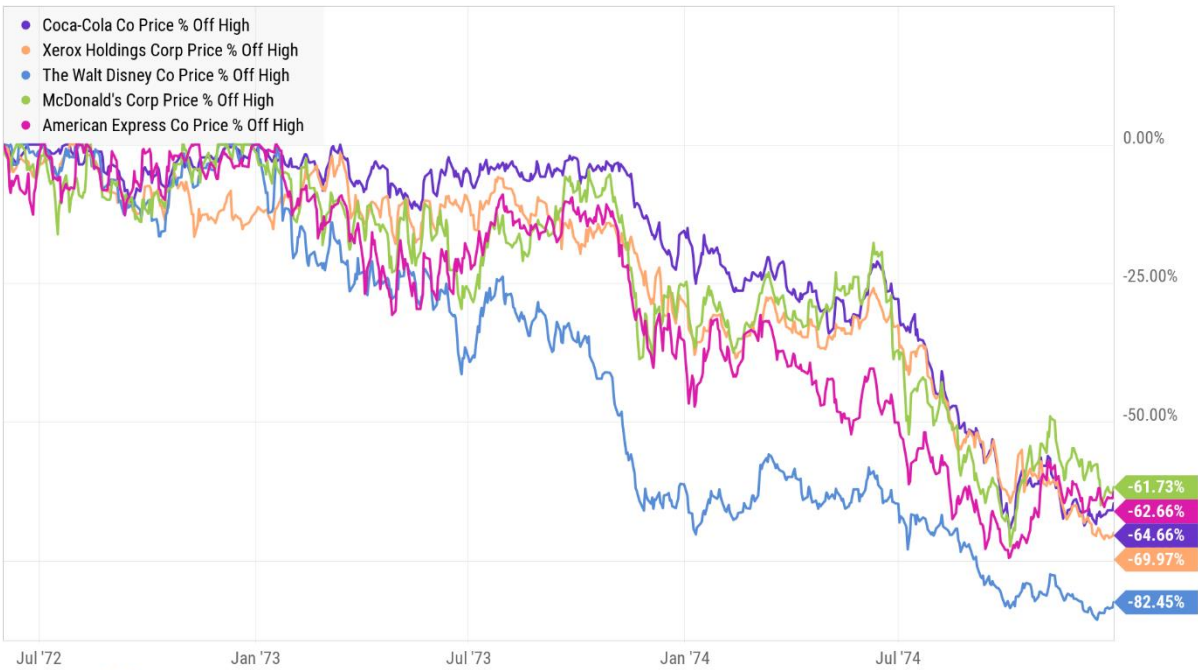


ORIGINAL NIFTY FIFTY..... MAYBE

-
- [American Express](#)
- [American Home Products](#)
- [American Hospital Supply Corporation](#)
- [AMP Inc.](#)
- [Anheuser-Busch](#)
- [Avon Products](#)
- [Baxter International](#)
- [Black & Decker](#)
- [Bristol-Myers](#)
- [Burroughs Corporation](#)
- [Chesebrough-Ponds](#)
- [The Coca-Cola Company](#)
- [Digital Equipment Corporation](#)
- [Dow Chemical](#)
- [Eastman Kodak](#)
- [Eli Lilly and Company](#)
- [Emery Air Freight](#)
- [First National City Bank](#)
- [General Electric](#)
- [Gillette](#)
- [Halliburton](#)
- [Heublein](#)
- [IBM](#)
- [International Flavors and Fragrances](#)
- [International Telephone and Telegraph](#)
- [JCPenney](#)
- [Johnson & Johnson](#)
- [Louisiana Land & Exploration](#)

- [Lubrizol](#)
- [Minnesota Mining and Manufacturing \(3M\)](#)
- [McDonald's](#)
- [Merck & Co.](#)
- [MGIC Investment Corporation](#)
- [PepsiCo](#)
- [Pfizer](#)
- [Philip Morris Cos.](#)
- [Polaroid](#)
- [Procter & Gamble](#)
- [Revlon](#)
- [Schering Plough](#)
- [Joseph Schlitz Brewing Company](#)
- [Schlumberger](#)
- [Sears, Roebuck and Company](#)
- [Simplicity Pattern](#)
- [Squibb](#)
- [S.S. Kresge](#)
- [Texas Instruments](#)
- [Upjohn](#)
- [The Walt Disney Company](#)
- [Walmart](#)
- [Xerox](#)



DECEMBER 1972 THROUGH AUGUST 1998

Company	Annualized Return (%)	1972 Actual P/E Ratio (X)	Warranted P/E Ratio (X)	EPS Growth (thru 1996) (%)
Philip Morris Cos. Inc.	18.8	24.0	68.5	17.9
Pfizer Inc.	18.1	28.4	72.3	12.2
Bristol-Myers	16.8	24.9	49.8	12.7
Gillette Co.	16.8	24.3	45.4	10.4
Coca-Cola Co.	16.2	46.4	82.3	13.5
Merck & Co. Inc.	15.9	43.0	76.3	15.1
Heublein Inc.	15.7	29.4	47.0	n/a
General Electric Co.	15.7	23.4	37.8	10.9
Schering Corp.	15.7	48.1	79.8	12.9
Squibb Corp.	15.5	30.1	48.7	n/a
PepsiCo Inc.	15.0	27.6	41.1	11.2
Lilly Eli & Co.	14.0	40.6	50.4	10.9
American Home Products	13.8	36.7	43.6	10.5
Procter & Gamble Co.	13.2	29.8	32.4	13.9
Revlon Inc.	13.1	25.0	26.9	n/a
Johnson and Johnson	12.6	57.1	56.6	14.2
Anheuser-Busch Inc.	12.5	31.5	30.8	12.3
Chesebrough Ponds Inc.	12.5	39.1	38.2	n/a
McDonald's Corp.	12.1	71.0	63.2	17.5
First National City Corp.	11.4	20.5	16.9	9.3
Disney Walt Co.	11.3	71.2	53.6	14.6
American Express Co.	10.8	37.7	28.0	9.6
Dow Chemical Co.	10.6	24.1	17.7	12.2
American Hospital Supply Corp.	10.6	48.1	33.1	n/a
Schlumberger Ltd.	10.2	45.6	28.6	11.5
Upjohn Co.	10.0	38.8	25.3	11.3(a)
AMP Inc.	9.7	42.9	25.0	9.5
Texas Instruments Inc.	9.1	39.5	20.2	12.7(b)
Minnesota Mining & Manuf'g	8.5	39.0	20.6	8.7
Baxter Labs	8.1	71.4	29.6	10.5
Int'l Telephone & Telegraph Corp.	8.0	15.4	8.6	2.7(a)
Int'l Business Machines	7.7	35.5	17.1	6.6
Penney J.C. Inc.	7.3	31.5	14.8	5.0
Sears Roebuck & Co.	7.3	29.2	14.2	4.5
Int'l Flavors & Fragrances	7.0	69.1	27.7	9.4
Schlitz Joe Brewing Co.	6.6	39.6	15.6	n/a
Xerox Corp.	6.5	45.8	19.4	5.1
Halliburton Co.	6.3	35.5	12.7	3.9
Lubrizol Corp.	6.0	32.6	12.1	9.4
Eastman Kodak Co.	5.5	43.5	16.1	5.9
Simplicity Patterns	5.3	50.0	8.7	n/a
Digital Equipment Corp.	5.2	56.2	9.7	-12.6*
Avon Products Inc.	5.0	61.2	24.2	3.3
Louisiana Land & Exploration Co.	4.4	26.6	8.6	1.2
Black and Decker Corp.	2.8	47.8	10.5	3.4
Kresge (S. S.) Co.	2.1	49.5	10.1	1.2
Burroughs Co.	-0.4	46.0	6.6	-16.6*
Polaroid Corp.	-1.0	94.8	11.9	-2.9
Emery Air Freight Corp.	-1.9	55.3	8.0	n/a
MGIC Investment Corp.	-8.6	68.5	4.8	n/a
Rebalanced Portfolio	12.5	41.9	40.6	11.0
Non-Rebalanced Portfolio	12.2	41.9	38.4	11.0
S&P 500	12.7	18.9	18.9	8.0

* Companies had negative EPS in last year measured—used \$0.01/share to calculate EPS growth.

(a) earnings growth through 1994

(b) earnings growth through 1995

Warranted Multiples and Future Returns,” which hones a methodology that merges accounting ratios and fundamental performance data.

Think of warranted multiples as synthetic ratios that display unique variations in growth, profitability and cost of capital. Genuine peers have similar warranted multiples, as you’d expect. Subtracting warranted multiples from accounting multiples yields excess multiples. In the next one to three years, firms with low excess multiples today will record higher stock returns than firms with high excess multiples, if history is any indication.

A warranted PE, to take one ratio, comprises industry average PE, forecast earnings growth rate, leverage, and research and development as a ratio of sales — a ratio more robust than PE alone.