	+ 5.80 <sup>c</sup>	+5.40 <sup>c</sup>
1954–1956	38.19	2.56	15.1	1.64	4.3	65	+ 2.40 <sup>d</sup>	+7.80 <sup>d</sup>
1961–1963	66.10	3.66	18.1	2.14	3.2	58	+ 5.15 <sup>d</sup>	+4.42 <sup>d</sup>
1968–1970	93.25	5.60	16.7	3.13	3.3	56	+ 6.30 <sup>d</sup>	+5.60 <sup>d</sup>

<sup>a</sup> The following data based largely on figures appearing in N. Molodovsky's article, "Stock Values and Stock Prices," *Financial Analysts Journal*, May 1960. These, in turn, are taken from the Cowles Commission book *Common Stock Indexes* for years before 1926 and from the spliced-on Standard & Poor's 500-stock composite index for 1926 to date.

<sup>b</sup> The annual growth-rate figures are Molodovsky compilations covering successive 21-year periods ending in 1890, 1900, etc.

<sup>c</sup> Growth rate for 1968–1970 vs. 1958–1960.

<sup>d</sup> These growth-rate figures are for 1954–1956 vs. 1947–1949, 1961–1963 vs. 1954–1956, and for 1968–1970 vs. 1958–1960.

TABLE 3-3 Data Relating to Standard &amp; Poor's Composite Index in Various Years

Year <sup>a</sup>	1948	1953	1958	1963	1968	1971
Closing price	15.20	24.81	55.21	75.02	103.9	100 <sup>d</sup>
Earned in current year	2.24	2.51	2.89	4.02	5.76	5.23
Average earnings of last 3 years	1.65	2.44	2.22	3.63	5.37	5.53
Dividend in current year	.93	1.48	1.75	2.28	2.99	3.10
High-grade bond interest <sup>a</sup>	2.77%	3.08%	4.12%	4.36%	6.51%	7.57%
Wholesale-price index	87.9	92.7	100.4	105.0	108.7	114.3
Ratios:						
Price/last year's earnings	6.3 ×	9.9 ×	18.4 ×	18.6 ×	18.0 ×	19.2 ×
Price/3-years' earnings	9.2 ×	10.2 ×	17.6 ×	20.7 ×	19.5 ×	18.1 ×
3-Years' "earnings yield" <sup>c</sup>	10.9 %	9.8 %	5.8 %	4.8 %	5.15%	5.53%
Dividend yield	5.6 %	5.5 %	3.3 %	3.04%	2.87%	3.11%
Stock-earnings yield/bond yield	3.96×	3.20×	1.41×	1.10×	.80×	.72×
Dividend yield/bond yield	2.1 ×	1.8 ×	.80×	.70×	.44×	.41×
Earnings/book value <sup>e</sup>	11.2 %	11.8 %	12.8 %	10.5 %	11.5 %	11.5 %

<sup>a</sup> Yield on S & P AAA bonds.<sup>b</sup> Calendar years in 1948–1968, plus year ended June 1971.<sup>c</sup> "Earnings yield" means the earnings divided by the price, in %.<sup>d</sup> Price in Oct. 1971, equivalent to 900 for the DJIA.<sup>e</sup> Three-year average figures.

FIGURE 3-1

Year	Price/earnings ratio	Total return over next 10 years
1898	21.4	9.2
1900	20.7	7.1
1901	21.7	5.9
1905	19.6	5.0
1929	22.0	-0.1
1936	21.1	4.4
1955	18.9	11.1
1959	18.6	7.8
1961	22.0	7.1
1962	18.6	9.9
1963	21.0	6.0
1964	22.8	1.2
1965	23.7	3.3
1966	19.7	6.6
1967	21.8	3.6
1968	22.3	3.2
1972	18.6	6.7
1992	20.4	9.3
Averages	20.8	6.0

Sources: [http://aida.econ.yale.edu/~shiller/data/ie\\_data.htm](http://aida.econ.yale.edu/~shiller/data/ie_data.htm);

Jack Wilson and Charles Jones, "An Analysis of the S & P 500 Index and Cowles' Extensions: Price Index and Stock Returns, 1870–1999," *The Journal of Business*, vol. 75, no. 3, July, 2002, pp. 527–529; Ibbotson Associates.

Notes: Price/earnings ratio is Shiller calculation (10-year average real earnings of S & P 500-stock index divided by December 31 index value). Total return is nominal annual average.

FIGURE 4-1 The Wide World of Bonds

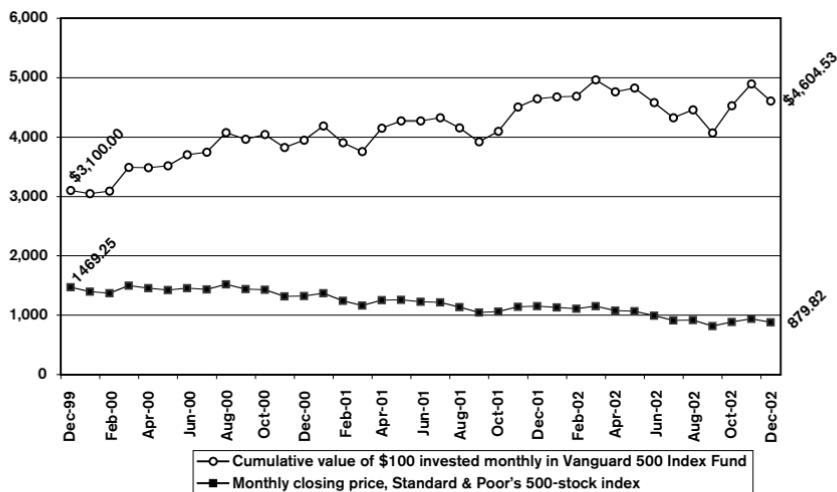
Type	Maturity	Minimum purchase	Risk of default	Risk if interest rates rise	Ease of sale before maturity	Exempt from most state income taxes?	Exempt from Federal income tax?	Benchmark	Yield 12/31/2002
Treasury bills	Less than one year	\$1,000 (D)	Extremely low	Very low	High	Y	N	90-day	1.2
Treasury notes	Between one and 10 years	\$1,000 (D)	Extremely low	Moderate	High	Y	N	5-year 10 year	2.7 3.8
Treasury bonds	More than 10 yrs	\$1,000 (D)	Extremely low	High	High	Y	N	30-year	4.8
Savings bonds	Up to 30 years	\$25 (D)	Extremely low	Very low	Low	Y	N	EE bond Series bought after May 1995	4.2
Certificates of deposit	One month to 5 yrs	Usually \$500	Very low; insured up to \$100,000	Low	Low	N	N	1-year nat'l. avg.	1.5
Money-market funds	397 days or less	Usually \$2,500	Very low	Low	High	N	N	Taxable money market avg.	0.8
Mortgage debt	One to 30 yrs	\$2,000–3,000 (F)	Generally moderate but can be high	Moderate to high	Moderate to low	N	N	Lehman Bros. MBS Index	4.6
Municipal bonds	One to 30 yrs or more	\$5,000 (D); \$2,000–\$3,000 (F)	Generally moderate but can be high	Moderate to high	Moderate to low	N	Y	National Long-Term Mutual Fund avg.	4.3
Preferred stock	Indefinite	None	High	High	Moderate to low	N	N	None	Highly variable
High-yield ("junk") bonds	Seven to 20 yrs	\$2,000–\$3,000 (F)	High	Moderate	Low	N	N	Merrill Lynch High Yield Index	11.9
Emerging-markets debt	Up to 30 yrs	\$2,000–\$3,000 (F)	High	Moderate	Low	N	N	Emerg. Mkts Bond fund avg.	8.8

Sources: Bankrate.com, Bloomberg, Lehman Brothers, Merrill Lynch, Morningstar, [www.savingsbonds.gov](http://www.savingsbonds.gov)

Notes: (D): purchased directly. (F): purchased through a mutual fund. "Ease of sale before maturity" indicates how readily you can sell at a fair price before maturity date; mutual funds typically offer better ease of sale than individual bonds. Money-market funds are Federally insured up to \$100,000 if purchased at an FDIC-member bank, but otherwise carry only an implicit pledge not to lose value. Federal income tax on savings bonds is deferred until redemption or maturity. Municipal bonds are generally exempt from state income tax only in the state where they were issued.

FIGURE 5-1

## Every Little Bit Helps

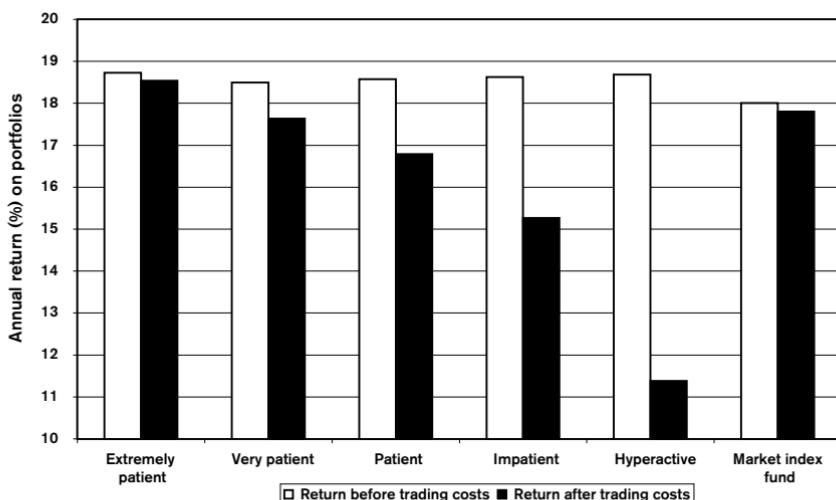


*From the end of 1999 through the end of 2002, the S & P 500-stock average fell relentlessly. But if you had opened an index-fund account with a \$3,000 minimum investment and added \$100 every month, your total outlay of \$6,600 would have lost 30.2%—considerably less than the 41.3% plunge in the market. Better yet, your steady buying at lower prices would build the base for an explosive recovery when the market rebounds.*

Source: The Vanguard Group

FIGURE 6-1

### The Faster You Run, the Behinder You Get

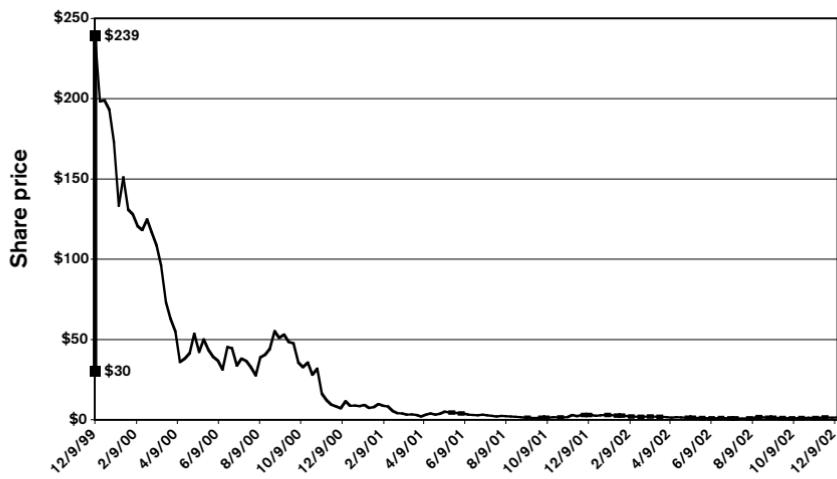


Researchers Brad Barber and Terrance Odean divided thousands of traders into five tiers based on how often they turned over their holdings. Those who traded the least (at the left) kept most of their gains. But the impatient and hyperactive traders made their brokers rich, not themselves. (The bars at the far right show a market index fund for comparison.)

Source: Profs. Brad Barber, University of California at Davis, and Terrance Odean, University of California at Berkeley

FIGURE 6-2

## The Legend of VA Linux



Sources: VA Linux Systems Inc.; [www.morningstar.com](http://www.morningstar.com)

TABLE 7-1 Average Results of "Growth Funds," 1961–1970<sup>a</sup>

	<i>1 year</i> 1970	<i>5 years</i> 1966–1970	<i>10 years</i> 1961–1970	<i>1970</i> Dividend Return
17 large growth funds	– 7.5%	+23.2%	+121.1%	2.3%
106 smaller growth funds—group A	–17.7	+20.3	+102.1	1.6
38 smaller growth funds—group B	– 4.7	+23.2	+106.7	1.4
15 funds with "growth" in their name	–14.2	+13.8	+ 97.4	1.7
Standard & Poor's composite	+ 3.5%	+16.1	+104.7	3.4
Dow Jones Industrial Average	+ 8.7	+ 2.9	+ 83.0	3.7

<sup>a</sup> These figures are supplied by Wiesenberger Financial Services.

TABLE 7-2 Average Annual Percentage Gain or Loss on Test Issues, 1937–1969

<i>Period</i>	<i>10 Low-Multiplier Issues</i>	<i>10 High-Multiplier Issues</i>	<i>30 DJIA Stocks</i>
1937–1942	– 2.2	–10.0	– 6.3
1943–1947	17.3	8.3	14.9
1948–1952	16.4	4.6	9.9
1953–1957	20.9	10.0	13.7
1958–1962	10.2	– 3.3	3.6
1963–1969 (8 years)	8.0	4.6	4.0

TABLE 7-3 Chrysler Common Prices and Earnings, 1952–1970

<i>Year</i>	<i>Earnings Per Share</i>	<i>High or Low Price</i>	<i>P/E Ratio</i>
1952	\$ 9.04	H 98	10.8
1954	2.13	L 56	26.2
1955	11.49	H 101½	8.8
1956	2.29	L 52 (in 1957)	22.9
1957	13.75	H 82	6.7
1958	(def.) 3.88	L 44 <sup>a</sup>	—
1968	24.92 <sup>b</sup>	H 294 <sup>b</sup>	11.8
1970	def.	L 65 <sup>b</sup>	—

<sup>a</sup> 1962 low was 37½.

<sup>b</sup> Adjusted for stock splits. def.: Net loss.

TABLE 7-4 Profit Experience of Undervalued Stocks, 1957–1959

<i>Location of Market</i>	<i>Number of Companies</i>	<i>Aggregate Net Current Assets Per Share</i>	<i>Aggregate Price Dec. 1957</i>	<i>Aggregate Price Dec. 1959</i>
New York S.E.	35	\$ 748	\$ 419	\$ 838
American S.E.	25	495	289	492
Midwest S.E.	5	163	87	141
Over the counter	<u>20</u>	<u>425</u>	<u>288</u>	<u>433</u>
Total	85	\$1,831	\$1,083	\$1,904

FIGURE 7-1 Up, Up, and Away

		1995	1996	1997	1998	1999
<b>General Electric</b>	Revenues (\$ millions)	43,013	46,119	48,952	51,546	55,645
	Earnings per share (\$)	0.65	0.73	0.83	0.93	1.07
	Yearly stock return (%)	44.5	40.0	50.6	40.7	53.2
	Year-end price/earnings ratio	18.4	22.8	29.9	36.4	47.9
<b>Home Depot</b>	Revenues (\$ millions)	15,470	19,536	24,156	30,219	38,434
	Earnings per share (\$)	0.34	0.43	0.52	0.71	1.00
	Yearly stock return (%)	4.2	5.5	76.8	108.3	68.8
	Year-end price/earnings ratio	32.3	27.6	37.5	61.8	73.7
<b>Sun Microsystems</b>	Revenues (\$ millions)	5,902	7,095	8,598	9,791	11,726
	Earnings per share (\$)	0.11	0.17	0.24	0.29	0.36
	Yearly stock return (%)	157.0	12.6	55.2	114.7	261.7
	Year-end price/earnings ratio	20.3	17.7	17.9	34.5	97.7

Sources: Bloomberg, Value Line

Notes: Revenues and earnings for fiscal years; stock return for calendar years; price/earnings ratio is December 31 price divided by reported earnings for previous four quarters.

FIGURE 7-2 Look Out Below

	Stock price 12/31/99	Stock price 12/31/02	P/E ratio 12/31/99	P/E ratio March
<b>2003</b>				
General Electric	\$51.58	\$24.35	48.1	15.7
Home Depot	\$68.75	\$23.96	97.4	14.3
Sun Microsystems	\$38.72	\$38.72	123.3	n/a

n/a: Not applicable; Sun had net loss in 2002.

Sources: [www.morningstar.com](http://www.morningstar.com), [yahoo.marketguide.com](http://yahoo.marketguide.com)

TABLE 8-1 Fluctuations in Bond Yields, and in Prices of Two Representative Bond Issues, 1902–1970

	<i>Bond Yields</i>		<i>Bond Prices</i>		
	S & P		A. T. & S. F. 4s, 1995	Nor. Pac. 3s, 2047	
	AAA Composite	S & P Municipals			
1902 low	4.31%	3.11%	1905 high	105½	79
1920 high	6.40	5.28	1920 low	69	49½
1928 low	4.53	3.90	1930 high	105	73
1932 high	5.52	5.27	1932 low	75	46¾
1946 low	2.44	1.45	1936 high	117¼	85¼
1970 high	8.44	7.06	1939–40 low	99½	31½
1971 close	7.14	5.35	1946 high	141	94%
			1970 low	51	32%
			1971 close	64	37¼

FIGURE 8-1 From Stinkers to Stars

Company	Business	Total Return				Final value of \$1,000 invested 1/1/1999
		1999	2000	2001	2002	
Angelica	industrial uniforms	-43.7	1.8	19.3	94.1	1,328
Ball Corp.	metal & plastic packaging	-12.7	19.2	55.3	46.0	2,359
Checkers Drive-In Restaurants	fast food	-45.5	63.9	66.2	2.1	1,517
Family Dollar Stores	discount retailer	-25.1	33.0	41.1	5.0	1,476
International Game Technology	gambling equipment	-16.3	136.1	42.3	11.2	3,127
J B Hunt Transportation	trucking	-39.1	21.9	38.0	26.3	1,294
Jos. A. Bank Clothiers	apparel	-62.5	50.0	57.1	201.6	2,665
Lockheed Martin	defense & aerospace	-46.9	58.0	39.0	24.7	1,453
Pier 1 Imports	home furnishings	-33.2	63.9	70.5	10.3	2,059
UST Inc.	snuff tobacco	-23.5	21.6	32.2	1.0	1,241
Wilshire Internet Index		139.1	-55.5	-46.2	-45.0	315
Wilshire 5000 index (total stock market)		23.8	-10.9	-11.0	-20.8	778

Sources: Aronson + Johnson + Ortiz, L.P.; [www.wilshire.com](http://www.wilshire.com)

TABLE 9-1 Management Results of Ten Large Mutual Funds<sup>a</sup>

	(Indicated)				Net Assets, December 1970 (millions)
	5 years, 1961-1965 (all +)	5 years, 1966-1970	10 years, 1961-1970 (all +)	1969	1970
Affiliated Fund	71%	+19.7%	105.3%	-14.3%	+2.2%
Dreyfus	97	+18.7	135.4	-11.9	-6.4
Fidelity Fund	79	+31.8	137.1	-7.4	+2.2
Fundamental Inv.	79	+ 1.0	81.3	-12.7	-5.8
Invest. Co. of Am.	82	+37.9	152.2	-10.6	+2.3
Investors Stock Fund	54	+ 5.6	63.5	-80.0	-7.2
Mass. Inv. Trust	18	+16.2	44.2	- 4.0	+0.6
National Investors	61	+31.7	112.2	+ 4.0	-9.1
Putnam Growth	62	+22.3	104.0	-13.3	-3.8
United Accum.	74	- 2.0	72.7	-10.3	-2.9
Average	72	18.3	105.8	- 8.9	-2.2
Standard & Poor's composite index	77	+16.1	104.7	- 8.3	+3.5
DJIA	78	+ 2.9	83.0	-11.6	+8.7
					\$13,628 (total)

<sup>a</sup> These are the stock funds with the largest net assets at the end of 1970, but using only one fund from each management group. Data supplied by Wiesenberger Financial Services.

TABLE 9-2 A Performance-Fund Portfolio and Performance  
(Larger Holdings of Manhattan Fund, December 31, 1969)

<i>Shares Held (thousands)</i>	<i>Issue</i>	<i>Price</i>	<i>Earned 1969</i>	<i>Dividend 1969</i>	<i>Market Value (millions)</i>
60	Teleprompter	99	\$ .99	none	\$ 6.0
190	Deltona	60½	2.32	none	11.5
280	Fedders	34	1.28	\$.35	9.5
105	Horizon Corp.	53½	2.68	none	5.6
150	Rouse Co.	34	.07	none	5.1
130	Mattel Inc.	64½	1.11	.20	8.4
120	Polaroid	125	1.90	.32	15.0
244 <sup>a</sup>	Nat'l Student Mkt'g	28½	.32	none	6.1
56	Telex Corp.	90½	.68	none	5.0
100	Bausch & Lomb	77½	1.92	.80	7.8
190	Four Seasons Nursing	66	.80	none	12.3 <sup>b</sup>
20	Int. Bus. Machines	365	8.21	3.60	7.3
41.5	Nat'l Cash Register	160	1.95	1.20	6.7
100	Saxon Ind.	109	3.81	none	10.9
105	Career Academy	50	.43	none	5.3
285	King Resources	28	.69	none	8.1
					\$130.6
				Other common stocks	93.8
				Other holdings	19.6
				Total investments <sup>c</sup>	\$244.0

<sup>a</sup> After 2-for-1 split.

<sup>b</sup> Also \$1.1 million of affiliated stocks.

<sup>c</sup> Excluding cash equivalents.

#### Annual Performance Compared with S & P Composite Index

	1966	1967	1968	1969	1970	1971
Manhattan Fund	- 6 %	+38.6% - 7.3%	- 13.3%	-36.9%	+ 9.6%	
S & P Composite	-10.1%	+23.0% +10.4%	- 8.3%	+ 3.5%	+13.5%	

TABLE 9-3 Certain Data on Closed-End Funds, Mutual Funds, and S & P Composite Index

Year	Average Discount of Closed-End Funds	Average Results of Closed-End Funds <sup>a</sup>	Average Results of Mutual Stock Funds <sup>b</sup>	Average Results of S & P Index <sup>c</sup>
1970	- 6%	even	- 5.3%	+ 3.5%
1969		- 7.9%	-12.5	- 8.3
1968	(+ 7) <sup>d</sup>	+13.3	+15.4	+10.4
1967	- 5	+28.2	+37.2	+23.0
1966	-12	- 5.9	- 4.1	-10.1
1965	-14	+14.0	+24.8	+12.2
1964	-10	+16.9	+13.6	+14.8
1963	- 8	+20.8	+19.3	+24.0
1962	- 4	-11.6	-14.6	- 8.7
1961	- 3	+23.6	+25.7	+27.0
Average of 10 yearly figures:		+ 9.14%	+ 9.95%	+ 9.79%

<sup>a</sup> Wiesenberger average of ten diversified companies.

<sup>b</sup> Average of five Wiesenberger averages of common-stock funds each year.

<sup>c</sup> In all cases distributions are added back.

<sup>d</sup> Premium.

TABLE 9-4 Average Results of Diversified Closed-End Funds, 1961-1970<sup>a</sup>

		5 years, 1970	1966-1970	1961-1970	Premium or Discount, December 1970
Three funds selling at premiums	-5.2%	+25.4%	+115.0%	11.4% premi- um	
Ten funds selling at discounts	+1.3	+22.6	+102.9	9.2% discount	

<sup>a</sup> Data from Wiesenberger Financial Services.

TABLE 9-5 Comparison of Two Leading Closed-End Companies<sup>a</sup>

		<i>5 years, 1970</i>	<i>10 years, 1966-1970</i>	<i>Premium or Discount, December 1970</i>
General Am.				
Investors Co.	-0.3%	+34.0%	+165.6%	7.6% discount
Lehman Corp.	-7.2	+20.6	+108.0	13.9% premium

<sup>a</sup> Data from Wiesenberger Financial Services.

FIGURE 9-1 The Crash-and-Burn Club

Fund	Total Return				Value on 12/31/02 of \$10,000 invested on 1/1/1999
	1999	2000	2001	2002	
Van Wagoner Emerging Growth	291.2	-20.9	-59.7	-64.6	4,419
Monument Internet	273.1	-56.9	-52.2	-51.2	3,756
Amerindo Technology	248.9	-64.8	-50.8	-31.0	4,175
PBHG Technology & Communications	243.9	-43.7	-52.4	-54.5	4,198
Van Wagoner Post-Venture	237.2	-30.3	-62.1	-67.3	2,907
ProFunds Ultra OTC	233.2	-73.7	-69.1	-69.4	829
Van Wagoner Technology	223.8	-28.1	-61.9	-65.8	3,029
Thurlow Growth	213.2	-56.0	-26.1	-31.0	7,015
Firsthands Technology Innovators	212.3	-37.9	-29.1	-54.8	6,217
Janus Global Technology	211.6	-33.7	-40.0	-40.9	7,327
Wilshire 5000 index (total stock market)	23.8	-10.9	-11.0	-20.8	7,780

Source: Lipper

Note: Monument Internet was later renamed Orbitex Emerging Technology.

*These 10 funds were among the hottest performers of 1999—and, in fact, among the highest annual performers of all time. But the next three years erased all the giant gains of 1999, and then some.*

FIGURE 9-2 The Funnel of Fund Performance

*Looking back from December 31, 2002, how many U.S. stock funds outperformed Vanguard 500 Index Fund?*

One year:  
1,186 of 2,423 funds (or 48.9%)

Three years:  
1,157 of 1,944 funds (or 59.5%)

Five years:  
768 of 1,494 funds (or 51.4%)

Ten years:  
227 of 728 funds (or 31.2%)

Fifteen years:  
125 of 445 funds (or 28.1%)

Twenty years:  
37 of 248 funds (or 14.9%)

Source: Lipper Inc.

TABLE 11-1 Recommended Minimum "Coverage" for Bonds and Preferred Stocks

*A. For Investment-grade Bonds*

Minimum Ratio of Earnings to Total Fixed Charges:

Type of enterprise	Before Income Taxes		After Income Taxes	
	Average of Past 7 Years	Alternative: Measured by "Poorest Year"	Average of Past 7 Years	Alternative: Measured by "Poorest Year"
<b>Public-utility operating company</b>				
4 times	3 times	2.65 times	2.10 times	
Railroad	5	4	3.20	2.65
Industrial	7	5	4.30	3.20
Retail concern	5	4	3.20	2.65

*B. For Investment-grade Preferred Stocks*

The same minimum figures as above are required to be shown by the ratio of earnings before income taxes to the sum of fixed charges plus twice preferred dividends.

NOTE: The inclusion of twice the preferred dividends allows for the fact that preferred dividends are not income-tax deductible, whereas interest charges are so deductible.

*C. Other Categories of Bonds and Preferreds*

The standards given above are not applicable to (1) public-utility holding companies, (2) financial companies, (3) real-estate companies. Requirements for these special groups are omitted here.

TABLE 11-2 The Dow Jones Industrial Average  
 (The Value Line's Forecast for 1967-1969 (Made in Mid-1964) Compared  
 With Actual Results in 1968)

	Earnings		Price	Price	Average
	Forecast 1967-1969	Actual 1968 <sup>a</sup>	June 30 1964	Forecast 1967-1969	Price 1968 <sup>a</sup>
Allied Chemical	\$3.70	\$1.46	54½	67	36½
Aluminum Corp. of Am.	3.85	4.75	71½	85	79
American Can	3.50	4.25	47	57	48
American Tel. & Tel.	4.00	3.75	73½	68	53
American Tobacco	3.00	4.38	51½	33	37
Anaconda	6.00	8.12	44½	70	106
Bethlehem Steel	3.25	3.55	36½	45	31
Chrysler	4.75	6.23	48½	45	60
Du Pont	8.50	7.82	253	240	163
Eastman Kodak	5.00	9.32	133	100	320
General Electric	4.50	3.95	80	90	90½
General Foods	4.70	4.16	88	71	84½
General Motors	6.25	6.02	88	78	81½
Goodyear Tire	3.25	4.12	43	43	54
Internat. Harvester	5.75	5.38	82	63	69
Internat. Nickel	5.20	3.86	79	83	76
Internat. Paper	2.25	2.04	32	36	33
Johns Manville	4.00	4.78	57½	54	71½
Owens-Ill. Glass	5.25	6.20	99	100	125½
Procter & Gamble	4.20	4.30	83	70	91
Sears Roebuck	4.70	5.46	118	78	122½
Standard Oil of Cal.	5.25	5.59	64½	60	67
Standard Oil of N.J.	6.00	5.94	87	73	76
Swift & Co.	3.85	3.41 <sup>b</sup>	54	50	57
Texaco	5.50	6.04	79½	70	81
Union Carbide	7.35	5.20	126½	165	90
United Aircraft	4.00	7.65	49½	50	106
U.S. Steel	4.50	4.69	57½	60	42
Westinghouse Elec.	3.25	3.49	30½	50	69
Woolworth	2.25	2.29	29½	32	29½
Total	138.25	149.20	2222	2186	2450
DJIA (Total % 2.67)	52.00	56.00	832	820	918 <sup>c</sup>
DJIA Actual 1968	57.89				906 <sup>c</sup>
DJIA Actual 1967-1969	56.26				

<sup>a</sup> Adjusted for stock-splits since 1964.

<sup>b</sup> Average 1967-1969.

<sup>c</sup> Difference due to changed divisor.

TABLE 11-3 Performance of Chemical and Oil Stocks in the DJIA, 1970 versus 1964

	Closing Price	1963 Earned Per Share	P/E Ratio	Closing Price	1970 Earned Per Share	P / E Ratio
<b>Chemical companies:</b>						
Allied Chemical	55	2.77	19.8 ×	24½	1.56	15.5 ×
Du Pont <sup>a</sup>	77	6.55	23.5	133½	6.76	19.8
Union Carbide <sup>b</sup>	60½	2.66	22.7	40	2.60	15.4
			25.3 ave.			
<b>Oil companies:</b>						
Standard Oil of Cal.	59½	4.50	13.2 ×	54½	5.36	10.2 ×
Standard Oil of N.J.	76	4.74	16.0	73½	5.90	12.4
Texaco <sup>b</sup>	35	2.15	16.3	35	3.02	11.6
			15.3 ave.			

<sup>a</sup> 1963 figures adjusted for distribution of General Motors shares.

<sup>b</sup> 1963 figures adjusted for subsequent stock splits.

TABLE 11-4 Annual Earnings Multipliers Based on Expected Growth Rates,  
Based on a Simplified Formula

Expected growth rate	0.0%	2.5%	5.0%	7.2%	10.0%	14.3%	20.0%
Growth in 10 years	0.0	28.0%	63.0%	100.0%	159.0%	280.0%	319.0%
Multiplier of current earnings	8.5	13.5	18.5	22.9	28.5	37.1	48.5

TABLE 11-5 Implicit or Expected Growth Rates, December 1963 and December 1969

Issue	P/E Ratio, 1963	Projected <sup>a</sup>	Earned Per Share		Actual Annual Growth, 1963–1969	P/E Ratio, 1969	Projected <sup>a</sup>
		Growth Rate, 1963	1963	1969	1963–1969		Growth Rate, 1969
American Tel. & Tel.	23.0	×	7.3%	3.03	4.00	4.75%	12.2
General Electric	29.0		10.3	3.00	3.79 <sup>b</sup>	4.0	20.4
General Motors	14.1		2.8	5.55	5.95	1.17	11.6
IBM	38.5		15.0	3.48 <sup>c</sup>	8.21	16.0	44.4
International Harvester	13.2		2.4	2.29 <sup>c</sup>	2.30	0.1	10.8
Xerox	25.0		32.4	.38 <sup>c</sup>	2.08	29.2	50.8
DJIA	18.6		5.1	41.11	57.02	5.5	14.0

<sup>a</sup> Based on formula on p. 295.

<sup>b</sup> Average of 1968 and 1970, since 1969 earnings were reduced by strike.

<sup>c</sup> Adjusted for stock splits.

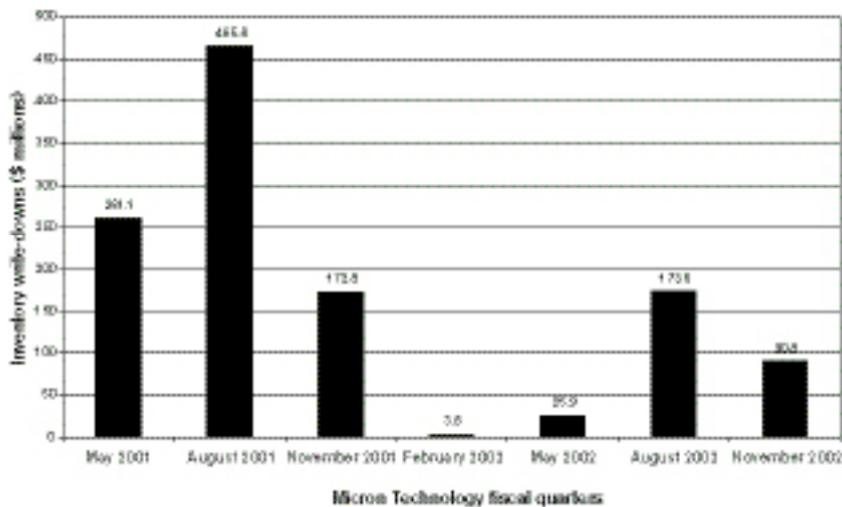
TABLE 12-1

	ALCOA	Sears Roebuck	DJIA
Average earnings 1968–1970	\$4.95 <sup>a</sup>	\$2.87	\$55.40
Average earnings 1958–1960	2.08	1.23	31.49
Growth	141.0%	134.0%	75.0%
Annual rate (compounded)	9.0%	8.7%	5.7%

<sup>a</sup> Three-fifths of special charges of 82 cents in 1970 deducted here.

FIGURE 12-1

### A Block of the Old Chips



Source: Micron Technology's financial reports.

TABLE 13-1 A Comparison of Four Listed Companies

	ELTRA	Emerson Electric	Emery Air Freight	E m h a r t Corp.
<b>A. Capitalization</b>				
Price of common, Dec. 31, 1970	27	66	57 <sup>3/4</sup>	32 <sup>3/4</sup>
Number of shares of common	7,714,000	24,884,000 <sup>a</sup>	3,807,000	4,932,000
Market value of common	\$208,300,000	\$1,640,000,000	\$220,000,000	\$160,000,000
Bonds and preferred stock	8,000,000	42,000,000		9,200,000
Total capitalization	216,300,000	1,682,000,000	220,000,000	169,200,000
<b>B. Income Items</b>				
Sales, 1970	\$454,000,000	\$657,000,000	\$108,000,000	\$227,000,000
Net income, 1970	20,773,000	54,600,000	5,679,000	13,551,000
Earned per share, 1970	\$2.70	\$2.30	\$1.49	\$2.75 <sup>b</sup>
Earned per share, ave., 1968-1970	2.78	2.10	1.28	2.81
Earned per share, ave., 1963-1965	1.54	1.06	.54	2.46
Earned per share, ave., 1958-1960	.54	.57	.17	1.21
Current dividend	1.20	1.16	1.00	1.20
<b>C. Balance-sheet Items, 1970</b>				
Current assets	\$205,000,000	\$307,000,000	\$20,400,000	\$121,000,000
Current liabilities	71,000,000	72,000,000	11,800,000	34,800,000
Net assets for common stock	207,000,000	257,000,000	15,200,000	133,000,000
Book value per share	\$27.05	\$10.34	\$3.96	\$27.02

<sup>a</sup> Assuming conversion of preferred stock.

<sup>b</sup> After special charge of 13 cents per share.

<sup>c</sup> Year ended Sept. 1970.

TABLE 13-2 A Comparison of Four Listed Companies (continued)

son	Emery	E	m	e	r	-
	ELTRA	E	m	h	a	t
	Electric	Air Freight				
<b>B. Ratios</b>						
Price / earnings, 1970	10.0 ×	30.0 ×	38.5 ×	11.9 ×		
Price / earnings, 1968–1970	9.7 ×	33.0 ×	45.0 ×	11.7 ×		
Price / book value	1.00 ×	6.37 ×	14.3 ×	1.22 ×		
Net / sales, 1970	4.6 %	8.5 %	5.4 %	5.7 %		
Net per share / book value	10.0 %	22.2 %	34.5 %	10.2 %		
Dividend yield	4.45 %	1.78 %	1.76 %	3.65 %		
Current assets to						
current liabilities	2.9 ×	4.3 ×	1.7 ×	3.4 ×		
Working capital / debt	Very large	5.6 ×	no debt	3.4 ×		
Earnings growth per share:						
1968–1970 vs. 1963–1965	+ 81%	+ 87%	+ 135%	+ 14 %		
1968–1970 vs. 1958–1970	+400%	+250%	Very large	+132%		
<b>C. Price Record</b>						
1936–1968 Low	¾	1	½	3½		
High	50¼	61½	66	58½		
1970 Low	18%	42%	41	23½		
1971 High	29%	78¾	72	44¾		

FIGURE 13-1 E-valuations

	Emerson Electric	EMC Corp.	Exodus Communications, Inc.	Expeditors International of Washington
Capitalization				
Closing price, 12/31/99, \$ per share	57.37	54.62	44.41	21.68
Total return, 1999 (%)	-3.1	157.1	1005.8	109.1
Total market cap, 12/31/99, \$ millions	24845.9	111054.3	14358.4	2218.8
Total debt (including preferred stock), \$ millions	4600.1	27.1	2555.7	0
Earnings				
Total revenues, 1999, \$ millions	14385.8	6715.6	242.1	1444.6
Net income, 1999, \$ millions	1313.6	1010.6	-130.3	59.2
Earnings growth, 1995 through 1999 (average annual %)	7.7	28.8	NM	19.8
Earnings per share (EPS), 1999 (\$ fully diluted)	3.00	0.53	-0.38	0.55
EPS growth rate, 1995–1999 (average annual %)	8.3	28.8	NM	25.8
Annual dividend (\$ per share), 1999	1.30	0	0	0.08
Balance sheet				
Current assets, \$ millions	5124.4	4320.4	1093.2	402.7
Current liabilities, \$ millions	4590.4	1397.9	150.6	253.1
Book value per share (\$ 12/31/99)	14.27	2.38	0.05	2.79
Valuation				
Price/earnings ratio (x)	17.7	103.1	NM	39.4
Price/book value (x)	3.7	22.9	888.1	7.8
Net income/revenues (% net profit margin)	9.2	17.4	NM	4.1
Net income/book value (%)	21.0	22.2	NM	19.7
Working capital/debt (x)	0.1	107.8	0.4	no debt
Market cap/revenues (x)	1.7	16.5	59.3	1.5

Sources: Value Line, Thomson/Baseline, Bloomberg, finance.yahoo.com, the companies' SEC filings

Notes: All figures adjusted for later stock splits. Debt, revenue, and earnings are for fiscal years. Market cap: total value of common stock.

NM: not meaningful.

TABLE 14-1 Basic Data on 30 Stocks in the Dow Jones Industrial Average at September 30, 1971

	"Earnings Per Share" <sup>a</sup>						Net Asset Value	Current Div.
	Price Sept. 30, 1971	Ave. Sept. 30, 1971	Ave. 1968– 1970	Ave. 1958– 1960	Div. Since			
		1887	26.02	1.20	1939	55.01	1.80	
Allied Chemical	32½	1.40	1.82	2.14	1887	26.02	1.20	
Aluminum Co. of Am.	45½	4.25	5.18	2.08	1939	55.01	1.80	
Amer. Brands	43½	4.32	3.69	2.24	1905	13.46	2.10	
Amer. Can	33¾	2.68	3.76	2.42	1923	40.01	2.20	
Amer. Tel. & Tel.	43	4.03	3.91	2.52	1881	45.47	2.60	
Anaconda	15	2.06	3.90	2.17	1936	54.28	none	
Bethlehem Steel	25½	2.64	3.05	2.62	1939	44.62	1.20	
Chrysler	28½	1.05	2.72	(0.13)	1926	42.40	0.60	
DuPont	154	6.31	7.32	8.09	1904	55.22	5.00	
Eastman Kodak	87	2.45	2.44	0.72	1902	13.70	1.32	
General Electric	61¼	2.63	1.78	1.37	1899	14.92	1.40	
General Foods	34	2.34	2.23	1.13	1922	14.13	1.40	
General Motors	83	3.33	4.69	2.94	1915	33.39	3.40	
Goodyear	33½	2.11	2.01	1.04	1937	18.49	0.85	
Inter. Harvester	28½	1.16	2.30	1.87	1910	42.06	1.40	
Inter. Nickel	31	2.27	2.10	0.94	1934	14.53	1.00	
Inter. Paper	33	1.46	2.22	1.76	1946	23.68	1.50	
Johns-Manville	39	2.02	2.33	1.62	1935	24.51	1.20	
Owens-Illinois	52	3.89	3.69	2.24	1907	43.75	1.35	
Procter & Gamble	71	2.91	2.33	1.02	1891	15.41	1.50	
Sears Roebuck	68½	3.19	2.87	1.17	1935	23.97	1.55	
Std. Oil of Calif.	56	5.78	5.35	3.17	1912	54.79	2.80	
Std. Oil of N.J.	72	6.51	5.88	2.90	1882	48.95	3.90	
Swift & Co.	42	2.56	1.66	1.33	1934	26.74	0.70	
Texaco	32	3.24	2.96	1.34	1903	23.06	1.60	
Union Carbide	43½	2.59	2.76	2.52	1918	29.64	2.00	
United Aircraft	30½	3.13	4.35	2.79	1936	47.00	1.80	
U. S. Steel	29½	3.53	3.81	4.85	1940	65.54	1.60	
Westinghouse	96½	3.26	3.44	2.26	1935	33.67	1.80	
Woolworth	49	2.47	2.38	1.35	1912	25.47	1.20	

<sup>a</sup> Adjusted for stock dividends and stock splits.

<sup>b</sup> Typically for the 12 months ended June 30, 1971.

**TABLE 14-2 Significant Ratios of DJIA Stocks at September 30, 1971**

	Price to Earnings		Current Div. Yield	Earnings Growth 1968-1970 vs. 1958-1960		CA/CL <sup>a</sup>	Price/ Net Asset Value	
	Sept. 1971	1968-1970		1968-1970	1958-1960		NCA/ Debt <sup>b</sup>	
Allied Chemical	18.3 ×	18.0 ×	3.7%	(-15.0%)	2.1 ×	74%	125%	
Aluminum Co. of Am.	10.7	8.8	4.0	149.0%	2.7	51	84	
Amer. Brands	10.1	11.8	5.1	64.7	2.1	138	282	
Amer. Can	12.4	8.9	6.6	52.5	2.1	91	83	
Amer. Tel. & Tel.	10.8	11.0	6.0	55.2	1.1	— <sup>c</sup>	94	
Anaconda	5.7	3.9	—	80.0	2.9	80	28	
Bethlehem Steel	12.4	8.1	4.7	16.4	1.7	68	58	
Chrysler	27.0	10.5	2.1	— <sup>d</sup>	1.4	78	67	
DuPont	24.5	21.0	3.2	(-9.0)	3.6	609	280	
Eastman Kodak	35.5	35.6	1.5	238.9	2.4	1764	635	
General Electric	23.4	34.4	2.3	29.9	1.3	89	410	
General Foods	14.5	15.2	4.1	97.3	1.6	254	240	
General Motors	24.4	17.6	4.1	59.5	1.9	1071	247	
Goodyear	15.8	16.7	2.5	93.3	2.1	129	80	
Inter. Harvester	24.5	12.4	4.9	23.0	2.2	191	66	
Inter. Nickel	13.6	16.2	3.2	123.4	2.5	131	213	
Inter. Paper	22.5	14.0	4.6	26.1	2.2	62	139	
Johns-Manville	19.3	16.8	3.0	43.8	2.6	—	158	
Owens-Illinois	13.2	14.0	2.6	64.7	1.6	51	118	
Procter & Gamble	24.2	31.6	2.1	128.4	2.4	400	460	
Sears Roebuck	21.4	23.8	1.7	145.3	1.6	322	285	
Std. Oil of Calif.	9.7	10.5	5.0	68.8	1.5	79	102	
Std. Oil of N.J.	11.0	12.2	5.4	102.8	1.5	94	115	
Swift & Co.	16.4	25.5	1.7	24.8	2.4	138	158	
Texaco	9.9	10.8	5.0	120.9	1.7	128	138	
Union Carbide	16.6	15.8	4.6	9.5	2.2	86	146	
United Aircraft	9.7	7.0	5.9	55.9	1.5	155	65	
U. S. Steel	8.3	6.7	5.4	(-21.5)	1.7	51	63	
Westinghouse El.	29.5	28.0	1.9	52.2	1.8	145	2.86	
Woolworth	19.7	20.5	2.4	76.3	1.8	185	1.90	

<sup>a</sup> Figures taken for fiscal 1970 year-end co. results.

<sup>b</sup> Figures taken from *Moody's Industrial Manual* (1971).

<sup>c</sup> Debit balance for NCA. (NCA = net current assets.)

<sup>d</sup> Reported deficit for 1958-1960.

TABLE 14-3 DJIA Issues Meeting Certain Investment Criteria at the End of 1970

	American Can	American Tel. & Tel.	Anaconda	Swift	Woolworth	Average, 5 Companies
Price Dec. 31, 1970	39%	48%	21	30%	36½	
Price/earnings, 1970	11.0 ×	12.3 ×	6.7 ×	13.5 ×	14.4 ×	11.6 ×
Price/earnings, 3 years	10.5 ×	12.5 ×	5.4 ×	18.1 × <sup>b</sup>	15.1 ×	12.3 ×
Price/book value	99%	108%	38%	113%	148%	112%
Current assets/current liabilities	2.2 ×	n.a.	2.9 ×	2.3 ×	1.8 × <sup>c</sup>	2.3 ×
Net current assets/debt	110%	n.a.	120%	141%	190%	140%
Stability index <sup>a</sup>	85	100	72	77	99	86
Growth <sup>a</sup>	55%	53%	78%	25%	73%	57%

<sup>a</sup> See definition on p. 338.

<sup>b</sup> In view of Swift's good showing in the poor year 1970, we waive the 1968–1970 deficiency here.

<sup>c</sup> The small deficiency here below 2 to 1 was offset by margin for additional debt financing.

n.a. = not applicable. American Tel. & Tel.'s debt was less than its stock equity.

TABLE 14-4 Data on the Fifteen Stocks in the Dow Jones Utility Average at September 30, 1971

	<i>Price Sept. 30, 1971</i>	<i>Earned<sup>a</sup></i>	<i>Dividend</i>	<i>Book Value</i>	<i>Price/ Earnings</i>	<i>Price/ Book Value</i>	<i>Earns. Per Share</i>
							<i>1970 vs. 1960</i>
Am. Elec. Power	26	2.40	1.70	18.86	11×	138%	6.5% +87%
Cleveland El. Ill.	34½	3.10	2.24	22.94	11	150	6.4 86
Columbia Gas System	33	2.95	1.76	25.58	11	129	5.3 85
Commonwealth Edison	35½	3.05	2.20	27.28	12	130	6.2 56
Consolidated Edison	24½	2.40	1.80	30.63	10	80	7.4 19
Consd. Nat. Gas	27¾	3.00	1.88	32.11	9	86	6.8 53
Detroit Edison	19¼	1.80	1.40	22.66	11	84	7.3 40
Houston Ltg. & Power	42¾	2.88	1.32	19.02	15	222	3.1 135
Niagara-Mohawk Pwr.	15½	1.45	1.10	16.46	11	93	7.2 32
Pacific Gas & Electric	29	2.65	1.64	25.45	11	114	5.6 79
Panhandle E. Pipe L.	32½	2.90	1.80	19.95	11	166	5.5 79
Peoples Gas Co.	31½	2.70	2.08	30.28	8	104	6.6 23
Philadelphia El.	20%	2.00	1.64	19.74	10	103	8.0 29
Public Svcs. El. & Gas	25½	2.80	1.64	21.81	9	116	6.4 80
Sou. Calif. Edison	29¼	2.80	1.50	27.28	10	107	5.1 85
Average	28½	2.66	1.71	23.83	10.7×	121%	6.2% +65%

<sup>a</sup> Estimated for year 1971.

TABLE 14-5 Data on a Second List of Public-Utility Stocks at September 30, 1971

	<i>Price</i>					<i>Price/</i>		<i>Earns.</i> <i>Per Share</i>
	<i>Sept. 30,</i>			<i>Book</i>	<i>Price/</i>	<i>Book</i>	<i>Div.</i>	<i>1970</i>
	<i>1971</i>	<i>Earned</i>	<i>Dividend</i>	<i>Value</i>	<i>Earnings</i>	<i>Value</i>	<i>Yield</i>	<i>vs.</i> <i>1960</i>
Alabama Gas	15½	1.50	1.10	17.80	10 ×	87%	7.1%	+34%
Allegheny Power	22½	2.15	1.32	16.88	10	134	6.0	71
Am. Tel. & Tel.	43	4.05	2.60	45.47	11	95	6.0	47
Am. Water Works	14	1.46	.60	16.80	10	84	4.3	187
Atlantic City Elec.	20½	1.85	1.36	14.81	11	138	6.6	74
Baltimore Gas & Elec.	30¼	2.85	1.82	23.03	11	132	6.0	86
Brooklyn Union Gas	23½	2.00	1.12	20.91	12	112	7.3	29
Carolina Pwr. & Lt.	22½	1.65	1.46	20.49	14	110	6.5	39
Cen. Hudson G. & E.	22½	2.00	1.48	20.29	11	110	6.5	13
Cen. Ill. Lt.	25¼	2.50	1.56	22.16	10	114	6.5	55
Cen. Maine Pwr.	17¾	1.48	1.20	16.35	12	113	6.8	62
Cincinnati Gas & Elec.	23¼	2.20	1.56	16.13	11	145	6.7	102
Consumers Power	29½	2.80	2.00	32.59	11	90	6.8	89
Dayton Pwr. & Lt.	23	2.25	1.66	16.79	10	137	7.2	94
Delmarva Pwr. & Lt.	16½	1.55	1.12	14.04	11	117	6.7	78
Average	23½	2.15	1.50	21.00	11 ×	112%	6.5%	+71%

TABLE 14-6 Development of Prices and Price/Earnings Ratios for Various Standard & Poor's Averages, 1948-1970.

Year	Industrials		Railroads		Utilities	
	Price <sup>a</sup>	P/E Ratio	Price <sup>a</sup>	P/E Ratio	Price <sup>a</sup>	P/E Ratio
1948	15.34	6.56	15.27	4.55	16.77	10.03
1953	24.84	9.56	22.60	5.42	24.03	14.00
1958	58.65	19.88	34.23	12.45	43.13	18.59
1963	79.25	18.18	40.65	12.78	66.42	20.44
1968	113.02	17.80	54.15	14.21	69.69	15.87
1970	100.00	17.84	34.40	12.83	61.75	13.16

<sup>a</sup> Prices are at the close of the year.

TABLE 14-7 Relative Price Movements of Stocks of Various Types of Financial Companies Between 1948 and 1970

	1948	1953	1958	1963	1968	1970
Life insurance	17.1	59.5	156.6	318.1	282.2	218.0
Property and liability insurance	13.7	23.9	41.0	64.7	99.2	84.3
New York City banks	11.2	15.0	24.3	36.8	49.6	44.3
Banks outside New York City	16.9	33.3	48.7	75.9	96.9	83.3
Finance companies	15.6	27.1	55.4	64.3	92.8	78.3
Small-loan companies	18.4	36.4	68.5	118.2	142.8	126.8
Standard & Poor's composite	13.2	24.8	55.2	75.0	103.9	92.2

<sup>a</sup> Year-end figures from Standard & Poor's stock-price indexes. Average of 1941-1943 = 10.

**FIGURE 14-1 Everything New Is Old Again**

Company	Current Assets	Current Liabilities	Ratio of Current Assets to Current Liabilities	Long-Term Debt	Ratio of Long-Term Debt to Working Capital
<b>Applied Micro Circuits</b>					
L i	1091.2	61.9	17.6	0	none
Technology	1736.4	148.1	11.7	0	none
QLogic Corp.	713.1	69.6	10.2	0	none
Analog Devices	3711.1	467.3	7.9	1274.5	0.39
Qualcomm Inc.	4368.5	654.9	6.7	156.9	0.04
<b>Maxim Integrated Products</b>					
Applied Materials	7878.7	1298.4	6.1	573.9	0.09
Tellabs Inc.	1533.6	257.3	6.0	0.5	0.0004
Scientific-Atlanta	1259.8	252.4	5.0	8.8	0.01
Altera Corp.	1176.2	240.5	4.9	0	none
Xilinx Inc.	1108.8	228.1	4.9	0	none
<b>American Power Conversion</b>					
Chiron Corp.	1393.8	306.7	4.5	414.9	0.38
Biogen Inc.	1194.7	265.4	4.5	39	0.04
Novellus Systems	1633.9	381.6	4.3	0	none
Amgen Inc.	6403.5	1529.2	4.2	3039.7	0.62
LSI Logic Corp.	1626.1	397.8	4.1	1287.1	1.05
Rowan Cos.	469.9	116.0	4.1	494.8	1.40
Biomet Inc.	1000.0	248.6	4.0	0	none
Siebel Systems	2588.4	646.5	4.0	315.6	0.16

All figures in millions of dollars from latest available financial statements as of 12/31/02. Working capital is current assets minus current liabilities.

Long-term debt includes preferred stock, excludes deferred tax liabilities.

Sources: Morgan Stanley; Baseline; EDGAR database at [www.sec.gov](http://www.sec.gov).

*In 1999, most of these companies were among the hottest of the market's darlings, offering the promise of high potential growth. By early 2003, they offered hard evidence of true value.*

## **FIGURE 14-2 Steady Eddies**

*These companies have paid higher dividends with each passing year with no exception.*

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Company	Sector	Cash dividends paid each year since . . .	Number of annual dividend increases in
3M Co	Industrials	1916	40
Abbott Laboratories	Health Care	1926	35
ALLTEL Corp	Telecomm. Services	1961	37
Altria Group (formerly Philip Morris)	Consumer Staples	1928	36
AmSouth Bancorp	Financials	1943	34
Anheuser-Busch Cos	Consumer Staples	1932	39
Archer-Daniels-Midland	Consumer Staples	1927	32
Automatic Data Proc	Industrials	1974	29
Avery Dennison Corp	Industrials	1964	36
Bank of America	Financials	1903	36
Bard (C. R.)	Health Care	1960	36
Becton, Dickinson	Health Care	1926	38
CenturyTel Inc	Telecomm. Services	1974	29
Chubb Corp	Financials	1902	28
Clorox Co	Consumer Staples	1968	30
Coca-Cola Co	Consumer Staples	1893	40
Comerica Inc	Financials	1936	39
ConAgra Foods	Consumer Staples	1976	32
Consolidated Edison	Utilities	1885	31
Donnelley(R. R.) & Sons	Industrials	1911	36
Dover Corp	Industrials	1947	37
Emerson Electric	Industrials	1947	40
Family Dollar Stores	Consumer Discretionary	1976	27
First Tenn Natl	Financials	1895	31
Gannett Co	Consumer Discretionary	1929	35
General Electric	Industrials	1899	35
Grainger (W. W.)	Industrials	1965	33
Heinz (H. J.)	Consumer Staples	1911	38

Household Intl.	Financials	1926	40
Jefferson-Pilot	Financials	1913	36
Johnson & Johnson	Health Care	1944	40
Johnson Controls	Consumer Discretionary	1887	29
KeyCorp	Financials	1963	36
Kimberly-Clark	Consumer Staples	1935	34
Leggett & Platt	Consumer Discretionary	1939	33
Lilly (Eli)	Health Care	1885	38
Lowe's Cos.	Consumer Discretionary	1961	40
May Dept Stores	Consumer Discretionary	1911	31
McDonald's Corp.	Consumer Discretionary	1976	27
McGraw-Hill Cos.	Consumer Discretionary	1937	35
Merck & Co	Health Care	1935	38
Nucor Corp.	Materials	1973	30
PepsiCo Inc.	Consumer Staples	1952	35
Pfizer, Inc.	Health Care	1901	39
PPG Indus.	Materials	1899	37
Procter & Gamble	Consumer Staples	1891	40
Regions Financial	Financials	1968	32
Rohm & Haas	Materials	1927	38
Sigma-Aldrich	Materials	1970	28
Stanley Works	Consumer Discretionary	1877	37
Supervalu Inc.	Consumer Staples	1936	36
Target Corp.	Consumer Discretionary	1965	34
TECO Energy	Utilities	1900	40
U.S. Bancorp	Financials	1999	35
VF Corp.	Consumer Discretionary	1941	35
Wal-Mart Stores	Consumer Discretionary	1973	29
Walgreen Co.	Consumer Staples	1933	31

Source: Standard & Poor's Corp.

Data as of 12/31/2002.

TABLE 15-1 A Sample Portfolio of Low-Multiplier Industrial Stocks

(The First Fifteen Issues in the *Stock Guide* at December 31, 1971, Meeting Six Requirements)

	Earned		Book Value	S & P Ranking	Price Feb. 1972
	Price Dec. 1970	Per Share Last 12 Months			
Aberdeen Mfg.	10½	\$1.25	\$9.33	B	13½
Alba-Waldensian	6%	.68	9.06	B+	6%
Albert's Inc.	8½	1.00	8.48	n.r. <sup>a</sup>	14
Allied Mills	24½	2.68	24.38	B+	18½
Am. Maize Prod.	9¼	1.03	10.68	A	16½
Am. Rubber & Plastics	13¾	1.58	15.06	B	15
Am. Smelt. & Ref.	27½	3.69	25.30	B+	23½
Anaconda	21	4.19	54.28	B+	19
Anderson Clayton	37½	4.52	65.74	B+	52½
Archer-Daniels-Mid.	32½	3.51	31.35	B+	32½
Bagdad Copper	22	2.69	18.54	n.r. <sup>a</sup>	32
D. H. Baldwin	28	3.21	28.60	B+	50
Big Bear Stores	18½	2.71	20.57	B+	39½
Binks Mfg.	15½	1.83	14.41	B+	21½
Bluefield Supply	22½	2.59	28.66	n.r. <sup>a</sup>	39½ <sup>b</sup>

<sup>a</sup> n.r. = not ranked.

<sup>b</sup> Adjusted for stock split.

TABLE 15-2 Stocks of Prominent Companies Selling at or Below Net-Current-Asset Value in 1970

Company	1970 Price	Net-Current- Asset Value Per Share	Book Value Per Share	Earned Per Share, 1970	Current Dividend	High Price Before 1970
Cone Mills	13	\$18	\$39.3	\$1.51	\$1.00	41½
Jantzen Inc.	11½	12	16.3	1.27	.60	37
National Presto	21½	27	31.7	6.15	1.00	45
Parker Pen	9¾	9½	16.6	1.62	.60	31½
West Point Pepperell	16½	20½	39.4	1.82	1.50	64

TABLE 16-1 Price Record of New Preferred-Stock Issues Offered in 1946

Price Change from Issue Price to Low up to July 1947	"Straight" Issues	Convertible and Participating Issues
		(number of issues)
No decline	7	0
Declined 0–10%	16	2
10–20%	11	6
20–40%	3	22
40% or more	0	12
	37	42
Average decline	About 9%	About 30%

TABLE 16-2 Price Record of Preferred Stocks, Common Stocks, and Warrants, December 1970 versus December 1968  
(Based on Random Samples of 20 Issues Each)

	Straight Preferred Stocks		Convertible Preferred Stocks	Listed Common Stocks	Listed Warrants
	Rated A or Better	Rated Below A			
Advances	2	0	1	2	1
Declines:					
0–10%	3	3	3	4	0
10–20%	14	10	2	1	0
20–40%	1	5	5	6	1
40% or more	0	0	9	7	18
Average declines	10%	17%	29%	33%	65%

(Standard & Poor's composite index of 500 common stocks declined 11.3%).

TABLE 16-3 Companies with Large Amounts of Convertible Issues and Warrants at the End of 1969 (Shares in Thousands)

	Additional Common Stock Issuable On Conversion of				Total
	Common Stock Outstanding	Bonds	Preferred Stock	Against Warrants	Additional Common Stock
Avco Corp.	11,470	1,750	10,436	3,085	15,271
Gulf & Western Inc.	14,964	9,671	5,632	6,951	22,260
International Tel. & Tel.	67,393	190	48,115		48,305
Ling-Temco-Vought	4,410 <sup>a</sup>	1,180	685	7,564	9,429
National General	4,910	4,530		12,170	16,700
Northwest Industries <sup>b</sup>	7,433		11,467	1,513	12,980
Rapid American	3,591	426	1,503	8,000	9,929

<sup>a</sup> Includes "special stock."

<sup>b</sup> At end of 1970.

**TABLE 16-4 Calculation of “True Market Price” and Adjusted Price/Earnings Ratio of a Common Stock with Large Amounts of Warrants Outstanding**

(Example: National General Corp. in June 1971)

1. Calculation of “True Market Price.”

Market value of 3 issues of warrants, June 30, 1971	\$94,000,000
Value of warrants per share of common stock	\$18.80
Price of common stock alone	24.50
Corrected price of common, adjusted for warrants	43.30

2. Calculation of P/E Ratio to Allow for Warrant Dilution

	Before (1970 earnings)	After Warrant Dilution	Warrant Dilution	Company's Calculation	Our Calculation
A. Before Special Items.					
Earned per share	\$ 2.33	\$ 1.60			\$ 2.33
Price of common	24.50	24.50		43.30 (adj.)	
P/E ratio	10.5×	15.3×			18.5×
B. After Special Items.					
Earned per share	\$ .90	\$ 1.33			\$ .90
Price of common	24.50	24.50		43.30 (adj.)	
P/E ratio	27.2×	18.4×			48.1×

Note that, after special charges, the effect of the company's calculation is to increase the earnings per share and reduce the P/E ratio. This is manifestly absurd. By our suggested method the effect of the dilution is to increase the P/E ratio substantially, as it should be.

TABLE 17-1 Ling-Temco-Vought Inc., 1958–1970  
 (In Millions of Dollars Except Earned Per Share)

A. Operating Results	1958	1960	1967	1969	1970
Sales	\$ 6.9	\$143.0	\$1,833.0	\$3,750.0	\$374.0
Net before taxes and interest	0.552	7.287	95.6	124.4	88.0
Interest charges	.1 (est.)	1.5 (est.)	17.7	122.6	128.3
(Times earned)	(5.5 ×)	(4.8 ×)	(54 ×)	(1.02 ×)	(0.68 ×)
Income taxes	0.225	2.686	35.6	cr. 15.2	4.9
Special items				dr. 40.6	dr. 18.8
Net after special items	0.227	3.051	34.0	dr. 38.3	dr. 69.6
Balance for common stock	0.202	3.051	30.7	dr. 40.8	dr. 71.3
Earned per share of common	0.17	0.83	5.56	def. 10.59	def. 17.18
B. Financial Position					
Total assets	6.4	94.5	845.0	2,944.0	2,582.0
Debt payable within 1 year	1.5	29.3	165.0	389.3	301.3
Long-term debt	.5	14.6	202.6	1,500.8	1,394.6
Shareholders' equity	2.7	28.5	245.0†	def. 12.0*	def. 69.0*
Ratios					
Current assets/current liabilities	1.27 ×	1.45 ×	1.80 ×	1.52 ×	1.45 ×
Equity/long-term debt	5.4 ×	2.0 ×	1.2 ×	0.17 ×	0.13 ×
Market-price range		28–20	169½–109	97¾–24⅓	29½–7⅓

\* Excluding debt-discount as an asset and deducting preferred stock at redemption value.

† As published. cr.: credit. dr.: debit. def.: deficit.

**FIGURE 17-1 Lucent Technologies Inc.**

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	For the quarter ended . . .	
	June 30, 2000	June 30, 1999
<b>Income</b>		
Revenues	8,713	7,403
Income (loss) from continuing operations	(14)	622
Income (loss) from discontinued operations	(287)	141
Net income	(301)	763
<b>Assets</b>		
Cash	710	1,495
Receivables	10,101	9,486
Goodwill	8,736	3,340*
Capitalized software development costs	576	412
Total assets	46,340	37,156

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All numbers in millions of dollars. \* Other assets, which includes goodwill.

Source: Lucent quarterly financial reports (Form 10-Q).

**FIGURE 17-2 Tyco International Ltd.**

---

Fiscal year	MORON	CHILLA	WOOPIPRAD
1997	918	148	361
1998	0	0	0
1999	1,183	335	0
2000	4175	99	0
2001	234	120	184
Totals	2,510	702	545

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All figures are as originally reported, stated in hundreds of millions of dollars.

“Mergers & acquisitions” totals do not include pooling-of-interests deals.

Source: Tyco International annual reports (Form 10-K).

**FIGURE 17-3 A Toy Story**

	eToys Inc. Fiscal year ended 3/31/1999	Toys "R" Us, Inc. Fiscal quarter ended
<hr/>		
5/1/1999		
Net sales	30	2,166
Net income	(29)	27
Cash	20	289
Total assets	31	8,067
Market value of common stock (5/20/1999)	7,780	5,650

All amounts in millions of dollars.

Sources: The companies' SEC filings.

TABLE 18-1A. Pair 1. Real Estate Investment Trust vs.  
Realty Equities Corp. in 1960

	Real Estate Investment Trust	Realty Equities Corp. of New York
Gross revenues	\$ 3,585,000	\$1,484,000
Net income	485,000	150,000
Earned per share	.66	.47
Dividend per share	none	.10
Book value per share	\$20.	\$4.
Price range	20–12	5 $\frac{3}{8}$ –4 $\frac{3}{4}$
Total assets	\$22,700,000	\$6,200,000
Total liabilities	7,400,000	5,000,000
Book value of common	15,300,000	1,200,000
Average market value of common	12,200,000	1,360,000

TABLE 18-1B. Pair 1.

	Real Estate Investment Trust	Realty Equities Corp. of New York
Price, December 31, 1968	26½	32½
Number of shares of common	1,423,000	2,311,000 (March '69)
Market value of common	\$37,800,000	\$75,000,000
Estimated market value of warrants	—	30,000,000 <sup>a</sup>
Estimated market value of common and warrants	—	105,000,000
Debt	9,600,000	100,800,000
Preferred stock	—	2,900,000
Total capitalization	\$47,400,000	\$208,700,000
Market value per share of common, adjusted for warrants	—	45 (est.)
Book value per share	\$20.85 (Nov.)	\$3.41
	November 1968	March 1969
Revenues	\$6,281,000	\$39,706,000
Net for interest	2,696,000	11,182,000
Interest charges	590,000	6,684,000
Income tax	58,000 <sup>b</sup>	2,401,000
Preferred dividend		174,000
Net for common	2,048,000	1,943,000
Special items	245,000 cr.	1,896,000 dr.
Final net for common	2,293,000	47,000
Earned per share before special items	\$1.28	\$1.00
Earned per share after special items	1.45	.20
Dividend on common	1.20	.30
Interest charges earned	4.6 ×	1.8 ×

<sup>a</sup> There were warrants to buy 1,600,000 or more shares at various prices. A listed issue sold at 30½ per warrant.

<sup>b</sup> As a realty trust, this enterprise was not subjected to Federal income tax in 1968.

TABLE 18-2. Pair 2.

	Air Products & Chemicals 1969	Air Reduction 1969
Price, December 31, 1969	39½	16¾
Number of shares of common	5,832,000 <sup>a</sup>	11,279,000
Market value of common	\$231,000,000	\$185,000,000
Debt	113,000,000	179,000,000
Total capitalization at market	344,000,000	364,000,000
Book value per share	\$22.89	\$21.91
Sales	\$221,500,000	\$487,600,000
Net income	13,639,000	20,326,000
Earned per share, 1969	\$2.40	\$1.80
Earned per share, 1964	1.51	1.51
Earned per share, 1959	.52	1.95
Current dividend rate	.20	.80
Dividend since	1954	1917
Ratios:		
Price / earnings	16.5 ×	9.1 ×
Price / book value	165.0%	75.0%
Dividend yield	0.5%	4.9%
Net / sales	6.2%	4.25%
Earnings / book value	11.0%	8.2%
Current assets / liabilities	1.53 ×	3.77 ×
Working capital / debt	.32 ×	.85 ×
Growth in per-share earnings		
1969 versus 1964	+59%	+19%
1969 versus 1959	+362%	decrease

<sup>a</sup> Assuming conversion of preferred stock.

TABLE 18-3. Pair 3.

Hospital	American Home Products 1969	American Supply 1969
Price, December 31, 1969	72	45½
Number of shares of common	52,300,000	33,600,000
Market value of common	\$3,800,000,000	\$1,516,000,000
Debt	11,000,000	18,000,000
Total capitalization at market	3,811,000,000	1,534,000,000
Book value per share	\$5.73	\$7.84
Sales	\$1,193,000,000	\$446,000,000
Net income	123,300,000	25,000,000
Earned per share, 1969	\$2.32	\$.77
Earned per share, 1964	1.37	.31
Earned per share, 1959	.92	.15
Current dividend rate	1.40	.24
Dividends since	1919	1947
Ratios:		
Price/earnings	31.0 ×	58.5 ×
Price/book value	1250.0%	575.0%
Dividend yield	1.9%	0.55%
Net/sales	10.7%	5.6%
Earnings/book value	41.0%	9.5%
Current assets/liabilities	2.6 ×	4.5 ×
Growth in per-share earnings		
1969 versus 1964	+75%	+142%
1969 versus 1959	+161%	+405%

TABLE 18-4. Pair 4.

	H & R Block 1969	Blue Bell 1969
Price, December 31, 1969	55	49 <sup>3/4</sup>
Number of shares of common	5,426,000	1,802,000 <sup>a</sup>
Market value of common	\$298,000,000	\$89,500,000
Debt	—	17,500,000
Total capitalization at market	298,000,000	107,000,000
Book value per share	\$1.89	\$34.54
Sales	\$53,600,000	\$202,700,000
Net income	6,380,000	7,920,000
Earned per share, 1969	\$.51 (October)	\$4.47
Earned per share, 1964	.07	2.64
Earned per share, 1959	—	1.80
Current dividend rate	.24	1.80
Dividends since	1962	1923
Ratios:		
Price/earnings	108.0 ×	11.2 ×
Price/book value	2920 %	142 %
Dividend yield	0.4 %	3.6 %
Net/sales	11.9 %	3.9 %
Earnings/book value	27 %	12.8 %
Current assets/liabilities	3.2 ×	2.4 ×
Working capital/debt	no debt	3.75 ×
Growth in per-share earnings		
1969 versus 1964	+630%	+68%
1969 versus 1959	—	+148%

<sup>a</sup> Assuming conversion of preferred stock.

TABLE 18-5. Pair 5.

	International Flavors & Fragrances 1969	International Harvester 1969
Price, December 31, 1969	65½	24¾
Number of shares of common	11,400,000	27,329,000
Market value of common	\$747,000,000	\$710,000,000
Debt	4,000,000	313,000,000
Total capitalization at market	751,000,000	1,023,000,000
Book value per share	\$6.29	\$41.70
Sales	\$94,200,000	\$2,652,000,000
Net income	13,540,000	63,800,000
Earned per share, 1969	\$1.19	\$2.30
Earned per share, 1964	.62	3.39
Earned per share, 1959	.28	2.83
Current dividend rate	.50	1.80
Dividends since	1956	1910
Ratios:		
Price / earnings	55.0 ×	10.7 ×
Price / book value	1050.0%	59.0%
Dividend yield	0.9%	7.3%
Net / sales	14.3%	2.6%
Earnings / book value	19.7%	5.5%
Current assets / liabilities	3.7 ×	2.0 ×
Working capital / debt	large	1.7 ×
Interest earned	—	(before tax) 3.9 ×
Growth in per-share earnings		
1969 versus 1964	+93%	+9%
1969 versus 1959	+326%	+39%

TABLE 18-6. Pair 6.

	McGraw Edison 1968	McGraw-Hill 1968
Price, December 31, 1968	37 <sup>5</sup> / <sub>8</sub>	39 <sup>3</sup> / <sub>4</sub>
Number of shares of common	13,717,000	24,200,000 <sup>a</sup>
Market value of common	\$527,000,000	\$962,000,000
Debt	6,000,000	53,000,000
Total capitalization at market	533,000,000	1,015,000,000
Book value per share	\$20.53	\$5.00
Sales	\$568,600,000	\$398,300,000
Net income	33,400,000	26,200,000
Earned per share, 1968	\$2.44	\$1.13
Earned per share, 1963	1.20	.66
Earned per share, 1958	1.02	.46
Current dividend rate	1.40	.70
Dividends since	1934	1937
Ratios:		
Price / earnings	15.5 ×	35.0 ×
Price / book value	183.0%	795.0%
Dividend yield	3.7%	1.8%
Net / sales	5.8%	6.6%
Earnings / book value	11.8%	22.6%
Current assets / liabilities	3.95 ×	1.75 ×
Working capital / debt	large	1.75 ×
Growth in per-share earnings		
1968 versus 1963	+104%	+71%
1968 versus 1958	+139%	+146%

<sup>a</sup> Assuming conversion of preferred stock.

TABLE 18-7. Pair 7.

	National General 1968	National Presto Industries 1968
Price, December 31, 1968	44 <sup>1/4</sup>	38 <sup>5/8</sup>
Number of shares of common	4,330,000 <sup>a</sup>	1,478,000
Market value of common	\$192,000,000	\$58,000,000
Add market value of 3 issues of warrants	221,000,000	—
Total value of common and warrants	413,000,000	—
Senior issues	121,000,000	—
Total capitalization at market	534,000,000	58,000,000
Market price of common stock adjusted for warrants	98	—
Book value of common	\$31.50	\$26.30
Sales and revenues	\$117,600,000	\$152,200,000
Net income	6,121,000	8,206,000
Earned per share, 1968	\$1.42 (December)	\$5.61
Earned per share, 1963	.96 (September)	1.03
Earned per share, 1958	.48 (September)	.77
Current dividend rate	.20	.80
Dividends since	1964	1945
Ratios:		
Price / earnings	69.0 × <sup>b</sup>	6.9 ×
Price / book value	310.0%	142.0%
Dividend yield	.5%	2.4%
Net / sales	5.5%	5.4%
Earnings / book value	4.5%	21.4%
Current assets / liabilities	1.63 ×	3.40 ×
Working capital / debt	.21 ×	no debt
Growth in per-share earnings		
1968 versus 1963	+48%	+450%
1968 versus 1960	+195%	+630%

<sup>a</sup> Assuming conversion of preferred stock.<sup>b</sup> Adjusted for market price of warrants.

Table 18-8A. Pair 8.

	Whiting 1969	Willcox & Gibbs 1969
Price, December 31, 1969	17 <sup>3</sup> / <sub>4</sub>	15 <sup>1</sup> / <sub>2</sub>
Number of shares of common	570,000	2,381,000
Market value of common	\$10,200,000	\$36,900,000
Debt	1,000,000	5,900,000
Preferred stock	—	1,800,000
Total capitalization at market	\$11,200,000	\$44,600,000
Book value per share	\$25.39	\$3.29
Sales	\$42,200,000 (October)	\$29,000,000 (December)
Net income before special item	1,091,000	347,000
Net income after special item	1,091,000	def. 1,639,000
Earned per share, 1969	\$1.91 (October)	\$.08 <sup>a</sup>
Earned per share, 1964	1.90 (April)	.13
Earned per share, 1959	.42 (April)	.13
Current dividend rate	1.50	—
Dividends since 1957)	1954	(none since
Ratios:		
Price / earnings	9.3 ×	very large
Price / book value	70.0%	470.0%
Dividend yield	8.4%	—
Net / sales	3.2%	0.1% <sup>a</sup>
Earnings / book value	7.5%	2.4% <sup>a</sup>
Current assets / liabilities	3.0 ×	1.55 ×
Working capital / debt	9.0 ×	3.6 ×
Growth in per-share earnings		
1969 versus 1964	even	decrease
1969 versus 1959	+354%	decrease

<sup>a</sup> Before special charge. def.: deficit.

TABLE 18-8B. Ten-Year Price and Earnings Record of Whiting and Willcox & Gibbs

Year	Whiting Corp.		Willcox & Gibbs	
	Earned Per Share <sup>a</sup>	Price Range	Earned Per Share	Price Range
1970	\$1.81	22½–16¼	\$.34	18½–4½
1969	2.63	37–17¾	.05	20⁵/₈–8³/₄
1968	3.63	43¹/₈–28¹/₄	.35	20⁵/₈–8¹/₃
1967	3.01	36½–25	.47	11–4¾
1966	2.49	30¹/₄–19¹/₄	.41	8–3¾
1965	1.90	20–18	.32	10³/₈–6¹/₈
1964	1.53	14–8	.20	9½–4½
1963	.88	15–9	.13	14–4¾
1962	.46	10–6½	.04	19³/₄–8¹/₄
1961	.42	12½–7¾	.03	19½–10½

<sup>a</sup> Year ended following April 30.

TABLE 18-9. Some Price Fluctuations of Sixteen Common Stocks (Adjusted for Stock Splits Through 1970)

	Price Range 1936-1970	Decline 1961 to 1962	Decline 1968-69 to 1970
Air Products & Chemicals	1 <sup>3</sup> / <sub>8</sub> -49	43 <sup>1</sup> / <sub>4</sub> -21 <sup>5</sup> / <sub>8</sub>	49-31 <sup>3</sup> / <sub>8</sub>
Air Reduction	9 <sup>3</sup> / <sub>8</sub> -45 <sup>3</sup> / <sub>4</sub>	22 <sup>1</sup> / <sub>2</sub> -12	37-16
American Home Products	7 <sup>1</sup> / <sub>8</sub> -72	44 <sup>3</sup> / <sub>4</sub> -22	72-51 <sup>1</sup> / <sub>8</sub>
American Hospital Supply	3 <sup>1</sup> / <sub>4</sub> -47 <sup>1</sup> / <sub>2</sub>	11 <sup>5</sup> / <sub>8</sub> -5 <sup>3</sup> / <sub>4</sub>	47 <sup>1</sup> / <sub>2</sub> -26 <sup>3</sup> / <sub>4</sub> <sup>a</sup>
H & R Block	1 <sup>1</sup> / <sub>4</sub> -68 <sup>1</sup> / <sub>2</sub>	-	68 <sup>1</sup> / <sub>2</sub> -37 <sup>1</sup> / <sub>8</sub> <sup>a</sup>
Blue Bell	8 <sup>3</sup> / <sub>4</sub> -55	25-16	44 <sup>3</sup> / <sub>4</sub> -26 <sup>1</sup> / <sub>2</sub>
International Flavors & Fragrances	4 <sup>3</sup> / <sub>4</sub> -67 <sup>1</sup> / <sub>2</sub>	8-4 <sup>1</sup> / <sub>2</sub>	66 <sup>3</sup> / <sub>8</sub> -44 <sup>7</sup> / <sub>8</sub>
International Harvester	6 <sup>1</sup> / <sub>4</sub> -53	28 <sup>3</sup> / <sub>4</sub> -19 <sup>1</sup> / <sub>4</sub>	38 <sup>3</sup> / <sub>4</sub> -22
McGraw Edison	1 <sup>1</sup> / <sub>4</sub> -46 <sup>1</sup> / <sub>4</sub>	24 <sup>3</sup> / <sub>8</sub> -14 <sup>b</sup>	44 <sup>3</sup> / <sub>4</sub> -21 <sup>5</sup> / <sub>8</sub>
McGraw-Hill	1 <sup>1</sup> / <sub>8</sub> -56 <sup>1</sup> / <sub>2</sub>	21 <sup>1</sup> / <sub>2</sub> -9 <sup>1</sup> / <sub>8</sub>	54 <sup>5</sup> / <sub>8</sub> -10 <sup>1</sup> / <sub>4</sub>
National General	3 <sup>5</sup> / <sub>8</sub> -60 <sup>1</sup> / <sub>2</sub>	14 <sup>7</sup> / <sub>8</sub> -4 <sup>3</sup> / <sub>4</sub> <sup>b</sup>	60 <sup>1</sup> / <sub>2</sub> -9
National Presto Industries	1 <sup>1</sup> / <sub>2</sub> -45	20 <sup>5</sup> / <sub>8</sub> -8 <sup>1</sup> / <sub>4</sub>	45-21 <sup>1</sup> / <sub>2</sub>
Real Estate Investment Trust	10 <sup>1</sup> / <sub>2</sub> -30 <sup>1</sup> / <sub>4</sub>	25 <sup>1</sup> / <sub>8</sub> -15 <sup>1</sup> / <sub>4</sub>	30 <sup>1</sup> / <sub>4</sub> -16 <sup>3</sup> / <sub>8</sub>
Realty Equities of N.Y.	3 <sup>3</sup> / <sub>4</sub> -47 <sup>3</sup> / <sub>4</sub>	6 <sup>7</sup> / <sub>8</sub> -4 <sup>1</sup> / <sub>2</sub>	37 <sup>3</sup> / <sub>4</sub> -2
Whiting	2 <sup>7</sup> / <sub>8</sub> -43 <sup>3</sup> / <sub>8</sub>	12 <sup>1</sup> / <sub>2</sub> -6 <sup>1</sup> / <sub>2</sub>	43 <sup>3</sup> / <sub>8</sub> -16 <sup>3</sup> / <sub>4</sub>
Willcox & Gibbs	4-20 <sup>5</sup> / <sub>8</sub>	19 <sup>1</sup> / <sub>2</sub> -8 <sup>1</sup> / <sub>4</sub>	20 <sup>3</sup> / <sub>8</sub> -4 <sup>1</sup> / <sub>2</sub>

<sup>a</sup> High and low both in 1970.

<sup>b</sup> 1959 to 1960.

TABLE 18-10. Large Year-to-Year Fluctuations of McGraw-Hill, 1958–1971<sup>a</sup>

From	To	Advances	Declines
1958	1959	39–72	
1959	1960	54–109 $\frac{3}{4}$	
1960	1961	21 $\frac{3}{4}$ –43 $\frac{1}{8}$	
1961	1962	18 $\frac{1}{4}$ –32 $\frac{1}{4}$	43 $\frac{1}{8}$ –18 $\frac{1}{4}$
1963	1964	23 $\frac{3}{8}$ –38 $\frac{7}{8}$	
1964	1965	28 $\frac{3}{8}$ –61	
1965	1966	37 $\frac{1}{2}$ –79 $\frac{1}{2}$	
1966	1967	54 $\frac{1}{2}$ –112	
1967	1968		56 $\frac{1}{4}$ –37 $\frac{1}{2}$
1968	1969		54 $\frac{5}{8}$ –24
1969	1970		39 $\frac{1}{2}$ –10
1970	1971	10–24 $\frac{1}{8}$	

<sup>a</sup> Prices not adjusted for stock-splits.

FIGURE 18-1 Cisco vs. Sysco

	2000	2001	2002
Cisco			
Total return (%)	-28.6	-52.7	-27.7
Net earnings (\$ millions)	2,668	-1,014	1,893
Sysco			
Total return (%)	53.5	-11.7	15.5
Net earnings (\$ millions)	446	597	680

Note: Total returns for calendar year; net earnings for fiscal year.

Source: [www.morningstar.com](http://www.morningstar.com)

**FIGURE 18-2** Yahoo! vs. Yum!

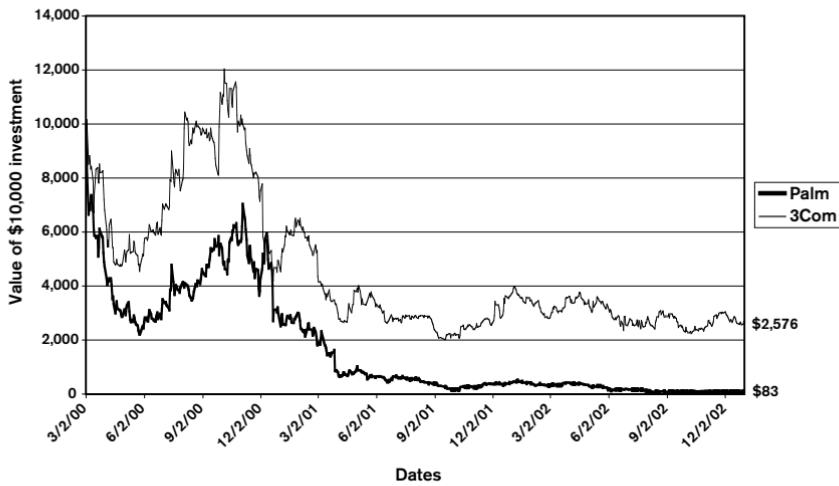
	2000	2001	2002
Yahoo!			
Total return (%)	-86.1	-41.0	-7.8
Net earnings (\$ millions)	71	-93	43
Yum!			
Total return (%)	-14.6	49.1	-1.5
Net earnings (\$ millions)	413	492	583

Notes: Total returns for calendar year; net earnings for fiscal year. Yahoo!'s net earnings for 2002 include effect of change in accounting principle.

Sources: [www.morningstar.com](http://www.morningstar.com)

**FIGURE 18-3**

### Palm's Down



Source: [www.morningstar.com](http://www.morningstar.com)

**FIGURE 18-4 Red Hat vs. Brown Shoe**

	2000	2001	2002
<b>Red Hat</b>			
Total return (%)	-94.1	13.6	-16.8
Net earnings (\$ millions)	-43	-87	-140
<b>Brown Shoe</b>			
Total return (%)	-4.6	28.2	49.5
Net earnings (\$ millions)	36	36	-4

Note: Total returns for calendar year; net earnings for fiscal year.

Source: [www.morningstar.com](http://www.morningstar.com)

FIGURE 19-1

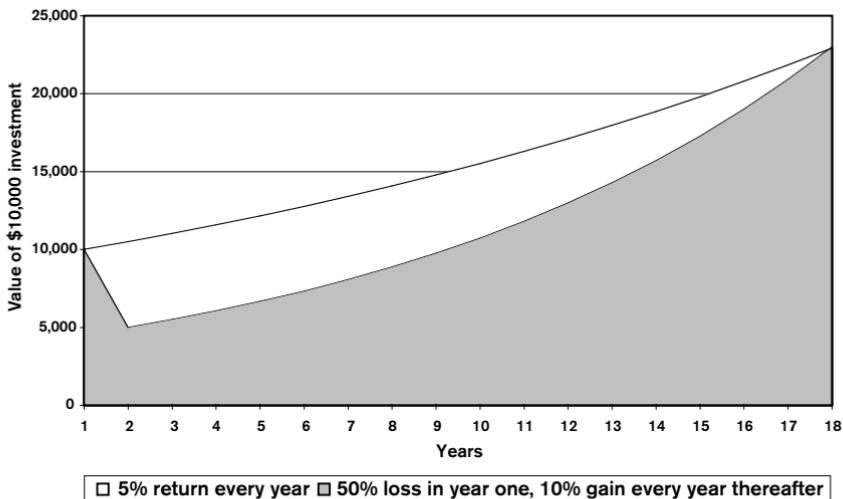
## Who Pays Dividends?



Source: Eugene Fama and Kenneth French, "Disappearing Dividends," Journal of Financial Economics, April 2001.

FIGURE 20-1

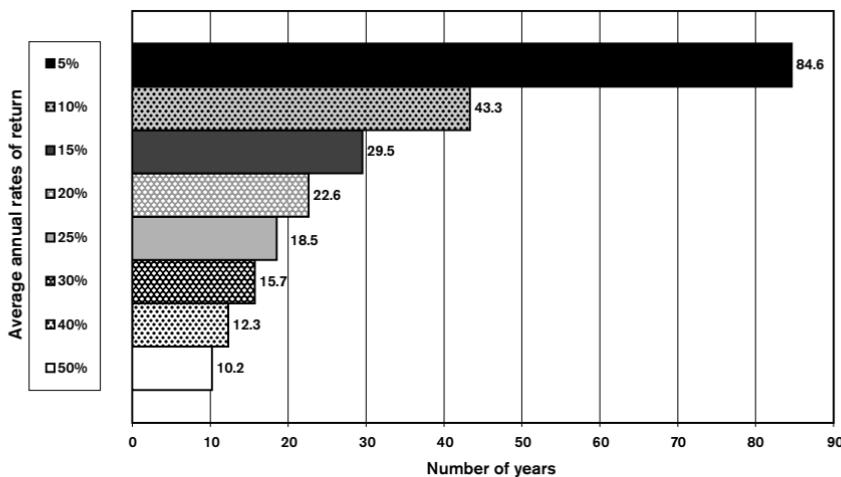
### The Cost of Loss



*Imagine that you find a stock that you think can grow at 10% a year even if the market only grows 5% annually. Unfortunately, you are so enthusiastic that you pay too high a price, and the stock loses 50% of its value the first year. Even if the stock then generates double the market's return, it will take you more than 16 years to overtake the market—simply because you paid too much, and lost too much, at the outset.*

FIGURE 20-2

### Breaking Even Is Hard to Do



If you had bought JDS Uniphase at its peak price of \$153.421 on March 7, 2000, and still held it at year-end 2002 (when it closed at \$2.47), how long would it take you to get back to your purchase price at various annual average rates of return?

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<sup>2</sup> JDS Uniphase's share price has been adjusted for later splits.

**TABLE 1 Walter J. Schloss**

Year	S&P Overall Gain, Including Dividends	WJS Ltd Partners Overall Gain per year	WJS Partnership Overall Gain per year			
1956	7.5	5.1	6.8	Standard & Poor's 28½ year compounded gain	887.2%	
1957	-10.5	-4.7	-4.7			
1958	42.1	42.1	54.6	WJS Limited Partners 28½ year compounded gain	6,678.8%	
1959	12.7	17.5	23.3			
1960	-1.6	7.0	9.3	WJS Partnership 28½ year compounded gain	23,104.7%	
1961	26.4	21.6	28.8			
1962	-10.2	8.3	11.1	Standard & Poor's 28½ year annual compounded rate	8.4%	
1963	23.3	15.1	20.1			
1964	16.5	17.1	22.8	WJS Limited Partners 28½ year annual compounded rate	16.1%	
1965	13.1	26.8	35.7			
1966	-10.4	0.5	0.7	WJS Partnership 28½ year annual compounded rate	21.3%	
1967	26.8	25.8	34.4			
1968	10.6	26.6	35.5	During the history of the Partnership it has owned over 800 issues and, at most times, has had at least 100 positions. Present assets under management approximate \$45 million. The difference between returns of the partnership and returns of the limited partners is due to allocations to the general partner for management.		
1969	-7.5	-9.0	-9.0			
1970	2.4	-8.2	-8.2			
1971	14.9	25.5	28.3			
1972	19.8	11.6	15.5			
1973	-14.8	-8.0	-8.0			
1974	-26.6	-6.2	-6.2			
1975	36.9	42.7	52.2			
1976	22.4	29.4	39.2			
1977	-8.6	25.8	34.4			
1978	7.0	36.6	48.8			
1979	17.6	29.8	39.7			
1980	32.1	23.3	31.1			
1981	6.7	18.4	24.5			
1982	20.2	24.1	32.1			
1983	22.8	38.4	51.2			
1984 1st Qtr.	2.3	0.8	1.1			

**TABLE 2 Tweedy, Browne Inc.**

Period Ended (September 30)	Dow Jones*	S & P 500*	TBK Overall (%)	TBK Limited Partners (%)
1968 (9 mos.)	6.0	8.8	27.6	22.0
1969	-9.5	-6.2	12.7	10.0
1970	-2.5	-6.1	-1.3	-1.9
1971	20.7	20.4	20.9	16.1
1972	11.0	15.5	14.6	11.8
1973	2.9	1.0	8.3	7.5
1974	-31.8	-38.1	1.5	1.5
1975	36.9	37.8	28.8	22.0
1976	29.6	30.1	40.2	32.8
1977	-9.9	-4.0	23.4	18.7
1978	8.3	11.9	41.0	32.1
1979	7.9	12.7	25.5	20.5
1980	13.0	21.1	21.4	17.3
1981	-3.3	2.7	14.4	11.6
1982	12.5	10.1	10.2	8.2
1983	44.5	44.3	35.0	28.2
Total Return				
15½ years	191.8%	238.5%	1,661.2%	936.4%
Standard & Poor's 15½ year annual compounded rate				7.0%
TBK Limited Partners 15½ year annual compounded rate				16.0%
TBK Overall 15½ year annual compounded rate				20.0%

\* Includes dividends paid for both Standard & Poor's 500 Composite Index and Dow Jones Industrial Average.

**TABLE 3** **Buffett Partnership, Ltd.**

Year	Overall Results From Dow (%)	Partnership Results (%)	Limited Partners' Results (%)
1957	-8.4	10.4	9.3
1958	38.5	40.9	32.2
1959	20.0	25.9	20.9
1960	-6.2	22.8	18.6
1961	22.4	45.9	35.9
1962	-7.6	13.9	11.9
1963	20.6	38.7	30.5
1964	18.7	27.8	22.3
1965	14.2	47.2	36.9
1966	-15.6	20.4	16.8
1967	19.0	35.9	28.4
1968	7.7	58.8	45.6
1969	-11.6	6.8	6.6

On a cumulative or compounded basis, the results are:

1957	-8.4	10.4	9.3
1957-58	26.9	55.6	44.5
1957-59	52.3	95.9	74.7
1957-60	42.9	140.6	107.2
1957-61	74.9	251.0	181.6
1957-62	61.6	299.8	215.1
1957-63	94.9	454.5	311.2
1957-64	131.3	608.7	402.9
1957-65	164.1	943.2	588.5
1957-66	122.9	1156.0	704.2
1957-67	165.3	1606.9	932.6
1957-68	185.7	2610.6	1403.5
1957-69	152.6	2794.9	1502.7
Annual Compounded Rate	7.4	29.5	23.8

**TABLE 4 Sequoia Fund, Inc.**

Year	<i>Annual Percentage Change**</i>	
	Sequoia Fund (%)	S&P 500 Index * (%)
1970 (from July 15)	12.1	20.6
1971	13.5	14.3
1972	3.7	18.9
1973	-24.0	-14.8
1974	-15.7	-26.4
1975	60.5	37.2
1976	72.3	23.6
1977	19.9	-7.4
1978	23.9	6.4
1979	12.1	18.2
1980	12.6	32.3
1981	21.5	-5.0
1982	31.2	21.4
1983	27.3	22.4
1984 (first quarter)	-1.6	-2.4
Entire Period	775.3%	270.0%
Compound Annual Return	17.2%	10.0%
Plus 1% Management Fee	1.0%	
Gross Investment Return	18.2%	10.0%

\* Includes dividends (and capital gains distributions in the case of Sequoia Fund) treated as though reinvested.

\*\* These figures differ slightly from the S&P figures in Table 1 because of a difference in calculation of reinvested dividends.

**TABLE 5 Charles Munger**

Year (%)	Mass. Inv. Trust (%)	Investors Stock (%)	Lehman (%)	Tri-Cont. (%)	Dow (%)	Overall Partnership (%)	Limited Partners
Yearly Results (1)							
1962	-9.8	-13.4	-14.4	-12.2	-7.6	30.1	20.1
1963	20.0	16.5	23.8	20.3	20.6	71.7	47.8
1964	15.9	14.3	13.6	13.3	18.7	49.7	33.1
1965	10.2	9.8	19.0	10.7	14.2	8.4	6.0
1966	-7.7	-9.9	-2.6	-6.9	-15.7	12.4	8.3
1967	20.0	22.8	28.0	25.4	19.0	56.2	37.5
1968	10.3	8.1	6.7	6.8	7.7	40.4	27.0
1969	-4.8	-7.9	-1.9	0.1	-11.6	28.3	21.3
1970	0.6	-4.1	-7.2	-1.0	8.7	-0.1	-0.1
1971	9.0	16.8	26.6	22.4	9.8	25.4	20.6
1972	11.0	15.2	23.7	21.4	18.2	8.3	7.3
1973	-12.5	-17.6	-14.3	-21.3	-23.1	-31.9	-31.9
1974	-25.5	-25.6	-30.3	-27.6	-13.1	-31.5	-31.5
1975	32.9	33.3	30.8	35.4	44.4	73.2	73.2
Compound Results (2)							
1962	-9.8	-13.4	-14.4	-12.2	-7.6	30.1	20.1
1962-3	8.2	0.9	6.0	5.6	11.5	123.4	77.5
1962-4	25.4	15.3	20.4	19.6	32.4	234.4	136.3
1962-5	38.2	26.6	43.3	32.4	51.2	262.5	150.5
1962-6	27.5	14.1	39.5	23.2	27.5	307.5	171.3
1962-7	53.0	40.1	78.5	54.5	51.8	536.5	273.0
1962-8	68.8	51.4	90.5	65.0	63.5	793.6	373.7
1962-9	60.7	39.4	86.9	65.2	44.5	1046.5	474.6
1962-70	61.7	33.7	73.4	63.5	57.1	1045.4	474.0
1962-71	76.3	56.2	119.5	100.1	72.5	1336.3	592.2
1962-72	95.7	79.9	171.5	142.9	103.9	1455.5	642.7
1962-73	71.2	48.2	132.7	91.2	77.2	959.3	405.8
1962-74	27.5	40.3	62.2	38.4	36.3	625.6	246.5
1962-75	69.4	47.0	112.2	87.4	96.8	1156.7	500.1
Average Annual Compounded Rate	3.8	2.8	5.5	4.6	5.0	19.8	13.7

**TABLE 6 Pacific Partners, Ltd.**

ship Year	S & P 500 Index (%)	Limited Partnership Results (%)	Overall Partner- Results (%)
1965	12.4	21.2	32.0
1966	-10.1	24.5	36.7
1967	23.9	120.1	180.1
1968	11.0	114.6	171.9
1969	-8.4	64.7	97.1
1970	3.9	-7.2	-7.2
1971	14.6	10.9	16.4
1972	18.9	12.8	17.1
1973	-14.8	-42.1	-42.1
1974	-26.4	-34.4	-34.4
1975	37.2	23.4	31.2
1976	23.6	127.8	127.8
1977	-7.4	20.3	27.1
1978	6.4	28.4	37.9
1979	18.2	36.1	48.2
1980	32.3	18.1	24.1
1981	-5.0	6.0	8.0
1982	21.4	24.0	32.0
1983	22.4	18.6	24.8
Standard & Poor's 19 year compounded gain			316.4%
Limited Partners 19 year compounded gain			5,530.2%
Overall Partnership 19 year compounded gain			22,200.0%
Standard & Poor's 19 year annual compounded rate			7.8%
Limited Partners 19 year annual compounded rate			23.6%
Overall Partnership 19 year annual compounded rate			32.9%

**TABLE 7 Perimeter Investments**

Year	PIL Overall (%)	Limited Partner (%)	
8/1-12/31/65	40.6	32.5	Total Partnership Percentage Gain 8/1/65 through 10/31/83 4277.2%
1966	6.4	5.1	Limited Partners Percentage Gain 8/1/65 through 10/31/83 2309.5%
1967	73.5	58.8	Annual Compound Rate of Gain Overall Partnership 23.0%
1968	65.0	52.0	Annual Compound Rate of Gain Limited Partners 19.0%
1969	-13.8	-13.8	Dow Jones Industrial Average 7/31/65 (Approximate) 882
1970	-6.0	-6.0	Dow Jones Industrial Average 10/31/83 (Approximate) 1225
1971	55.7	49.3	Approximate Compound Rate of Gain of DJI including dividends 7%
1972	23.6	18.9	
1973	-28.1	-28.1	
1974	-12.0	-12.0	
1975	38.5	38.5	
1/1-10/31/76	38.2	34.5	
11/1/76-10/31/77	30.3	25.5	
11/1/77-10/31/78	31.8	26.6	
11/1/78-10/31/79	34.7	28.9	
11/1/79-10/31/80	41.8	34.7	
11/1/80-10/31/81	4.0	3.3	
11/1/81-10/31/82	29.8	25.4	
11/1/82-10/31/83	22.2	18.4	

**TABLE 8 The Washington Post Company, Master Trust, December 31, 1983**

Ended*	Current Quarter		Year Ended		2 Years Ended*		3 Years Ended*		5 Years	
	% Ret.	Rank	% Ret.	Rank	% Ret.	Rank	% Ret.	Rank	% Ret.	Rank
<b>All Investments</b>										
Manager A	4.1	2	22.5	10	20.6	40	18.0	10	20.2	3
Manager B	3.2	4	34.1	1	33.0	1	28.2	1	22.6	1
Manager C	5.4	1	22.2	11	28.4	3	24.5	1	—	—
Master Trust (All Managers)	3.9	1	28.1	1	28.2	1	24.3	1	21.8	1
<b>Common Stock</b>										
Manager A	5.2	1	32.1	9	26.1	27	21.2	11	26.5	7
Manager B	3.6	5	52.9	1	46.2	1	37.8	1	29.3	3
Manager C	6.2	1	29.3	14	30.8	10	29.3	3	—	—
Master Trust (All Managers)	4.7	1	41.2	1	37.0	1	30.4	1	27.6	1
<b>Bonds</b>										
Manager A	2.7	8	17.0	1	26.6	1	19.0	1	12.2	2
Manager B	1.6	46	7.6	48	18.3	53	12.7	84	7.4	86
Manager C	3.2	4	10.4	9	24.0	3	18.9	1	—	—
Master Trust (All Managers)	2.2	11	9.7	14	21.1	14	15.2	24	9.3	30
<b>Bonds &amp; Cash Equivalents</b>										
Manager A	2.5	15	12.0	5	16.1	64	15.5	21	12.9	9
Manager B	2.1	28	9.2	29	17.1	47	14.7	41	10.8	44
Manager C	3.1	6	10.2	17	22.0	2	21.6	1	—	—
Master Trust (All Managers)	2.4	14	10.2	17	17.8	20	16.2	2	12.5	9

\* Annualized

Rank indicates the fund's performance against the A.C. Becker universe.

Rank is stated as a percentile: 1 = best performance, 100 = worst.

**TABLE 9 FMC Corporation Pension Fund, Annual Rate of Return (Percent)**

Period ending Years	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9
FMC (Bonds and Equities Combined)									
1983	23.0								*17.1
1982	22.8	13.6	16.0	16.6	15.5	12.3	13.9	16.3	
1981	5.4	13.0	15.3	13.8	10.5	12.6	15.4		
1980	21.0	19.7	16.8	11.7	14.0	17.3			
1979	18.4	14.7	8.7	12.3	16.5				
1978	11.2	4.2	10.4	16.1					
1977	-2.3	9.8	17.8						
1976	23.8	29.3							
1975	35.0								* 18.5 from equities only
Becker large plan median									
1983	15.6								12.6
1982	21.4	11.2	13.9	13.9	12.5	9.7	10.9	12.3	
1981	1.2	10.8	11.9	10.3	7.7	8.9	10.9		
1980	20.9	NA	NA	NA	10.8	NA			
1979	13.7	NA	NA	NA	11.1				
1978	6.5	NA	NA	NA					
1977	-3.3	NA	NA	NA					
1976	17.0	NA							
1975	24.1								

**TABLE 9 FMC Corporation Pension Fund, Annual Rate of Return (Percent) (*continued*)**

Period ending Years	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9
S&P 500									
1983	22.8								15.6
1982	21.5	7.3	15.1	16.0	14.0	10.2	12.0	14.9	
1981	-5.0	12.0	14.2	12.2	8.1	10.5	14.0		
1980	32.5	25.3	18.7	11.7	14.0	17.5			
1979	18.6	12.4	5.5	9.8	14.8				
1978	6.6	-0.8	6.8	13.7					
1977	7.7	6.9	16.1						
1976	23.7	30.3							
1975	37.2								