CHAPTER XVIII

Picking the Right One

It is one thing to discover that the way to wealth is to buy right and hold on. It is quite another to do it.

How does one buy right?

An Aesop fable brought up to date has the grasshopper going to the ant for advice at the end of the summer. “You are sitting pretty,” said the grasshopper to the ant. “You have built yourself a house for the winter and stocked it with provisions. I’ve had a good time but now that the nights are getting cold I’m worried. What should I do?”

“Easy,” replied the ant. “Change yourself into a cockroach and go into the house where you will find food and warmth for the winter.”

“Thanks,” said the grasshopper. Then, as an afterthought, “How do I change myself into a cockroach?”

“I’ve given you the master plan,” the ant said. “It’s up to you to work out the details.”

The master plan is to buy right and hold on. Some of us, left to work out the details for ourselves, may end up sleeping in the cold with the grasshopper.

I don’t know which is harder, buying right or knowing enough to hold on. Mathematically, if you just stick pins into the quotation page, you have not one chance in a hundred of hitting a stock that will give you one hundredfold appreciation, even if the future is as good as the past, which is no certainty. And after you have bought your stock, some of the best brains in Wall Street will be trying to persuade you to sell it and buy something else. Lots of times they will be right, at least for the short term. Every time they are right will make it harder for you not to heed their advice the next time. And the next time they may be advising you to sell your 100-to-one stock after it has gone from one to two. They did that to Mr. Garrett.

But since we have divided the problem of making a fortune from a $10,000 investment into two parts, let us consider first the problem of picking the right one.

To make a sensible choice we investors must make or accept some assumptions about the future. Otherwise we may find ourselves backing losers like the man who bet on a horse before learning that the purse was for the entry producing the most milk.

To make intelligent assumptions about the future, we must try to perceive the tendency of events. That involves us in consideration of money, interest, inflation, bonds versus stocks, and the political situation generally, before we even begin to compare the values available in various kinds of securities.

It all boils down to practical imagination—the ability to see what is not there but will be soon enough to matter to you.

CHAPTER XIX

Where to Look for the Big Winners

John Westcott, one of the best market analysts I ever knew, told me once about a talk he had with Bernard M. Baruch. Mr. Westcott casually referred to a recent purchase of some blue chip stock. He thinks it was either American Telephone or General Motors.

"I don't know how you can afford to buy stocks at that price," said Mr. Baruch. "I can't."

Mr. Baruch was voicing the widespread belief that big profit potentials are to be found only in low-priced stocks. Somehow it seems easier for a penny to grow into a dollar than for a dollar to grow into $100. As Table III shows, however, over the last forty years there have been many opportunities to make 100-for-one in higher priced stocks.

Low-priced stocks, like the poor, are always with us. Many low-priced stocks have advanced spectacularly. I have found nothing to indicate, however, that a stock selling at $1 or less is more likely to advance one hundredfold than a stock selling at $10 or more. It may seem that way simply because there are so many more low-priced stocks than higher-priced ones. Price alone is a poor guide for the investor seeking maximum capital gains.

Another popular impression is that really great opportunities in the stock market are more likely to be found in the Over-the-Counter market than on the New York Stock Exchange or the American Stock Exchange. Those holding this view assume that the stocks on the New York Stock Exchange are subject to more examination by professional security analysts than the much more numerous issues in the Over-the-Counter market. Hence it is felt there is less chance of an outstanding value being overlooked on the New York Stock Exchange than elsewhere. Again the record fails to bear this out. Of the more than 365 stocks that have advanced

more than one hundredfold in the last forty years, more were found on the New York Stock Exchange at the beginning of their great advance than anywhere else. (See Table I.) The explanation seems to be that since all any investor can buy anywhere is the unknown future, the chances of that unknown future proving very much better than expected are as good on the New York Stock Exchange as anywhere else.

Most emphatically this does not mean that I believe the investor would do as well to shut his eyes and stick pins in the quotation page of the *Wall Street Journal* as he could do by any other method. For one thing not all stocks that advance one hundredfold have afforded the investor equally favorable odds. The risk of total loss in one may have been many times greater than in another. Money won at Russian roulette may buy as much groceries as money earned any other way, but as a means of earning a livelihood Russian roulette has a well-deserved place at the bottom of the totem pole.

Then where does one look for 100-to-one stocks? The record of the last forty years suggests these hunting grounds:

1. Inventions which enable us to do things we have always wanted to do but could never do before. The automobile, the airplane, and television are examples.

2. New methods or new equipment for doing things we long have had to do but doing them easier, faster, or at less cost than before. Computers and earth-moving machinery are examples from the past.

3. Processes or equipment to improve or maintain the quality of a service while reducing or eliminating the labor required to provide it. Examples are disposable syringes and sheets in hospitals, frozen foods, and the whole family of copiers headed by Xerox.

4. New and cheaper sources of energy such as kerosene replacing whale oil, fuel oil replacing coal, and electricity generated by atomic power replacing them all.

5. New methods of doing essential old jobs with less or no ecological damage. An example is the use of sterilized insects to wipe out a pest rather than employing chemicals harmful to many desirable forms of life.

6. Improved methods or equipment for recycling the materials, including water, required by civilized man instead of making mountains of waste and oceans of sewage.

7. New methods or equipment for delivering the morning newspaper to the home without carriers or waste, yet having it instantly available for review at later dates. Few items have less value for most of us than yesterday's newspaper, but millions of them are printed daily in a form that can be bound and preserved for many years by that tiny fraction of subscribers who want a permanent record. For that we chew up forests.

8. New methods or equipment for transporting people and goods on land without wheels. Fire and the wheel have long been regarded as the two inventions that did most to lift man up from the abyss of savagery. I sometimes wonder if we have not paid homage to the wheel too long. Its inherent contradiction is that the faster it moves the greater the centrifigal force it generates. To achieve supersonic speeds in the air man had to find a way to leave the wheel behind. Someday it will be done on land perhaps with air cushions, perhaps with magnetic forces, probably with ideas, methods, and equipment not yet dreamed of.

To paraphrase Edith Cavell who told her executioners in the first World War, "Patriotism is not enough," neither is invention enough. Financial history is strewn with wrecks of bright ideas incompetently administered. Great fortunes have been made in the automobile industry but I sometimes wonder whether the investor who bought every automobile stock available between 1900 and 1920 would have had a return on his total investment equal to what the savings bank would have given him. In the same vein it would be interesting to know the total return on all of the money spent in drilling for oil. We do not even record the wildcatters' losses. The controversial depletion allowance and expensing of intangible drilling costs imply some recognition by Congress of a need to improve the odds, not withstanding the fortunes made by those who find oil. Like the winners in a lottery, those who strike it rich in the hunt for oil are not representative of all who participate.

Without making a complete survey, we have pointed out more than 365 stocks which have increased one hundredfold in market value in the last forty years. Many did it in forty years, some did it in thirty-five, some in thirty, quite a few in twenty-five, twenty or more in twenty years, and five in ten years or less. Even those that took the full forty years to multiply in value by 100 far outdistanced the increase in earnings or assets of any professionally managed fund on record in the same period.

In general there seem to be four categories of stocks that have turned in the 100-to-one performance records. I was about to say there *are* rather than there *seem to be*. What stopped me was recalling the story of the show-off who said to the great etymologist: “Have you ever noticed that sugar is the only word in the English language in which ‘su’ is pronounced ‘sh’? The etymologist’s reply was: “Are you sure?”

The four categories I see are these:

1. Advance primarily due to recovery from extremely depressed prices at bottom of greatest bear market in American history. Special panic or distress situations at other times belong in this group too.

2. Advance primarily due to change in supply-demand ratio for a basic commodity, reflected in a sharply higher commodity price.

3. Advance primarily due to great leverage in capital structure in long periods of expanding business and inflation.

4. Advance primarily due to the arithmetical result of re-investing earnings at substantially higher than average rates of return on invested capital.

Individual companies become available from time to time at what appear to be distress prices due to troubles peculiar to a company or its industry. But to have palpable bargains going begging as they did in 1932 and 1933 before the bank holiday, there must be a recurrence of the worldwide deflation and unemployment of that period. Such a recurrence probably is politically impossible. Throughout the Western world it seems clear that if they must choose, people will opt for inflation with or without wage and price controls rather than suffer another great depression. Hence it seems unrealistic to expect to find many 100-to-one profit opportunities in this first category now—at least not until mankind has relearned the fallacy of inflation as an economic cure-all. That may take many, many years.

Clearly a big discovery of oil or minerals can multiply a stock’s value many times in short order. Poseidon stock rose to more than 100 times its low in a single year following a sensational nickel ore discovery in Australia. (The stock subsequently lost most of that spectacular gain.) Such discoveries almost by definition are unforeseeable. The investor who makes a fortune by such means is lucky.

Not that I belittle luck. One does not have to be smart to make a fortune. All he has to know and do is what it takes. Ofttimes that is so simple as to

be beneath the notice of anyone but an obvious Adams. Oldtimers may recall he was a fictional character who never did anything smart but made more money than his clever rivals by doing the obvious—such as coming in when it started to rain.

Gambling on a big natural resource discovery is like playing the daily double at the races. You may go a lifetime without hitting the winning combination. But there are other natural resource situations where the existence of the resource in the ground is known but where a change in price is required to make mining profitable. Such was the situation with Mesabi Iron's vast taconite reserves. Such likewise was the situation with some of the coal companies whose stocks have appreciated more than one hundredfold since the depression of the 1930s. Such could some day be the situation with regard to uranium ore bodies, oil shale and tar sands, and standing timber.

Leverage opportunities may result from situations where the senior claims on a company's earnings and assets equal or exceed those earnings or assets, leaving no present value for the equity. When such a situation persists for many years with no visible prospect of change the equity may sell at a nominal price. This was the situation in the 1940s with Tri-Continental common stock and warrants. What might be called sales leverage also results sometimes from a prolonged depression of earnings of a large business, even without senior securities. When, for example, one can buy $10.00 or even $20.00 of company sales for each $1 of current equity market price, it is simple arithmetic that if profit margins should improve to the point where 5 percent of those sales came down to the common stockholders, the return on their investment would be handsome indeed.

Opportunities for profiting by capital leverage are easy to find. What is hard is deciding whether the added profit potential outweighs the added risk. The principle is that of the margin account. If you buy a stock on 50 percent margin and it doubles in price, you make nearly twice as much money on your own investment as you would have if you had bought the stock outright.

If it goes down 50 percent you have lost your equity. The kind of situation to watch for is a severe but temporary slump in the business and profits of a large company with a very high proportion of senior securities in its capital structure. Obviously if one can buy the equity for five or ten

percent of the value of the total enterprise, a doubling of the value of the total enterprise may result in a ten to twenty fold increase in the market price of the equity.

A relatively new leverage investment, not yet tested in a real depression, is the so-called dual purpose fund, pioneered in America by George S. Johnston, now chief executive of Scudder, Stevens & Clark. Typically such a fund was organized with half the capital provided by those seeking a high and growing income on their investment while the other half was provided by those interested solely in capital gains potential. Accordingly the first group of investors were promised all of the income from the combined funds and were even guaranteed a minimum income at the expense of the second group, if such minimum income should not be available otherwise.

The second group, on the other hand, are entitled to all of the capital gains on the combined funds after the first group have received the agreed income and repayment of their investment.

In effect the capital gains shareholders of these dual purpose funds have a margin account of 50 percent or more. In other words they stand to gain by any advance in the price of securities worth twice or more what they pay for their capital shares. These capital gains shareholders receive no dividends or interest on their investment, but neither do they have to pay any interest on their "debit balance," that is, on the portion of the fund's assets in excess of the cost of the capital shares. For instance, if such a fund has assets valued at $10 for the income shares and $10 for the capital gains shares, and if the income shares are entitled to just $10, the capital gains shares' appreciation potential is about the same as that of an account on 50 percent margin, without the risk of having to put up more margin or be sold out. For anyone who is convinced that the stock market is going to rise, purchase of these capital gains shares is analogous to doubling in a bridge game.

At times in the past year it has been possible to buy the capital gains shares of such dual purpose funds for a third or less of the total value of the assets applicable to the shares held by both groups. For example, assume the assets applicable to the income shares amount to $10 a share and that the assets applicable to the capital shares amount to $6 a share. Assume further that the capital shares sell on the New York Stock Exchange for $5 a share. We have seen such a relationship within the year 1971. If the stock

market should advance to five times its current average price as it did in the fifteen years between 1949 and 1964, and if the assets of the dual purpose fund merely kept pace with the market average, those assets in 1986 would amount to five times sixteen or $80 for each unit of one income share and one capital gains share. Since the income shares still would be entitled only to $10, the remaining $70 would be the asset value of the capital gains shares. The buyer of such shares at $5 thus would have fourteen fold his original investment.

Even such a gain is still a long way from the 100-to-one gains we have seen in the last forty years and are seeking now. But suppose war, or threats of war, or a totally unforeseen depression dropped the market price of the capital shares down not just to $5 but to $1 or even 50 cents. From such a level a surprise turnaround in the economic and political situation could provide the 100-to-one investment odds we are seeking. So could outstanding performance by the portfolio of a dual purpose fund, even without such a prior severe decline in the price of its capital shares.

My fourth category of stocks showing one hundredfold appreciation is that of companies reporting a far above-average rate of return on invested capital for many consecutive years. In such issues the investor has simple arithmetic and Father Time on his side. Even in this category, however, there is no free lunch, no “sure thing.” First there is the danger that the high rate of return on invested capital may attract too many competitors. No business is so good that it cannot be spoiled if too many get into it. It is vitally important that the high rate of return be protected by a “gate” making entry into the business difficult if not impossible. Such gates may be patents, incessant innovation based on superior research and invention, ownership of uniquely advantageous sources of raw material, exceptionally well-established brand names—you can fill in others as you choose. Just be sure the “gate” is strong and high. Most of us want pretty much the same material things in life—good food, good clothes, a home on the right side of the railroad tracks, good schools for our children. To get more than the average we must be able to do more than the average, or do what we do better than the average. If all we can do is take in washing there will always be someone down the street ready to take it in for two cents a pound less than our price.

Thousands of investors have owned one or another of these 100-to-one “high-gate” stocks at sometime or other in the last forty years. Probably not

one in a thousand has held his winner until it increased one hundredfold in value.

All of course wish they had done so. Yet it would be just as great a mistake to assume that what has been will continue to be forever and ever. Or to pay now for all the growth that can be foreseen.

To increase one hundredfold in value in forty years a stock's price must advance at the compounded annual rate of 12.2 percent. The rates of increase required to multiply a stock's value by 100 in fewer years than forty are these:

35 years - 14 percent
30 years - 16.6 percent
25 years - 20 percent
20 years - 26 percent
15 years - 36 percent

It is mathematically impossible for any company to continue to grow endlessly even at the smallest of those rates. The practical problem is to try to estimate, first, how long those rates of growth seem likely to continue and, second, how long they must continue to justify even the present price of the stock.

First, to end all argument as to the possibility of even the smallest of those growth rates continuing endlessly, how much do you think $1 invested at 5 percent 1971 years ago would amount to today with interest compounded annually? When Scudder, Stevens & Clark's Economics Vice President, Dr. Louise Curley, initially gave me the answer, in 1965, it was a sum so vast that to pay it in gold, at $35 to the ounce, would require a solid ball of gold reaching almost from the earth to the sun 90 million miles away. Dr. Curley got her doctorate in economics at Massachusetts Institute of Technology, so I trust her arithmetic. When I asked her to bring the answer up to date, to 1971, she reported it would now take a solid ball of gold more than 100 million miles thick.

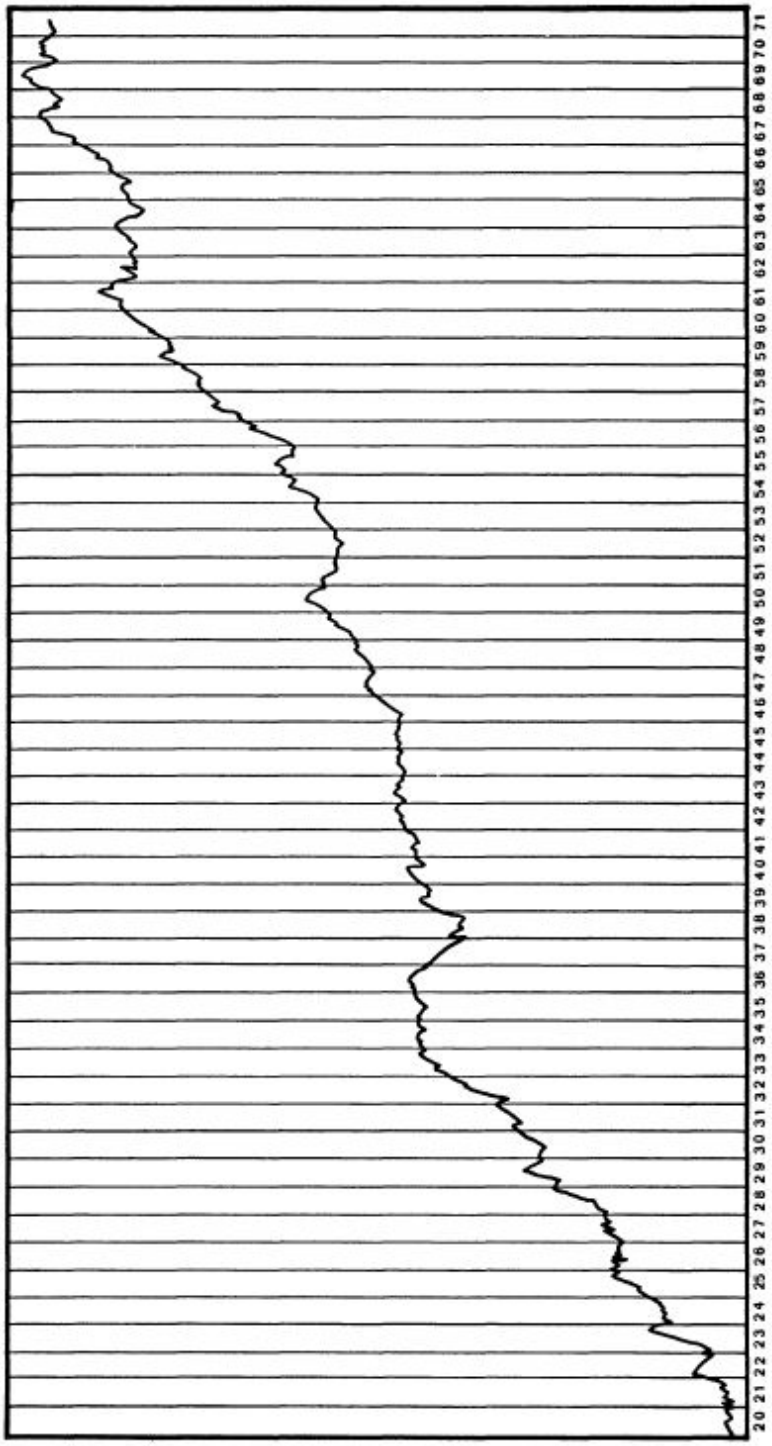
But let's be practical. None of us is investing for the next 1971 years. Our problem has a much nearer horizon. First, if we are looking for stocks that might multiply in value by 100 in the next fifteen to forty years, we must estimate the chances that their earnings can and will continue to grow at compound annual rates of 12 percent to 36 percent. Long-term capital growth is tied to long-term earnings growth. The only way an investor can

get more growth than that is to catch swings in stock market sentiment from optimism to pessimism and back again. If he misjudges those swings he may get a great deal less in capital growth than in earnings growth.

This line of thought may be helpful in appraising the growth prospects of such giant companies as General Motors and International Business Machines. If General Motors earnings were to increase one hundredfold from their record high of 1965, General Motors would report net income of well over $200 billion. Even if the corporation netted 10 percent of sales this would still mean $2 trillion in sales. It does not denigrate General Motors products or management to suggest that the corporation is unlikely to be doing even forty years from now a volume of business double America's present gross national product.

Similarly multiplying 1969 record earnings of International Business Machines by 100 would make them more than $11 billion annually. Even if the company managed to maintain its 1969 high ratio of net income to sales, IBM would have to do more than $700 billion of business annually to make such profits.

Those bullish on IBM may contend that I am arguing by *reductio ad absurdum.* At last report, IBM was still No. 1 on the list of stocks most popular with mutual funds and it was the favorite stock for 1972 in an *Institutional Investor* survey of money managers and security analysts. They should know what they are doing. Perhaps they plan to hold the stock just until it doubles again. Even that would be a nice profit if it could be realized in the next five years. If it is, IBM stock will be selling above $700 per present share. To do that its earnings must double, or its price-earnings ratio must increase along with its earnings. For IBM's earnings to double in the next five years they must increase at the compound annual rate of 15 percent. They have done even better than that in the past. But for the stock market to put a higher value on each dollar of IBM's 1975 earnings than it is now putting on IBM's 1970 earnings would presuppose either that the outlook for further growth *from the 1975 level* will be even better than it is now, or that interest rates will be lower, or both. See the relative price chart of IBM from 1919 to 1971. As is dramatically apparent, onward and upward has been the stock's course for more than half a century. By now almost everyone must be aware of it.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IBM

Table II

PRICE LIST OF FORTUNE-MAKER STOCKS

365 that could have been bought for as little as 4$ or as much as $137.50 in 30 different years for 100-fold rise

Contrary to popular impression, unlisted penny stocks are not the only ones that can turn $10,000 into $1,000,000. Shown in CAPITAL LETTERS in the following table is a list of more than 365 securities that could have been bought at the prices and in the years cited for advances by 1971 to at least 100 times each cost. Note that the first twelve on the list were priced at $50 or higher. If any security on the list was renamed or exchanged for issues bearing another name, the 1971 designation is shown immediately following, in parentheses.

	Cost	Year Bought
OLD BEN COAL FIRST GOLD 6s 1944 (Standard Oil of Ohio)	$137.50	1935
INTERNATIONAL BUSINESS MACHINES	125.50	1948
ANHEUSER-BUSCH	98.00	1935
AVON PRODUCTS	83.00	1955
MINNESOTA MINING & MANUFACTURING	60.00	1945
MINNEAPOLIS HONEYWELL (Honeywell)	58.00	1935
NEW PROCESS	58.00	1955
PRENTICE-HALL	51.00	1945
ASSOCIATED TELEPHONE UTILITIES SERIES C 5½% CONVERTIBLE BONDS (General Telephone)	50.00	1933
LAWYERS TITLE INSURANCE (Richmond Corp.)	50.00	1936
PORTER (H.K.) 1st 6s 1946	50.00	1932
RICHFIELD OIL OF CALIFORNIA 1st CONVERTIBLE 6s 1944 (CERTIFICATES OF DEPOSIT) (Atlantic Richfield)	50.00	1932
HALOID XEROX (Xerox)	47.50	1958
EASTMAN KODAK	46.00	1933
GENERAL AMERICA CORP. (Safeco)	44.00	1946
JOHNSON & JOHNSON	46.00	1938
EMPIRE TRUST (Dome Petroleum Ltd.)	43.50	1943
MERCK & CO.	43.00	1940

	Cost	Year Bought
POLAROID	42.88	1955
FIDELITY UNION LIFE INSURANCE	42.00	1949
CONTINENTAL ASSURANCE (CNA Financial)	40.50	1943
ABBOTT LABORATORIES	40.00	1934
MINNESOTA & ONTARIO PAPER 6s SERIES A 1931–45 (Boise Cascade)	40.00	1932
PAN-AMERICAN PETROLEUM (OF CAL.) CONVERTIBLE 6s 1940 (CERTIFICATES OF DEPOSIT) (Atlantic Richfield)	40.00	1932
GOVERNMENT EMPLOYES INSURANCE	38.00	1951
GRANITEVILLE MANUFACTURING (Graniteville)	34.00	1935
AMERICAN HOME PRODUCTS	30.75	1938
OLD BEN COAL 7½% DEBS 1934 (Standard Oil of Ohio)	30.00	1932
PFIZER (CHAS.) & CO. (Pfizer, Inc.)	29.00	1943
LINCOLN NATIONAL LIFE INSURANCE (Lincoln National Corp.)	28.50	1943
CONNECTICUT GENERAL LIFE INSURANCE (Connecticut General Insurance)	27.63	1943
GLOBE & RUTGERS FIRE INSURANCE (American International Group)	27.00	1949
CLOROX	24.00	1942
GENERAL TIRE	23.00	1933
AMEREX HOLDING CORP. (American Express)	21.50	1948
DOW CHEMICAL	21.13	1932
MERCANTILE STORES	21.00	1943
U.S. BOBBIN & SHUTTLE PFD. (Baker Industries)	20.00	1940
EASTERN GAS & FUEL 6% PFD.	19.75	1943
ZENITH RADIO	19.75	1948
AMERADA CORP. (Amerada Hess)	18.50	1933
BABCOCK & WILCOX	18.50	1934
WINN & LOVETT GROCERY (Winn-Dixie Stores Class B Conv.)	18.00	1942
CARNATION COMPANY	17.88	1938
AMERICAN HIDE & LEATHER 7% PREFERRED (Tandy common)	17.75	1934
McDONNELL AIRCRAFT (McDonnell Douglas)	17.00	1950

	Cost	Year Bought
MOORE CORP. LTD.	17.00	1935
SQUARE D CLASS B COMMON	17.00	1935
BLACK & DECKER	16.50	1944
TAMPAX	16.50	1949
DR. PEPPER	16.00	1935
AETNA CASUALTY & SURETY (Aetna Life & Casualty)	15.00	1932
CLARK EQUIPMENT	15.00	1939
KIRSCH CO. PFD. (Kirsch Company common)	14.00	1946
VIRGINIA IRON COAL & COKE 5% PREF. (Bates Mfg.)	14.00	1942
AMERICAN HIDE & LEATHER 7% PREFERRED (Tandy common)	13.50	1933
CHICAGO FLEXIBLE SHAFT (Sunbeam)	13.50	1935
PLOUGH (Schering-Plough)	13.25	1945
PANHANDLE PRODUCING & REFINING 8% PREFERRED (American Petrofina Class A)	13.00	1940
J. C. PENNEY CO.	13.00	1932
ABITIBI POWER & PAPER CO., LTD. 7% PFD. ($100 PAR) (Abitibi Paper Common)	12.50	1943
SEARS, ROEBUCK & CO.	12.50	1933
AMERICAN HIDE & LEATHER 6% CONV PREFERRED (Tandy common)	12.00	1938
DIEBOLD, INC.	11.63	1950
EDDY PAPER CORP. (Weyerhaeuser)	11.50	1940
NEWMONT MINING	11.50	1933
PHILIP MORRIS	11.50	1934
SHARP & DOHME $3.50 CONV. PFD. A (Merck common)	11.50	1932
BAXTER LABORATORIES	11.25	1956
MOTOROLA	11.25	1948
INTERNATIONAL COMBUSTION ENGINEERING CV. PFD. CTFS. (Combustion Engineering Inc.)	11.00	1933
UNIVERSAL WINDING (Leesona)	11.00	1934
OUTBOARD MOTORS CLASS A (Outboard Marine)	11.00	1936
SKYLINE HOMES (Skyline Corp.)	11.00	1963
GENERAL FIRE EXTINGUISHER (International Telephone & Telegraph)	10.63	1943

	Cost	Year Bought
FOOD MACHINERY (FMC)	10.50	1934
MONROE AUTO EQUIPMENT	10.50	1959
GOODYEAR TIRE & RUBBER	10.25	1942
AMERICAN POWER & LIGHT $6 PFD.	10.13	1935
HART SCHAFFNER & MARX	10.00	1939
HOBART MANUFACTURING	10.00	1933
REECE BUTTON HOLE MACHINE (Reece Corp.)	10.00	1934
SIGNODE STEEL STRAPPING (Signode Corp.)	9.75	1942
FEDDERS	9.50	1945
NOBILITT-SPARKS INDUSTRIES (Arvin Industries)	9.50	1933
GEORGIA-PACIFIC	9.25	1953
DODGE MANUFACTURING (Reliance Electric)	9.13	1942
ALOE (A.S.) CO. (Brunswick)	9.00	1934
MILTON BRADLEY	9.00	1957
NATOMAS CO.	9.00	1932
PACIFIC WESTERN OIL (Getty Oil)	9.00	1943
MELVILLE SHOE	8.75	1933
SHARP & DOHME (Merck)	8.63	1943
EMERSON ELECTRIC	8.50	1949
McGRAW-HILL	8.50	1943
LANE BRYANT	8.38	1942
AETNA LIFE (Aetna Life & Casualty)	8.25	1932
HOLIDAY INNS	8.13	1958
MASONITE	8.25	1933
NATIONAL CONTAINER $2 CONV. PFD. (Owens-Illinois-Glass)	8.13	1932
THOMPSON PRODUCTS (TRW)	8.13	1938
AMERICAN AIRLINES	8.00	1938
DELTA AIR LINES	8.00	1942
EDISON BROS. STORES	8.00	1934
TRANE	8.00	1943
CROWN CORK & SEAL	7.88	1932
EMERY AIR FREIGHT	7.88	1955
HENRY HOLT & CO. (Columbia Broadcasting System)	7.88	1953
FEDERATED DEPARTMENT STORES	7.50	1933
GARDNER-DENVER	7.50	1933
BRIGGS & STRATTON	7.25	1933
NATIONAL STANDARD	7.25	1932

	Cost	Year Bought
AMERICAN HOME FIRE ASSURANCE (American International Group)	7.00	1949
AUTOMATIC DATA PROCESSING	7.00	1965
ELECTRIC POWER & LIGHT $7 SECOND PREFERRED (Middle South Utilities and Pennzoil)	7.00	1943
NATIONAL HOMES	6.75	1945
GENERAL AMERICAN OIL	6.50	1937
HOLOPHANE (Johns-Manville)	6.50	1936
KENDALL CO.	6.50	1942
SKELLY OIL	6.50	1935
APEX ELECTRICAL MANUFACTURING (White Consolidated Inc.)	6.25	1941
MASCO SCREW PRODUCTS (Masco Corp.)	6.25	1961
VAN DORN IRON WORKS (Van Dorn Co.)	6.25	1950
CONTAINER CORP. (Marcor)	6.13	1934
PHILLIPS-JONES (Phillips-Van Heusen)	6.13	1942
AMERICAN CONSTITUTION FIRE INSURANCE (American International Group)	6.00	1932
ELECTRIC SHOVEL COAL PREFERRED (American Metal Climax)	6.00	1942
PACIFIC MILLS (Burlington Industries)	6.00	1933
INDUSTRIAL ACCEPTANCE	5.90	1942
BURLINGTON MILLS (Burlington Industries)	5.75	1937
DEERE & COMPANY	5.75	1933
HUNT BROS. PACKING (Norton-Simon)	5.75	1944
BRUNSWICK-BALKE-COLLENDER (Brunswick Corp.)	5.50	1938
CATERPILLAR TRACTOR	5.50	1933
SIGNAL OIL & GAS CLASS A (Signal Cos.)	5.50	1935
UNION BAG & PAPER (Union Camp)	5.50	1933
GREYHOUND CORP.	5.25	1934
MARION STEAM SHOVEL 7% PFD. (Merritt-Chapman & Scott)	5.25	1932
LOUISIANA LAND	5.13	1943
WEST VIRGINIA COAL & COKE (Eastern Gas & Fuel)	5.13	1944
WESTERN AUTO SUPPLY CLASS A (Beneficial Corp.)	5.13	1932
AMERICAN METER (Singer)	5.00	1933

	Cost	Year Bought
CHICAGO, ROCK ISLAND & PACIFIC CONVERTIBLE 4½s, 1960 (Union Pacific)	5.00	1940
CONTINENTAL CASUALTY (CNA Financial)	5.00	1933
DOUGLAS AIRCRAFT (McDonnell Douglas)	5.00	1932
EMPORIUM CAPWELL (Broadway-Hale Stores)	5.00	1934
GENERAL ALLIANCE (General Reinsurance)	5.00	1933
GOVERNMENT EMPLOYES LIFE INSURANCE	5.00	1949
KIRSCH CO. COMMON B (Kirsch Co. common)	5.00	1946
MAGNAVOX	5.00	1949
NINETEEN HUNDRED (Whirlpool)	5.00	1942
SIMPLICITY PATTERN	4.88	1954
GILLETTE	4.75	1943
HONOLULU OIL	4.75	1932
PYRENE MFG. (Baker Industries)	4.75	1940
CONTINENTAL BAKING (International Telephone)	4.50	1935
NEW ENGLAND LIME (Pfizer Inc.)	4.50	1948
NOXZEMA CHEMICAL (Noxell)	4.50	1944
INTERSTATE CO. (Host International)	4.38	1955
MILLER WHOLESALE DRUG (American Home Products)	4.38	1940
ASSOCIATED DRY GOODS	4.25	1942
MAGMA COPPER (Newmont Mining)	4.25	1932
NEHI (Royal Crown Cola)	4.25	1936
REALTY OPERATORS (Southdown)	4.25	1944
ARMSTRONG CORK	4.13	1933
AYSHIRE PATOKA COLLIERIES (American Metal Climax)	4.00	1942
COLUMBIA RIVER PACKERS (Castle & Cooke)	4.00	1939
GENERAL CABLE CLASS A (General Cable common)	4.00	1935
LERNER STORES	4.00	1933
PHILADELPHIA LIFE INSURANCE	4.00	1945

		Cost	Year Bought
NORTH AMERICAN CAR (Flying Tiger Line)		3.88	1942
STONE & WEBSTER	(Stone & Webster) (Gulf States Utilities) (El Paso Electric) (Virginia Electric & Power) (Sierra Pacific Power)	3.76	1935
BIRTMAN ELECTRIC (Whirlpool)		3.75	1933
BRACH (E. J) & SONS (American Home Products)		3.75	1933
CESSNA AIRCRAFT		3.75	1941
EX-CELL-O		3.75	1934
HANCOCK OIL (Signal Cos.)		3.75	1933
INTERNATIONAL UTILITIES CLASS A (common)		3.75	1943
MC GRAW ELECTRIC (McGraw-Edison)		3.75	1934
SLOSS-SHEFFIELD STEEL & IRON (A-T-O Inc.)		3.75	1932
BROADWAY DEPARTMENT STORE (Broadway-Hale Stores)		3.63	1941
DISNEY (WALT) PRODUCTIONS INC.		3.63	1954
LINE MATERIAL (McGraw-Edison)		3.63	1935
AMERICAN MANUFACTURING		3.50	1935
ARMOUR & CO. (ILLINOIS) PREFERRED (Greyhound)		3.50	1932
CLIFFS CORP. (Cleveland Cliffs)		3.50	1933
COOPER INDUSTRIES		3.50	1937
CUTLER-HAMMER		3.50	1932
LION OIL (Monsanto)		3.50	1935
U.S. FREIGHT		3.50	1932
WALKER (HIRAM) GOODERHAM & WORTS		3.50	1933
WESTON ELECTRICAL INSTRUMENT (Schlumberger)		3.50	1932
BORG-WARNER		3.38	1932
UNITED CHEMICALS (FMC)		3.25	1939
U.S. STORES $7 FIRST PREFERRED (Thorofare Markets)		3.25	1941
ENGINEERS PUBLIC SERVICE	(Virginia Electric & Power) (El Paso Electric) (Gulf States Utilities)	3.15	1934

	Cost	Year Bought
AMERICAN METAL CLIMAX	3.13	1933
EATON MANUFACTURING (Eaton Yale & Towne)	3.13	1933
INTERNATIONAL VITAMIN (American Home Products)	3.13	1941
KERLYN OIL CLASS A (Kerr-McGee)	3.13	1943
SWEETS CO. OF AMERICA (Tootsie Roll Industries)	3.13	1942
TENNESSEE CORP. (Cities Service)	3.13	1934
AMERICAN INVESTMENT CO. OF ILLINOIS	3.00	1933
CHICAGO RIVET & MACHINE	3.00	1932
COLLINS & AIKMAN	3.00	1933
ELECTRIC POWER & LIGHT $7 PFD. (Middle South Utilities and Pennzoil)	3.00	1935
FEDERAL-MOGUL	3.00	1934
GOODRICH (B.F.) COMPANY	3.00	1933
INTERCONTINENTAL RUBBER (Texas Instruments)	3.00	1952
STARRETT (L.S.)	3.00	1932
WESTVACO CHEMICAL (FMC)	3.00	1932
BALDWIN (D.H.) CO.	2.88	1939
GENERAL AMERICA CORP. (Safeco)	2.75	1934
PACIFIC PORTLAND CEMENT (Ideal Basic Industries)	2.75	1944
RAYTHEON	2.75	1943
WARNER BROS. PICTURES, INC. (Kinney National Service)	2.75	1941
U.S. FOIL B (Reynolds Metals)	2.63	1943
WHITE SEWING MACHINE (White Consolidated Industries)	2.63	1943
CARRIER CORP.	2.50	1932
DOBECKMAN (Dow Chemical)	2.50	1941
ELECTRIC POWER & LIGHT $6 PFD. (Middle South Utilities and Pennzoil)	2.50	1935
MAYTAG	2.50	1943
PARKER PEN	2.50	1932
REMINGTON RAND (Sperry Rand)	2.50	1933
SHELL UNION OIL (Shell Oil)	2.50	1932
TEXAS PACIFIC COAL & OIL	2.50	1934
RAPID ELECTROTYPE (Rapid-American)	2.38	1943
EVERSHARP (Warner-Lambert)	2.25	1942
HOUSTON OIL	2.25	1942

	Cost	Year Bought
SAVAGE ARMS (Emhart)	2.25	1933
CHICAGO PNEUMATIC TOOL	2.13	1933
CITIES SERVICE	2.13	1942
S. R. DRESSER MANUFACTURING CLASS B (Dresser Industries)	2.13	1933
GIMBEL BROTHERS	2.13	1935
MC LELLAN STORES PREFERRED (McCrory Corp. common)	2.13	1933
SPERRY (Sperry Rand)	2.13	1933
ABITIBI POWER & PAPER CO., LTD. 6% PFD. ($100 PAR) (Abitibi Paper common)	2.00	1940
CHICAGO & SOUTHERN AIR LINES (Delta Air Lines)	2.00	1942
FAIRCHILD AVIATION (Fairchild Camera)	2.00	1938
LEHIGH VALLEY COAL CORP. 6% ($50 PAR) CONVERTIBLE PFD. (Lehigh Valley Industries)	2.00	1940
MIDLAND STEEL PRODUCTS (Midland-Ross)	2.00	1932
PHILLIPS PETROLEUM	2.00	1932
PITNEY-BOWES	2.00	1933
PLACER DEVELOPMENT	2.00	1937
TEXAS GULF PRODUCING	2.00	1942
THATCHER MANUFACTURING (Dart Industries)	2.00	1932
UNION GAS OF CANADA	2.00	1934
INTERTYPE (Harris-Intertype)	1.88	1933
KINNEY (G.R.) & CO. (Brown Shoe)	1.88	1943
LINDSAY CHEMICAL (Kerr-McGee)	1.88	1939
UNITED PIECE DYE WORKS 6½% PREFERRED (United Piece Dye Works common)	1.88	1943
WHITMAN & BARNES (TRW, Inc.)	1.88	1934
NEW YORK DOCK (Questor)	1.75	1939
PITTSTON CO.	1.75	1943
AMERICAN CHAIN & CABLE	1.63	1933
AMERICAN CYANAMID	1.63	1932
UNITED-CARR FASTENER (TRW, Inc.)	1.63	1933
VAN RAALTE CO. (Cluett, Peabody & Co.)	1.63	1933
VENTURES (Falconbridge Nickel)	1.57*	1940

*U. S. Funds

	Cost	Year Bought
INDIANA STEEL PRODUCTS (Electronic Memories & Magnetics)	1.50	1940
INTERNATIONAL TELEPHONE & TELEGRAPH	1.50	1942
SETON LEATHER (Seton Co.)	1.50	1933
SUNSTRAND MACHINE TOOL (Sunstrand Corp.)	1.50	1933
FALCONBRIDGE NICKEL	1.43#	1940
YELLOW TRUCK & COACH (General Motors)	1.38	1932
AUSTIN, NICHOLS & CO. (Liggett & Myers)	1.25	1942
BEECH AIRCRAFT	1.25	1938
CELANESE CORP.	1.25	1932
ELECTRIC POWER & LIGHT COMMON (Middle South Utilities and Pennzoil)	1.25	1943
GENERAL CABLE COMMON	1.25	1933
MC CORD RADIATOR & MANUFACTURING (McCord Corp.)	1.25	1943
NATIONAL DEPARTMENT STORES 7% 1st PFD. (International Mining)	1.25	1933
NORTH AMERICAN AVIATION (North American Rockwell)	1.25	1932
UNITED STATES RUBBER (Uniroyal)	1.25	1932
COPPER RANGE	1.13	1932
HOOVER BALL & BEARING	1.13	1934
INDIAN REFINING (Texaco)	1.13	1933
SMITH (HOWARD) PAPER MILLS (Domtar)	1.13	1933
SOSS MANUFACTURING (SOS Consolidated)	1.13	1941
AIR PRODUCTS & CHEMICALS	1.00	1946
ALLEN INDUSTRIES (Dayco)	1.00	1933
CONSOLIDATED AIRCRAFT (General Dynamics)	1.00	1933
CROWN ZELLERBACH	1.00	1933
DAYTON RUBBER MANUFACTURING CLASS A (Dayco)	1.00	1933
ELECTRIC BOAT (General Dynamics)	1.00	1933
FLYING TIGER LINE	1.00	1949
HOUDAILLE-HERSHEY CLASS B (Houdaille Industries)	1.00	1933

U. S. Funds

	Cost	Year Bought
HUSSMAN-LIGONIER (Pet Milk)	1.00	1934
LINEN SERVICE CORP. OF TEXAS (National Service Industries)	1.00	1939
MEGEL (Marcor)	1.00	1932
MESABI IRON (Mesabi Trust)	1.00	1943
NATIONAL SHIRT SHOPS (McCrory Corp. common)	1.00	1934
PITTSBURGH RAILWAYS (CITIZENS TRACTION COMMON) (Pittway Corp.)	1.00	1940
SCULLIN STEEL $3 PREFERENCE (Universal Marion)	1.00	1932
SELECTED INDUSTRIES $1.50 CONVERTIBLE STOCK (Tri-Continental)	1.00	1942
SOUTH COAST (Jim Walter)	1.00	1941
SPIEGEL, MAY, STERN (Beneficial Corp.)	1.00	1933
TUBIZE CHATILLON (Celanese)	1.00	1932
TUNG-SOL ELECTRIC (Studebaker-Worthington)	1.00	1932
U.S. BOBBIN & SHUTTLE (Baker Industries)	1.00	1941
VIRGINIA CAROLINA CHEMICAL (Mobil Oil)	1.00	1942
VIRGINIA IRON, COAL & COKE (Bates Manufacturing)	1.00	1943
WILCOX (H.F.) OIL & GAS (Tenneco)	1.00	1935
AIR INVESTORS (American Manufacturing) (Syntex)	.94	1942
OGDEN CORP. (Ogden Corp.) (Bunker Ramo)	.94	1951
LOCKHEED	.90	1934
AMERICAN SEATING	.88	1933
BULOVA WATCH	.88	1933
ELECTRIC BOND & SHARE (Boise Cascade)	.88	1942
EVANS PRODUCTS	.88	1933
GROCERY STORE PRODUCTS (Clorox)	.88	1942
MIDDLE STATES PETROLEUM CLASS A (Tenneco)	.88	1935
RELIABLE STORES	.88	1933

	Cost	Year Bought
JEANETTE GLASS	.82	1942
AMERICAN LABORATORIES (American Medical International)	.75	1964
AMERICAN MACHINE & METALS (Ametek, Inc.)	.75	1932
BUTLER BROS. (McCrory Corp.)	.75	1932
INSPIRATION CONSOLIDATED COPPER	.75	1932
LOFT (Pepsico)	.75	1938
RUSTLESS IRON & STEEL (Armco Steel)	.75	1935
ST. LAWRENCE CORP. (Domtar)	.75	1942
SELECTED INDUSTRIES (Tri-Continental common & warrants)	.75	1944
SHAMROCK OIL & GAS (Diamond Shamrock)	.75	1935
VENEZUELAN PETROLEUM (Atlantic Richfield)	.75	1941
VENEZUELAN PETROLEUM (Sinclair Oil)	.75	1941
TRI-CONTINENTAL WARRANTS	.69	1944
ARMOUR & CO. (ILLINOIS) CLASS A (Greyhound)	.63	1932
ART METAL WORKS (Ronson Corp.)	.63	1933
BLISS (E.W.) (Gulf & Western)	.63	1932
DUNHILL INTERNATIONAL (Questor)	.63	1932
EASTERN STATES CORP. (St. Regis Paper)	.63	1944
OUTBOARD MOTORS CLASS B (Outboard Marine)	.63	1935
SNIDER PACKING FOODS (General Foods)	.63	1933
TRI-CONTINENTAL COMMON	.63	1941
U.S. HOME & DEVELOPMENT	.63	1967
ABITIBI POWER & PAPER COMMON (Abitibi Paper common)	.50	1942
BUTTE COPPER & ZINC (Jonathan Logan)	.50	1933
BYRON JACKSON (Borg Warner)	.50	1932
CELOTEX (Jim Walter)	.50	1933
DUVAL TEXAS SULPHUR (Pennzoil United)	.50	1933
INTERNATIONAL PAPER & POWER CLASS A COMMON (International Paper)	.50	1933
JOHNSON MOTOR (Outboard Marine)	.50	1932
MARCHANT CALCULATING MACHINE (SMC)	.50	1933

	Cost	Year Bought
NATIONAL AUTOMOTIVE FIBRES (Chris-Craft Industries)	.50	1932
NATIONAL FIREPROOFING (Fuqua Industries)	.50	1944
SYMINGTON (Dresser Industries)	.50	1932
UNITED PAPERBOARD (United Board & Carton)	.50	1933
OCCIDENTAL PETROLEUM	.45	1956
CHEMICAL RESEARCH (General Development)	.41	1941
DEVELOPMENT CORP. OF AMERICA	.38	1967
EASON OIL COMPANY	.38	1942
MC CRORY STORES (McCrory Corp.)	.38	1933
MERRITT-CHAPMAN & SCOTT	.38	1932
WARREN BROTHERS (Ashland Oil & Refining)	.38	1941
MICHIGAN BUMPER (Gulf & Western)	.32	1943
PARMELEE TRANSPORTATION (Checker Motors)	.32	1942
STARRET CORP. (Recrion)	.32	1943
U.S. & FOREIGN SECURITIES (U.S. & International Securities)	.32	1933
AMERICAN BEET SUGAR (American Crystal Sugar)	.25	1932
BURRY BISCUIT (Quaker Oats)	.25	1942
FANSTEEL	.25	1932
GODCHAUX SUGARS (Gulf States Land & Industries)	.25	1933
MC LELLAN STORES (McCrory Corp.)	.25	1933
NESTLE-LE MUR	.25	1938
SUNRAY OIL (Sun Oil)	.25	1933
TRUAX TRAER COAL (Consolidation Coal)	.25	1932
GENERAL SHAREHOLDINGS (Tri-Continental)	.19	1942
ALLEGHANY CORP. COMMON	.13	1941
NATIONAL BELLAS HESS CO., Inc. 7% PFD. (National Bellas Hess, Inc. common)	.13	1932
REPUBLIC GAS (Republic Natural Gas)	.13	1932
WAHL (Schick)	.13	1932
UNITED PIECE DYE WORKS COMMON	.10	1943
OLD BEN COAL NEW COMMON (Standard Oil of Ohio)	.05	1935
INTERNATIONAL UTILITIES CLASS B	.04	1942

CHAPTER XX

Getting Away from It All

Sometimes investment problems seem so insoluble that we are tempted to turn our backs on them by sending our money on a foreign trip. For most people, investing abroad amounts to fleeing from hazards they can see to hazards they cannot see. Too often such capital movements glorify hindsight rather than manifest foresight.

I well remember in the 1930s seeing "sophisticated" investors send money to Argentina and France to escape the perils of the New Deal and dollar devaluation in the United States. While I have no records to prove it —people talk more freely about their winnings than about their losses—I very much doubt that any of them made as much money on their foreign ventures as they could have made by taking advantage of the fabulous bargains right here at home.

In summers spent on Minnesota farms in my teens I learned that cattle in a lush pasture will break down a barbed wire fence to get to grass just beyond. To them the grass on the other side of the fence looks greener. So it does to their owners as well. Distance lends enchantment.

In World War II I learned another reason to beware of foreign investment. Some of my customers were British citizens. At the bottom of the market in 1942 the British Government "sequestered" American securities owned by British citizens and sold them to get dollars to help pay for the war.

My conclusions are:

1. Never invest abroad to escape perils at home *unless you are prepared to go with your money.*

2. Otherwise invest abroad only when the foreign opportunity seems better by a wide margin than anything you can find at home. That "wide margin" is to cover the difference between what you know about conditions

in your native country and the most you can hope to know about a country you have perhaps visited occasionally and studied intermittently from afar.

You may be thinking, “How about the White Russians whose investments in France saved them when the Revolution came? How about the German Jews whose foreign investments enabled them to make a new start out of Hitler’s reach?” Both profited by foreign investments only because they were willing and able to go with their money.

“But,” some may argue, “by the time the need for those foreign investments became clear, it was no longer possible to make them.”

That is nothing but a statement of all investment problems. By the time the need or the opportunity is clear, the profit potential is in the price.

Ideally, foreign investing should be done as a consequence of a worldwide search for the best relative values. The resulting insurance thus obtained against ruinous social and political developments at home is thus practically free, and free insurance is always a bargain.

If Great Britain enters the Common Market, as now seems assured, and if an economic and/or political United States of Europe evolves, the new superpower should provide great investment opportunities.

On the opposite side of the world is a continental demonstration that nature abhors a vacuum: Australia.

The Australian stock market has advanced sixtyfold in the last seventy-five years, more than twice as much as the Dow-Jones Industrial Average. Following the worldwide depression of 1929-1932, it took twenty-five years for the American, Canadian, and British stock markets to get back to their 1929 highs. The Australian stock market was in new high ground in five years. Why?

Australia is big. How big, this may help you to appreciate-If Texas, our biggest state before we brought in Alaska, is overlaid in ex-act scale on Australia’s biggest state, West Australia, there is enough room around the edges to throw in Alaska too and still have 100,000 square miles left over.

Australia is not only big. It is relatively empty. The area of Australia approximately equals that of the United States before we took in Alaska and Hawaii. Yet the population of the United States is sixteen times the population of Australia.

Australia is not only big and empty. It is unexploited. It was discovered 150 years after the Pilgrams landed at Plymouth Rock, so we had 150 years start on it. In many ways its development still lags the United States by half a century or more. One example of the extreme underexploration of Australia so far is that 2,000 oil wells have been drilled out there in a country as big as the United States where we've drilled more than 2,000,000. Australia's three million square miles of land area and one million square miles of continental shelf should provide a handsome return on a proportionately larger underground exploration.

Many of the biggest discoveries in Australia so far have thrust themselves upon people rather than resulting from intensive, technologically advanced exploration. That is just beginning.

Australians tell an amusing story about the Gove bauxite deposit just west of the Gulf of Carpentaria. During World War II they built an airstrip there. To make the airstrip, they had to go in with bulldozers and scrape away red stuff. There were 5,000 men there during the war: Australians, British, and Americans. Nobody ever thought to ask what the red stuff was.

A year or two after the war, having heard rumors that there was bauxite on some islands north of Australia, a party of geologists flew up to look for it. The plane developed engine trouble. The pilot remembered this now abandoned airstrip, and just made it back there. His engine was in such bad shape that he said they were going to have to be there four or five hours. The geologists, to stretch their legs, got out and walked around. One of them took a look at what was under their feet and thus they "discovered" 500 million tons of bauxite.

Almost as remarkable for the way it thrust itself upon the discoverer was the discovery of iron ore in West Australia. Lang Hancock, the man who found it and who gets 2-1/2 percent of the gross on all the iron ore shipped by Hamersley, has the biggest taxable income of anybody in Australia. His story is that he and his wife were flying south from a station (ranch) north of this area at the end of the season when a bad storm came up. He didn't have instruments for blind flying and had to stay close to the ground so as not to lose his way. The storm was so bad he flew between hills. As he was going along dodging hills—it was raining cats and dogs—he saw streaks of rust on the side of one hill. He made a note of the location and returned at his first opportunity to find a mountain that is almost pure

iron oxide. The whole mountain is a higher grade of iron oxide than once was fed to blast furnaces in this country.

Australia is not only big, empty, and unexploited, but is a prime beneficiary of advances in science and technology. New technology has made feasible the development of many resources which a comparatively short time ago, even if known, would have been disregarded because they would have been uneconomic with the methods and tools then available.

They clear land with Caterpillar Tractors linked with chains. Instead of cutting down trees one at a time as our forefathers did in Vermont and New Hampshire, and then a year or two later digging out the stumps, they pull trees like weeds and stack them up on the edge of the field for burning. Two men can clear 500 acres a day.

The iron ore up at Hamersley and Mount Newman would have been uneconomic to work until they got the kind of equipment that they have today (shovels that pick up twenty-four tons of ore with each bite, trucks that carry 100 tons with each load—four big bites of these shovels fill a truck, one man runs the shovel, another man runs the truck, dumps it into a crusher from which it falls into a 150-car train run by two men).

Air transport is another good example of how modern technology is opening up areas formerly inaccessible and uneconomic in which to operate. Modern technology has brought Australia closer to New York in travel time than New York was to California twenty-five or thirty years ago.

Still another example of what technology is doing for Australia is the development of underground water. In an area where men died of thirst fifty to 100 years ago, they are now bringing up water from only 300 feet below the surface, and it is good water and flows without pumping.

Air conditioning too is revolutionizing the potential of the country, particularly the northern portion that is in the tropics. Agriculture used to be unfeasible for white men in the tropics because of the hard physical labor involved and because the climate was not good for their women and children. Today, everything is air conditioned, even the cabs on the machines.

Much of this big development in Australia has been financed by the Japanese, notably iron ore, bauxite, and coal developments. A great investment problem of the future is, “What will the Japanese do with all of this cheap Australian raw material they are contracting for?” The Japanese

are a very ingenious people. In World War II they went down to Darwin, Australia, with their bombers and sank a whole lot of ships. When the war was over, they came again, bought the wrecks, lifted them, and took them back to Japan for scrap iron.

Nothing is certain in investing, but probabilities seem to favor further swift development of the natural resources of this land Down Under which has easily the largest thinly populated land mass to be found in the temperate zone anywhere in the world. The background of English law and respect for private property rights enhances the prospect.

THE INFERNAL CITY

Money, interest, and inflation all have an important bearing on the investment climate in which your investment favorites will run. But the most significant factor of all is people and their views. What are their hopes, their aims, their beliefs? What kind of a life do they want for their children? What kind of a country? What will they fight for? How many of us are doing what we can to help our planet Earth heal its wounds and its people find better lives?

Before the Second World War some investment men used to inquire into the number of churches and their membership as factors in evaluating a community's bonds. Such thinking may be considered square and corny by some today, but it was definite and positive, not vague and uncertain. Property rights vs. human rights meant little to us then because we could not imagine any significant human rights—not even freedom—without property rights. The distinction between right and wrong seemed crystal clear to most of us. Wrongdoers were punished without much thought that society might be to blame for their derelictions.

Things have gotten blurred since then. Just as air pollution now makes it hard for the visitor arriving by airplane to see the towers of Manhattan through the yellow-brown cloud that rises from the city, so moral pollution makes it difficult to distinguish right from wrong, particularly when the wrong is done by a large number of people acting in concert.

Nowhere is this more evident than in our big cities. A metropolis affords anonymity close to invisibility. This means that citizens can act as they would if they knew no one was looking. If there is a moral breakdown

in America, the first place it must manifest itself is in the big cities. Nowhere else is interdependence so great, or the opportunity to chisel undetected so patent. Nowhere else are the advantages of mass production and specialization so negated by the rising costs of ineffective policing and inspecting.

Greed that brought the hapless black man to America as prisoner and slave sowed the seeds of the racial tension that undermines our national unity today. Politics that invites their underprivileged descendants to go on relief the day they reach the big city speeds the exodus of the residential taxpayers as the indigents pour in. In the 1960's New York City lost 617,127 white people and gained 702,903 nonwhites. In the decade ended with November, 1971, the number on relief rose 892,917 to a total of 1,242,785. Figures on the number of whites and nonwhites on relief are "not available."

Let no upholder of the status quo accuse me of decrying help for the poor while I write of making millions in the stock market. What I decry is the uneconomic, heartless encouragement of mass migrations by geographic differences in relief standards and payments. If our relief setup did not provide financial inducements for poor people to move to the big cities, my guess is that they would not flock to Bagdad-on-the-Subway where their children are sitting ducks for drug pushers, and where the parents themselves are so often lacking the education and training for the jobs they need so badly. How long can Congress fail to recognize the national nature of the problem?

Pessimists say big cities are outmoded, doomed no longer needed because of improved communications and transportation. (They should try commuting.) Maybe something better will supersede the big city. Two considerations should give the investor pause, though. One is the evidence that our big cities are not so much dying as being murdered. The second is the history of cities as focal points of civilization in all nations at all times.

In a very real sense great cities have been the heads of bodies politic down through the ages. If the head dies, can the body live?

A problem well defined is half solved. If the crisis of the big cities is as serious as it seems to me, not only for them but for the nation as a whole, people surely will see it soon and begin to do something effective about it.

The industrial and commercial consequences could be tremendous, especially for mass transit, housing, education, and health.

Don’t sell big cities short. It is always darkest just before dawn.

CHAPTER XXI

It’s Not Too Late

How does the outlook for the next ten or twenty or thirty or forty years differ from the past? Now that we have seen by hindsight how easily we could have made a million dollars by buying right and holding on in almost any year from 1932 to 1967, can we still do it? Or have we missed the boat?

Some very important factors have changed. That much is sure. The great advance in stock prices that began on July 8, 1932, with the Dow-Jones Industrial Average at an intra-day low of 40.56 and culminated on February 9, 1966, with the same average at an intra-day high of 1,001 was fueled by:

1. A gigantic shift from depression psychology to boom psychology.

In 1932 the Dow-Jones Industrial Average sold at half its book value. In 1966 it sold at twice its book value.

In 1932 stocks sold to yield twice as much as bonds. At their peak in 1969 they sold to yield about half as much as bonds. When people are pessimistic about the business outlook they prefer bonds to stocks even though bonds yield only half as much, “because bonds are safer.” When people are optimistic about the business outlook—and fearful of inflation as well— they prefer stocks even though bonds yield nearly twice as much, “because stock earnings and dividends grow.”

The shift in this relationship alone would account for a fourfold advance in the stock market even if nothing else had changed at all from 1932. In the years ahead the stock market cannot benefit from such a shift because it already has benefited from it.

2. The Second World War laid waste much of the productive capacity of all the more advanced major powers except the United States.

When the war ended, America had not only to supply deferred demands at home but had to assist in rebuilding the productive facilities of Great Britain, France, Germany, and Japan, to say nothing of our aid to many smaller, less developed countries.

Far from counting on any such stimulus in the years ahead, America now faces and is feeling keenly the competition of the countries we helped to put back on their feet.

3. The war's end found America holding most of the world's monetary gold—more than $26 billion dollars worth—which enabled us to finance huge governmental deficits for years without noticeably weakening the foreign exchange value of the dollar. When our monetary gold stock dwindled to $10 billion we suspended gold payments. We can no longer count on living beyond our international means.

4. International cooperation in removing trade barriers was fostered by our aid programs aggregating $140 billion. People are always cooperative when it is clearly in their immediate self-interest to cooperate. Now that the handouts are slackening, human nature is beginning to reassert itself. The danger of an international trade war is real. Competitive protectionism would mean shrinkage in world trade and general deflation.

We can't have the stock market-stimulating effects of those four factors for the same reason we can't eat our cake and have it too. We have had them.

Then what can we have?

Opening the first Atoms-for-Peace conference in Geneva fifteen years ago, the renowned Indian atomic scientist Homi Bhabha, conference chairman, said there have been three great epochs of man. The first, lasting tens of thousands of years, was based on muscle power. The second, lasting some 300 years, was the epoch of chemical energy. The third, which dawned in Stagg Stadium, Chicago, less than thirty years ago, is the epoch of atomic energy.

Unimaginable as have been the changes brought about by man's advance from the first epoch into the second, Mr. Bhabha said, they will be dwarfed by the changes resulting from our entry into the third epoch.

Three major lines of development from atomic energy were forecast at the conference.

1. Power—limitless when the fusion reaction is brought under control.

2. New materials—irreversible changes in molecular structures of matter brought about by radiation.

3. New life forms resulting from accelerating evolutionary processes by irradiating plant and animal “seed.”

Spaceship Earth, like our submarines, must be atomic-powered ultimately if an expanding “crew” using ever more energy is to have enough oxygen left to sustain and improve the quality of life.

Less publicized but potentially no less significant are the prophesied new materials and new life forms.

Opportunities for 100-to-one investments should be found in all three, as they have been in practically every major new development in the past—electric lights, horseless carriages, airplanes, radio and television, birth control pills.

If, as Henry J. Kaiser puts it, problems are opportunities in work clothes, pollution abatement will provide major investment opportunities for someone. So will the production of ever broader lines of disposable items.

Potentialities of the laser are only beginning to be suspected, even in the military. The history of war argues that today’s irresistible offensive power once again will yield to tomorrow’s impenetrable defenses, as the offensive has yielded to the defensive in the past. Offensive gunpowder triumphed over defensive castles, moats, and suits of armor. Defensive trenches in World War I checkmated gunpowder. Intercontinental ballistic missiles restored the supremacy of the offensive. But their sun too will set, and in setting will cast a rosy glow over still other 100-to-one investment opportunities in the new defensive capabilities.

Holography enabling us to see persons at great distances in color and in three dimensions may reduce both the need and the desire to travel “to see each other,” or to hold business conferences except in “executive weather.”

Super-cooled cables transmitting electricity at almost zero power loss already have opened the way, in theory, for a national power grid fed by a few stations of undreamed of power and efficiency.

Machines reading printing and handwriting in all major languages will translate them into electrical impulses our computers can comprehend and digest.

Factory made meals can be better than many a mother used to make with such monstrous toil and inefficiency—can be, and will be. It would be madness to try to give a complete catalogue of what is to be. No one knows. These are just a few of the more obvious prospects.

There is just one catch. The sons and daughters of Adam and Eve have been working their way back to the gates of the Garden of Eden. Therein all may live richly, with no more work than is elected to exercise mind and body. We can lift the bar and re-enter unless we exhaust ourselves fighting to see who goes first!

Visionary, impractical, crystal ball, cloud nine nonsense? Perhaps. But don't forget, ye of little faith and less imagination, what skepticism and cynicism have cost us in the last forty years.

Bet just this once against the end of the world. If you lose, there will be no one around to collect.

The worse the stock market is acting when you read this, the better the advice to buy right and hold on. Why did the Rothschilds buy when the streets were running with blood? Not because they liked red. Simply because when things are that bad they have to get better or nothing will matter. I hope and pray that neither you nor I will be given that kind of investment opportunity. But if we are, let's not run away from it!

CHAPTER XXII

Cheer for the Younger Generation

A hungry wolf met a lamb drinking at a small stream.

"You are muddying my drinking water," snarled the wolf. "For that I shall eat you."

"I can't be muddying your water," replied the lamb. "I am downstream from you."

"You were muddying it yesterday," the wolf said. "For that I shall eat you."

"I could not have muddied it yesterday," the lamb explained. "I was only born this morning."

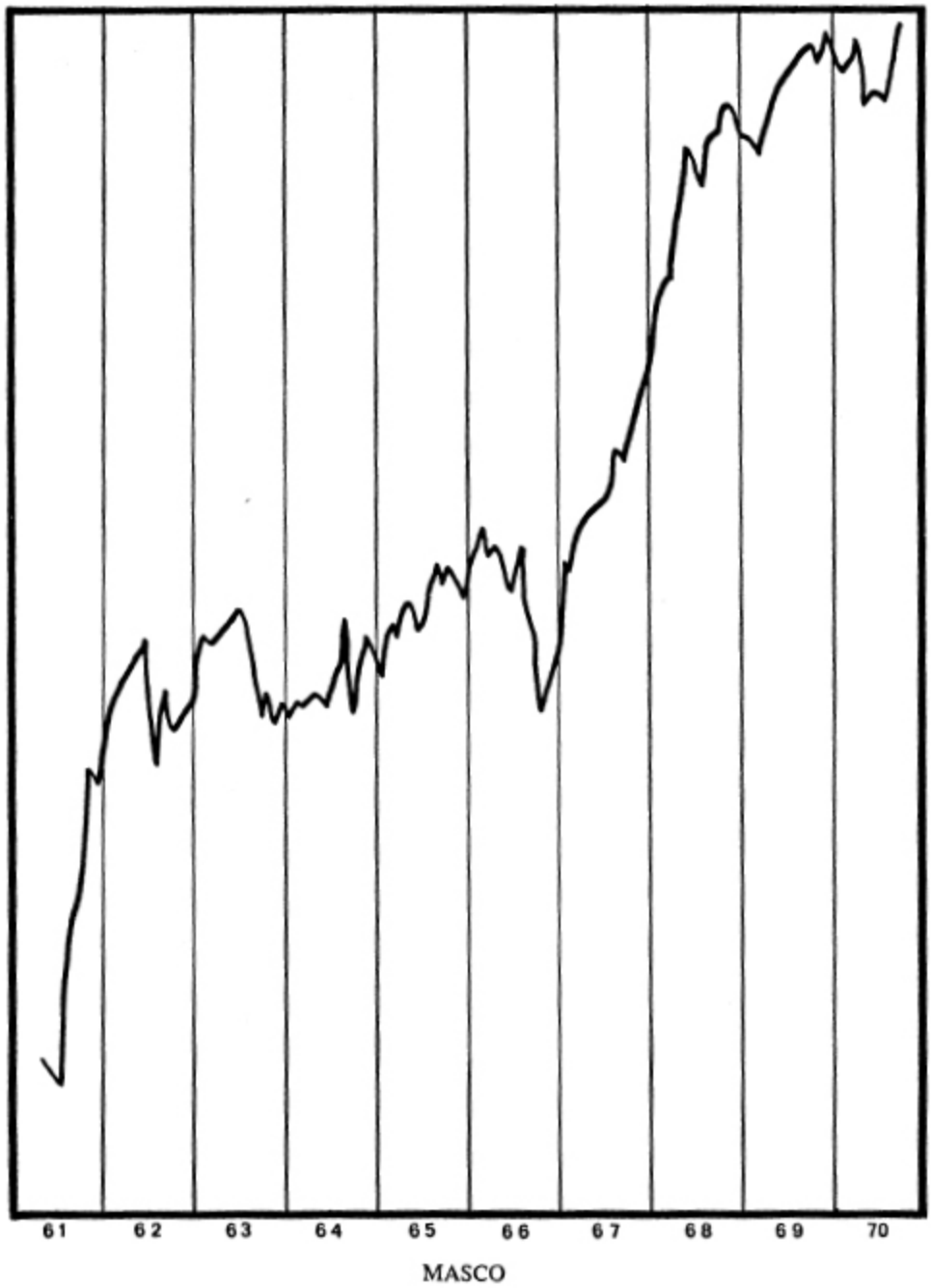
"Then it was your mother," declared the wolf. "For that I shall eat you." And, according to Aesop, so he did.

I recite the story for the benefit of any reader who may be thinking that he was born too late to be guilty of missing these 100-to-one opportunities in the stock market. 1 can recall seven such chances in the last ten years. No doubt there have been more.

In life, Fate is the wolf. To get the better of her, we must act, not alibi ourselves.

You and I could have bought Masco Screw Products stock in 1961 and turned every dollar of our investment into $100 by 1971.

We could have done the same thing by buying Skyline Homes in 1963, or American Laboratories in 1964, or Automatic Data Processing in 1965, or Fleetwood Enterprises in 1966, or U.S. Home or Development Corporation of America in 1967. Just $10,000 invested in any one of those seven stocks in the years cited would have grown to more than a million dollars by last year.



MASCO

One of the seven would have had to be bought on the Detroit Stock Exchange, one on the American Stock Exchange, and the other five on the Over-the-Counter market.

How could we have foreseen those opportunities? First let us examine what the seven companies do, and how they looked when they were selling at less than 1 percent of their last year's highs. Perhaps then we may be able to infer a line of thinking that will help us to spot the next 100-to-one chance.

Five of the seven stocks that have risen 100-fold in the 1961¬71 decade are in the building industry. The sixth is in the business of automating payrolls and brokerage house record keeping. The seventh, now American Medical International, owns and manages acute care hospitals, and also operates a central medical laboratory, furnishes inhalation therapy equipment, and produces patient counseling motion pictures.

Let us look at them in the chronological sequence in which we would have had to buy them in order to turn $1 into $100:

Masco Screw Products stock could have been bought for $6.25 a share on the Detroit Stock Exchange in February, 1961. Each of those shares would now be 18 shares with a peak market value last year of $729, or 116 times its 1961 cost.

Much more than 100-to-one could have been made in the stock if we had bought it earlier than 1961. Masco has been traded on the Detroit Stock Exchange since 1937. In 1938 and 1939 it sold for as little as 55 cents a share. Anyone who bought it at that price and held it until 1971 would have seen his $1 investment grow to $1,325. Such a gain would turn $10,000 into $13,250,000.

To have held the stock that long would have required extraordinary tenacity, the more so because for 20 years after it made its low of 55 cents a share the highest price it reached was $5 a share in 1946. By 1949 it had lost 75 percent of that price and was selling at $1.25. Here was a stock to tire out almost everyone. What did security analysts have to go on in 1961?

The company's sales had been as high as $9 million in 1953 but had declined by more than half by 1956 and recovered to only $6.4 million in 1960. Per share earnings had peaked at $1.07 in 1952, fallen to 11 cents in 1956, and reached a new high of $1.28 in 1960.

The real tipoff as to better times for Masco was to be found in these figures:

	Invested Capital Per Share	Book Value Per Share	Return on Invested Capital	Return on Book Value	Sales per $ of Invested Capital
1956	$6.16	$6.16	1.7%	1.7%	$1.80
1957	6.32	6.32	6.7	4.7	2.20
1958	6.52	6.80	5.0	4.5	1.60
1959	7.36	7.64	13.2	12.9	2.00
1960	8.72	8.44	15.1	15.1	2.00

From 1956 to 1960 book value per share rose 37 percent, invested capital per share rose 41 percent, and per share sales were up from $10.88 to $17.44, or 60 percent. Yet despite that dramatic improvement Masco stock sold in 1960 at prices ranging from 2.7 times earnings for that year to 6.9 times.

In 1961 the big advance was on. The stock sold from a low of 2.9 times its 1961 earnings to a high of 26.9 times. In 1969 Masco sold at more than 38 times earnings.

Here again we see the importance of buying stocks when they are cheap on earnings instead of waiting until they are dear. The advance in Masco's price-earnings ratio (price divided by per share earnings) from 1960 to 1969 would have raised the price of its stock fourteen-fold even if earnings had not increased at all. (Actually earnings rose steeply in that period.) But the point is that if the price of each dollar of earnings rises to 14 times its starting point, the earnings themselves need rise only a little more than seven-fold to produce a stock price advance of one hundredfold (14 times 7 = 98). On the other hand if the price-earnings ratio remains unchanged, earnings have to rise to 100 times their starting figure to produce a 100-fold advance in the price of the stock.

Some analysts prefer to focus on sales and profit margins rather than on invested capital and rates of return. It really makes little difference. Sales times profit margin must equal invested capital times rate of return. They are simply different ways of expressing (and analyzing) the same earnings figures. ($10 sales times 30 percent pre-tax profit margin = $3 times 50

percent tax = $1.50 net profit. $7.50 invested capital times 20 percent rate of return = $1.50.)

The improvement in Masco's figures between 1956 and 1960 would not have produced the dramatic stock market results it did if it had not persisted. Here are some of the same data for the last ten years:

	Return on Invested Capital	Return on Equity	Sales per $ of Invested Capital
1961	20.0%	20.2%	$1.80
1962	26.7	27.5	2.10
1963	27.7	27.6	2.20
1964	29.8	29.8	2.20
1965	28.4	28.3	2.20
1966	26.9	26.2	2.30
1967	21.9	24.4	2.00
1968	22.7	23.5	2.20
1969	12.2	20.7	1.20
1970	11.0	18.5	1.10

"Return on invested capital" measures the earning power of all the money invested in a business, whether that capital shows on the balance sheet as bonds, preferred stocks or common stock and surplus. "Return on equity" measures the earning power of whatever part of the money invested in a business appears on the balance sheet as common stock and surplus.

If a company has issued no bonds and no preferred stocks, its return on invested capital and its return on equity will be the same, of course. When return on equity is higher than return on invested capital, it means that a company is earning more on whatever part of its capital is in the form of bonds and preferred stocks than that senior capital is costing. Such would be the case if a company was paying 5 percent interest on its bonds and 5 percent dividends on its preferred stock, while earning 10 percent on its invested capital. Conversely, when a company pays a higher rate of interest

or dividends on its senior securities than it is earning on its invested capital, the return on its equity must be less than the return on its invested capital.

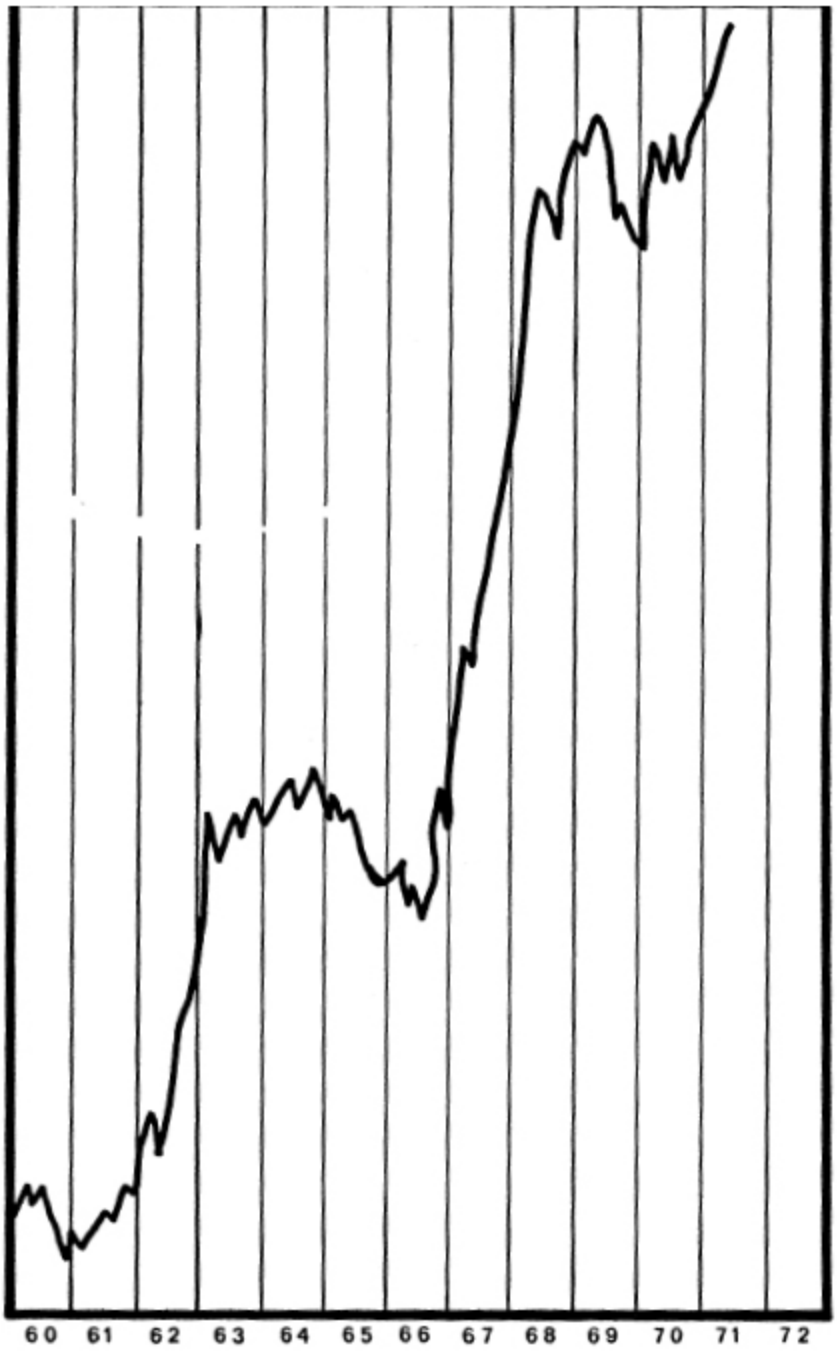
The ratio of sales to invested capital (sales per dollar invested) sometimes gives an early warning of increasing competitive pressures. When a management finds itself obliged to invest large sums "to stay competitive" rather than to increase production, the heat is on.

I have cited the importance of a low initial price-earnings ratio to the seeker after 100-to-one growth. Once a high price-earnings ratio has been achieved, the buyer no longer can profit by the rise in that ratio. Someone else already has had it. Similarly, while a low rate of return on invested capital is not a good sign, an increase in the rate of return from a low figure to a high one can be highly beneficial to a company's earnings. Once a high rate of return has been achieved, the opportunity to profit by improvement from a low rate to a high one is gone, of course.

Figures never tell the whole story of any company. As late as 1959 Masco was described by *Moody's Industrials* as "engaged in the manufacture of screw products for the automobile and other industries." By 1961 faucet sales had become the primary source of revenue. Largely responsible was the success of Masco's Delta single-handle faucet. The company now has a medium priced two handle line as well.

How about the other six big winners of the past decade? Skyline builds mobile homes, travel trailers and tent campers, and also makes sectional homes more suitable for permanent residence. The stock sold at a low of $11 a share in January of 1963, in which year Skyline earned $1.70 a share. The initial price-earnings ratio for this 100-to-one stock thus was less than 6-1/2. One share in 1963 has since become 19.8 shares valued last year at $1,183. At its 1971 high the stock was selling at 31 times its earnings for the year ended May 31, 1971.

What is now American Medical International sold at a low of 75 cents a share in 1964, less than four times earnings subsequently reported for that year. By 1971 each 1964 share had become 3.4 shares. In 1971 the stock sold at 44 times latest reported earnings (for 1970). With the 1971 price-earnings ratio 11 times what it had been in 1964, earnings themselves had to rise to only 9 times their 1964 level to produce a 100-to-one advance in the price of the stock. Actually, earnings rose more than that, so the 1971 peak price for the stock was 172 times its 1964 low.



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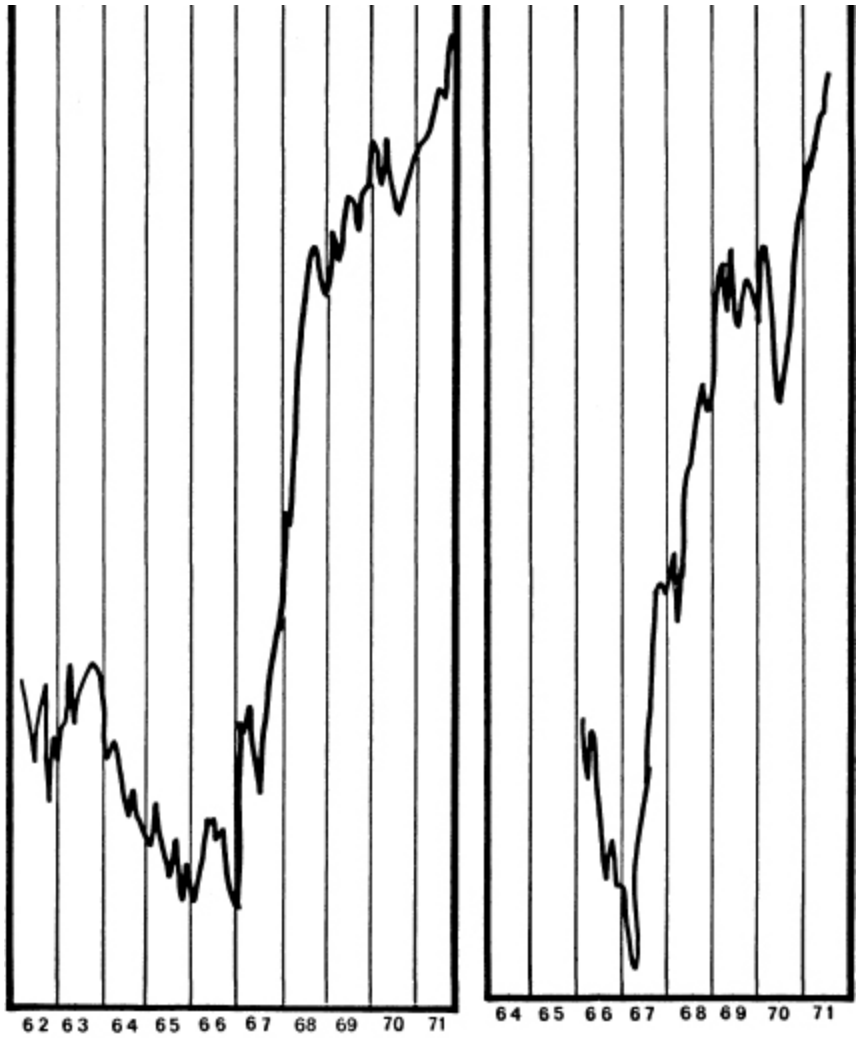


U.S. HOME & DEVELOPMENT

DEVELOPMENT CORPORATION OF AMERICA

Automatic Data Processing is prominent in payroll processing and computerized handling of brokerage business records. The stock was quoted at a low of $7 a share bid in the over-the-counter market in 1965. One share then is nine shares now, valued at last year's high at $704. In 1965 the company earned 56 cents a share, so at $7 the stocks price-earnings ratio was 12-1/2. In 1963 it had sold as low as 1-1/2. At its 1971 high the stock was priced at 90 times its earnings for the year ended June 30, 1971.

Fleetwood Enterprises, another housing stock, makes mobile homes and travel trailers. In 1966 the stock sold just over six times earnings for that year. By the end of 1971 each 1966 share had become 16 shares. They sold

37 times latest reported earnings, roughly four times the 1966 multiplier. Thus the lion's share of this stock's big rise came from higher earnings.

U.S. Home & Development builds single family homes, and apartment buildings, and invests in and develops land in New Jersey and Florida. The over-the-counter low bid for the stock in 1965 was 56-1/4 cents a share, in 1966 50 cents a share and in 1967 62-1/2 cents. Each 1967 share is now two shares with a peak 1971 market value of $78. Earnings in the year ended February 28, 1967, were 20 cents a share, so the price-earnings ratio at that year's low quotation was just over 3.

Development Corporation of America builds single family homes condominiums and communities in New Jersey and Florida and engages in the real estate business. It also makes aluminum windows and doors. The stock was quoted at a low of 38 cents bid in the over-the-counter market in 1967. One share then has grown to 2.2 shares with a market value last year of $74.

Indicative of the limited value of so-called inside information is the report that in 1963 Development Corporation bought back from a former officer 297,582 shares at $1 each. Those shares would now number 654,680 with a peak market value last year of $22,000,000.

At its 1967 low Development Corporation stock was selling just over three times its 1966 earnings and less than twice its 1967 per share net. At its 1971 high it was selling 67 times its 1970 earnings or 50 cents a share, but the company had already reported earnings of $1.07 a share for the first nine months of 1971.

Again the moral is clear: None of the 100-to-one fortune maker stocks of the last ten years were selling at high price-earnings ratios when opportunity beckoned. Their great price advances resulted from a compounding of earnings gains by multiplier gains. Earnings rose and so did the market price of each dollar of those earnings.

(This does not mean that it is impossible to make 100-to-one in a stock bought at a high price-earnings ratio. It simply means that you must foresee much greater earnings growth to warrant a hundredfold price advance when you can count on little or no help from a rising multiplier.)

Was it all luck?

For those who owned any of those seven stocks at less than 1 percent of their 1971 values, and *held on*, it was certainly not all luck. Anyone who

can hold on in the face of all the advice and tempations to make sure of a profit demonstrates a quality of mind quite out of the ordinary. But was it just luck to have bought any of those stocks in the first place?

As I look back on the situation it seems to me I should have foreseen the great advance in factory-built home stocks. Archaic building codes and skyrocketing wages for building trades workers had created a situation in which millions of people could not afford to have tailor-made the housing they had to have. The wonder is really not so much that factory-built housing caught on as that it took so long for it to do so.

The surmise is reinforced by the generality of the advance in stocks of factory-built housing companies. National Homes is on the 100-to-one list (see “1945” in Table I). It is the world’s largest factory-builder of housing for assembly at homesites. Champion Home Builders, while not in the 100-to-one category, in 1971 sold at 43 times its 1967 low.

A group movement of such magnitude highlights the importance of conceptual as distinguished from statistical investing. By the time you can prove that factory-built housing is the wave of the future, the opportunity to make big money in it is gone.

Every human problem is an investment opportunity if you can anticipate the solution. Except for thieves, who would buy locks?

CHAPTER XXIII

How to Avoid Missing the Boat Next Time

Why with so many fantastic opportunities dangling before us year after year have so few of us taken advantage of them?

The answers are not simple. I can think of half a dozen explanations, and probably there are more.

The basic reason so few of us have ever made $100 on a $1 investment is that we have never tried to do so. In a sense we have been brainwashed into looking for and acting on types of information that have little or nothing to do with multiplying one's investment one hundredfold. We are like small boys in a patch full of ripe melons searching feverishly for a peanut or two. In matters of taste there is no argument. If we enjoy trading profits more than making a fortune, so be it. But there are a lot more financial calories in a ripe melon than in a single peanut or even two or three peanuts.

A great many people, I am sure, have never set out to increase their capital one hundredfold because they had no idea that it could be done. Much investment research is misdirected from the point of view of one wanting to increase his capital rather than "play the market." The responsibility for this fact of life must be shared by many—investors, brokers, financial services, news media, and possibly even our school teachers whose sin, if any, is one of omission.

Brokers live on commissions on transactions. I know because I was a broker for eleven years, and a partner at that. There are two primary ways to generate commission business. One is to give such good service, including investment advice, that more and more people come to that brokerage house to do their buying and selling. The other way to generate commissions is to point out reasons why the clients the firm already has should sell the stocks they own and buy other stocks. I used to try to do both. Taking losses near

the year-end to offset for tax purposes profits racked up earlier in the year is a prime example. Much more likely to generate business from a “go-go” fund manager is an early warning that one of his pet growth stocks is about to take one of the pauses that refreshes. Few things make a man feel taller than getting out of 50,000 shares at 50, then seeing the stock at 40 within a month or two. Actually, until he has replaced the stock at a sufficiently lower price to pay the capital gains taxes and commissions incurred, the seller does not really know whether he has gained or lost. As the tortoise remarked to the hare, who is ahead doesn’t count until the finish line is crossed. In life the finish line is death, and at that time all potential capital gains tax liability on unrealized gains is forgiven, at least under the law in 1971.

When I said news media share the responsibility for some of the unprofitable overtrading that goes on, I had in mind the way some preen themselves on stories that move the market. The inference, of course, is that if you read the *Daily Clarion* you can make money in the stock market by selling on bad news and buying on good news. Short term such actions often produce the very results good news and bad news are expected to produce. Expecting makes it so.

Much of this news is immaterial to the truly long-term investor. Some news has the opposite of its seemingly obvious significance. Shrewd investors recognize bad news as a chance to acquire good stocks at bargain prices. That is why so often after a savage general market decline we see the best stocks moving up first.

Please understand I do not mean to criticize or denigrate news. In a sense news is the nervous system of civilized society. What I caution against is the delusion that if you have the news you have the investment decision, automatically.

News often provides a reason or an excuse for switching from one stock to another. In theory it is always possible to sell a good stock and buy a better one. What is often overlooked, however, is how much better the new purchase must be to make the switch advantageous. Suppose for example that you buy a stock for $100 and sell it for $1,000. While state taxes vary, it seems fair to assume that federal, state, and possibly city taxes on the capital gain, together with the com missions involved, will take at least 30 percent of the gross profit, leaving you with no more than $730 net. If the

stock you sold for $1,000 advances another 50 percent your former holding becomes worth $1,500. To keep pace with that, the stock you buy with the $730 net proceeds of your sale must advance more than 105 percent. In other words the stock into which you switch must do more than twice as well as the stock you sell just to keep you even.

This is not to argue against getting rid of lemons. The point is simply that when you try to substitute a better stock for a good one in which you have a big profit, the substitute stock must be very much better than most people realize if you are to come out ahead.

It is a paradox that the investor seeking to multiply his capital by 100 actually runs less risk than the individual trying to make five points or even double his money. There are at least five reasons why this is so:

1. There is always a market for the best of anything, because people who appreciate quality always seem to have money. That is as true of stocks and bonds as it is of real estate and antiques.

2. Buying for maximum long-term growth avoids the pitfall of underestimating other people. When you buy because you expect the earnings and dividends to increase one hundredfold in the next twenty, thirty, or forty years you are not planning to unload on someone less brilliant than yourself.

3. When you buy a stock with a superior profit margin, an above-average rate of return on invested capital, and sales that are growing faster than the industry's or the country as a whole, you have time on your side. Never bet on a possibility against a certainty. Time marches on, and will continue to march on. That is a certainty. If your stock has no visible ceiling on its indicated growth, time will correct many errors in what you pay for your initial commitment.

4. The old saw about the world beating a path to the door of the man making better mouse traps may be corn but it is high protein corn. It is sometimes denigrated on the ground that without the help of Madison Avenue the better mouse trap maker would blush unseen. In real life anyone smart enough to make a better mouse trap would not stop there.

5. "Don't marry a man to reform him," a wise mother counselled her daughter. It is seldom profitable to marry a stock to reform it either. Sometimes, as with husbands, the hoped for reform never comes. Even when it does come, it is often sadly delayed. Hope deferred maketh the

heart sick. Your turnaround candidate may double in price, but if you have to wait ten years for it to happen your gain is at the compound annual rate of only 7.2 percent.

Perhaps the greatest advantage of all in buying top quality stocks without visible ceilings on their growth is that when we do so we give ourselves the chance to profit by the unforeseeable and the incalculable. Year after year mankind achieves the impossible but persists in underrating what it can and will do in the future. A man from Mars might surmise that having put enough men on the moon to form a club, we humans would be confident we could do anything else we thought necessary or desirable. If he knew our history he would know better. Some bureaucrat advocated closing the patent office a hundred years ago because everything had been invented. Rodgers and Hammerstein put it to music eighty years later: "Everything's up to date in Kansas City. They've gone about as far as they can go."

My old friend, the late Pendleton Dudley, also a *Wall Street Journal* alumnus, delighted in recalling a publicity release he handled for a New York bank about 1905. In a profound analysis of the new horseless carriage industry, the bank's economist concluded that 500,000 automobiles would be all the country could afford, all its roads could accommodate. The story amused me very much when I first heard it. I was confident the automobile industry would not hit its ceiling until we had 30 million or even 40 million cars and trucks in this country. As everyone knows we now have more than 100 million.

Everyday we crisscross the Atlantic Ocean with airplanes of greater tonnage than the "Mayflower." We have proved and put to practical use Einstein's equation that energy equals mass times the velocity of light squared. We have turned the dread sonic barrier—the speed of sound—into a speedometer gauge. We monitor the clouds from space satellites and are steadily increasing our command over the weather. Our progress in identifying and influencing life processes makes Harvey's discovery of the circulation of the blood seem prehistoric. Yet like birds making their first flight the higher we rise the more terrified we seem to be that we shall surely fall.

Maybe we have indeed come to the end of an era. Maybe mankind is biologically exhausted by the unprecedented demand on the human nervous

system imposed by the last century's achievements. Maybe a new dark age is required to give us a rest. Certainly it is not the first time we have thought so. As editor of *Barron's* I worked with a Harvard professor on a business index in the mid-1930s. His final conclusion was that the secular trend in America was inclined slightly downward.

About the same time President Roosevelt's committee on social security was estimating our total population by 1980 at 150 million. The committee was composed of Secretaries Perkins, Morgenthau, and Wallace, Attorney General Cummings and Federal Emergency Relief Administrator Hopkins. Here we have already passed 200 million.

The point is not to poke fun at anyone's mistakes. If the Almighty had intended that we humans should be able to see into the future He would have equipped us with another sense. The point is simply that we do not know, never have known, and never can know what the future holds. If perchance it should be very much better than the wisest can foresee there is only one investment policy that can take advantage of it. That is the policy of buying right and holding on.

None of us like to feel that we are to blame for our misfortunes. It helps our ego though not our pocketbook to blame someone else. The research I have done for this book has poured a good deal of salt into my own financial wounds. I have tried hard to reject the idea that I might have done better if I had adopted and followed different principles of investing. One of my friends sought to comfort me by exclaiming: "The whole approach is unrealistic. No one can buy at the bottom. And suppose he does try to buy right and hold on only to find too late that the Stop and Shop he held so happily at $66 a share in 1961 was worth only $28.50 a share at its 1971 high?"

Listening to him made me feel better about myself. But then I became curious. How much chance did I have to buy Stop and Shop even at double its 1941 low of $10 a share? Sadly I found that I could have bought it below 20 in every year from 1938 to 1945. Worse still, the highest price it reached in any of those years was 19.

"But," I consoled myself, "if I had bought the stock at 19 I would not have made 100 for one on my investment even at its historic 1961 high." Further checking showed I was absolutely right about that. If I had paid the highest price in the seven years starting with 1938 my investment at the

1961 peak would have been worth only 65 times what I paid for it. Moreover, I told myself: “To get that profit I would have had to buy determined to hold on. So I would still be holding the stock in 1971 and more than half of my paper profits would have vanished.”

“I’m not so dumb, after all,” I congratulated myself. “If I had bought the stock at the high of those seven years and held on, my investment at last year’s peak would have been worth only . . .”—and here I had to stop to figure again. The answer was 28 times what I paid for it. To get a profit of that size by trading, always taking long-term capital gains, I would have had to buy and sell six different times, slightly more than doubling my money each time. The comparison assumes that I never took a loss, never failed to make at least 100 percent profit.

The arithmetic is inescapable. To turn $10,000 into a million dollars by trading for 100 percent long-term capital gains, you must double your money eight successive times and then make more than 60 percent on your final trade, without ever missing. To increase your investment from $10,000 to $1 million in a single stock you must find one that will double and redouble just over 6-1/2 times. Here are the figures in tabular form:

	Trading Account	Investment Account
Starting Capital	$ 10,000	$ 10,000
1.	17,000*	20,000
2.	28,900*	40,000
3.	57,800*	80,000
4.	83,521*	160,000
5.	141,986*	320,000
6.	241,377*	640,000
7.	410,341*	1,280,000
8.	697,580*	2,560,000

*Each figure represents a doubling of the preceding figure minus 30% of the gain, for taxes and commissions.

To bring the left-hand column to a million dollars after capital gains taxes and commissions, the ninth trade must show a gross profit of 62 percent. The same percentage increase would bring the right-hand column

to $4,147,000. Even after a 30 percent tax at that point, the investment account would stand at nearly $3,000,000.

The figures merely pose a question. Each investor must answer it for himself. If his aim is to make a fortune in the stock market, which way is he more likely to succeed? As the table shows, by trading he needs to double his money on eight successive purchases and make a gross profit of 62 percent on the ninth. If he attempts to buy right and hold on he must find a stock that will double and redouble just over six and a half times. Either course will be difficult. If making money were easy everybody would be rich.

As the record shows, over the last forty years there have been hundreds of opportunities to invest $10,000 in a single stock and have the investment worth more than $1 million in 1971. Doubtless there are traders who have done as well. Both roads are open. The question each investor must answer for himself is whether it will be easier or harder to make one big decision or nine smaller ones when *all* must be correct if he is to make his million on a $10,000 stake.

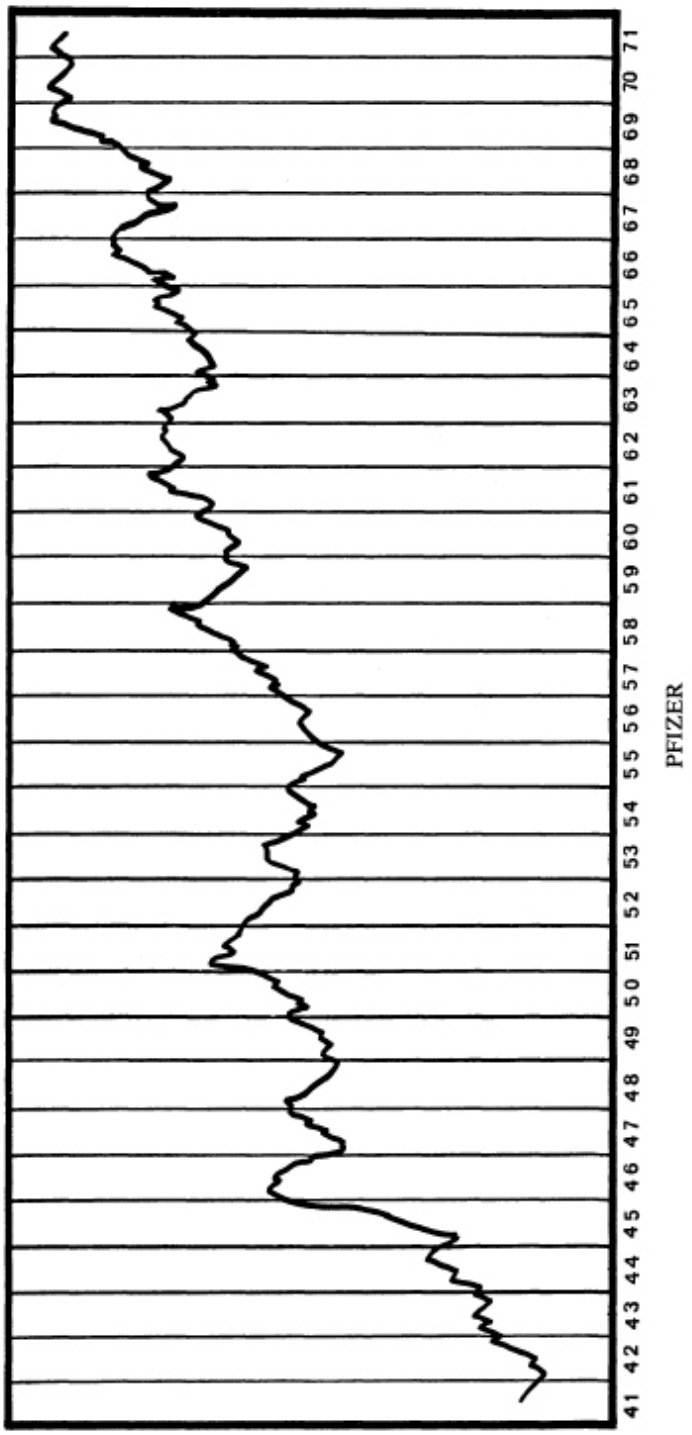
The choice is not between plunging and diversifying. The trader could put all of his money on a single stock every time. The investor trying to buy right and hold on could buy as many different stocks as appealed to him. The difference is not in the focussing of investment money but in the intent of the buyer. The trader believes that in a swift-moving, rapidly changing world, with visibility always limited, he can make a series of commitments with better chance of success than trying to decide which companies will do well for the next twenty years. The investor dedicated to buying right and holding on picks managements, products, and processes he thinks able to cope with the unforeseeable as it hoves into view.

By hindsight, buying right and holding on could have made fortunes for investors in more than 365 different stocks starting in any one of more than thirty different years. Trading is more fun—no doubt about that. It certainly is more professional. Buying right and holding on gives the outsider as close to an even break as he will ever get. To say that it is easier misses the point entirely. I have seen men of experience take months to reach a decision on a long-term commitment. But once it is made there is no longer any place for the feverish attention to day-to-day developments which are the trader’s life blood.

Even those who decide to trade may be helped if they adopt the rule of never buying anything they would not be happy to hold indefinitely. Parting is such sweet sorrow when one does it at a handsome profit.

One of every man's primary investment objectives should be to make as much money as possible while paying as little taxes as possible under whatever laws are in effect at the time. Back in the 1940's Sir Victor Sassoon gave me this valuable advice: "It will be easy to make money in the years that lie ahead," he said. "But what will prove whether you are smart or not is how much you have left after taxes."

I can think of no more effective tax haven than unrealized appreciation in a long-lived, soundly growing company. Yet not one person in ten thousand identifies this investment goal and sticks to it despite all the temptations to take a profit, get into something better, or simply diversify.



For those who accept this goal and this line of reasoning, there is a simple test of investment efficiency which will be highly unpopular with

many brokers. (Please remember I was a partner in a large brokerage firm myself for eleven years.) This test of investment efficiency is to compute the ratio of brokerage commissions to net capital gain, both realized and unrealized. This ratio in the case of Mr. Garrett's fortune in Xerox would be almost zero. The higher the ratio the worse the investment decisions because each sale represents or should represent either a confession of error in the original purchase or the discovery of a better alternative later.

Have I lived by this principle myself? The answer is sadly no. We are too soon old, and too late smart. Good judgment comes from experience. And experience comes from bad judgment. I have had a great deal of experience.

You may be wondering why so few in the financial community advise you to hold fast.

Probably the most important reason is that we won't let them. Investors have been so thoroughly sold on the nonsensical idea of measuring performance quarter by quarter—or even year by year—that many of them would hit the ceiling if an investment advisor or portfolio manager failed to get rid of a stock that acted badly for more than a year or two. Consider Pfizer. This stock lost ground relative to the Dow-Jones Industrial Average from August 1946 to May 1949 and again from August 1951 to September 1956. Performance-minded clients would have chewed the ears off an investment advisor who let them get caught with such a dog. In theory it might have been possible to sell Pfizer in August 1951 and buy it back in September 1956. The fact is, however, that anyone who bought Pfizer in 1942 and held it until now has multiplied the capital involved by 141. There may be traders who have done better than that but if so they are hiding their light under a bushel. Certainly no fund whose record is public has done anywhere nearly that well. The accompanying chart of the relative price of Pfizer stock ove[r] the last quarter century tells better than words the courage and patience demanded of the investor who would increase his capital one hundredfold.

What was going on beneath the surface of those Pfizer price waves?

Here are Pfizer earnings, dividends, sales and rates of return on equity for the last twenty years:

	Share Earnings	Dividends	Share Sales	Book Value	Return on Equity
1970	$1.28	.63	$13.68	$7.67	16.6%
1969	1.13	.57	12.73	6.94	16.2
1968	1.03	.50	11.85	6.77	15.6
1967	.96	.48	10.47	6.11	15.6
1966	1.02	.48	10.32	5.49	18.6
1965	.90	.43	9.01	4.89	18.3
1964	.76	.38	8.04	4.48	16.8
1963	.69	.35	7.01	4.29	16.0
1962	.64	.32	6.64	4.16	15.3
1961	.58	.28	5.69	3.56	16.2
1960	.52	.27	5.37	3.34	15.7
1959	.50	.27	5.12	3.03	16.5
1958	.49	25	4.56	2.73	18.0
1957	.47	.23	4.24	2.49	18.8
1956	.37	.19	3.75	2.25	16.5
1955	.33	.17	3.66	1.93	17.1
1954	.33	.15	3.29	1.75	18.8
1953	.30	.14	2.88	1.58	18.9
1952	.24	.13	2.44	1.53	15.7
1951	.27	.18	2.05	1.42	19.0

Would a businessman seeing only those figures have been jumping in and out of the stock? I doubt it. But each investor must judge for himself, primarily because he knows himself better than anyone else does. The secret of success in your quest for 100-to-one stocks is to focus on earning power rather than prices. Can you do it?

How can you get such data for yourself? Most companies report them to you regularly. You simply have to record them year after year. *Moody's* and *Standard & Poor's* manuals provide them. Some brokers will supply them on request.

Share sales are simply total sales divided by the number of shares outstanding. Return on equity is simply share earnings divided by book value. ($1.28 divided by $7.67 = .166 or 16.6 percent.)

Why do so many investors demand quarter by quarter performance?

There are two possible answers. One is that they believe in supermen. Somewhere, they tell themselves, is a man so much smarter than other men that he can pick the stocks that will rise this month and fall next month. This man is so much more clever than other men that he always does the right thing while others are doing the wrong thing. It is simple arithmetic that a portfolio managed by such a superman should outperform all other portfolios in good times or bad. Whenever it fails to do so the remedy is simple: “My superman has lost his touch. Get me a fresh one.”

A second reason why some investors insist on judging results quarter by quarter is this: They reason that if their advisor cannot see three months ahead he certainly cannot see five or ten years ahead. It is like arguing that if I can’t tell who will win the next point in the tennis match I certainly can’t predict who will win the match, even though I know the records of both players. As applied to stocks, the fallacy is that while in the long run price appreciation must reflect rising earnings and dividends, short-run price movements may be the result of wholly extraneous, and often utterly unforeseeable, factors such as distress liquidation of a large portfolio, a strike, or some over-advertised new competition.

I once had a client who had sold his privately owned business for several million dollars and invested the proceeds in the stock market. He came to me in great distress one day, complaining that his holdings were making him so nervous he could not sleep.

“One day I am up $50,000,” he said. “The next day I am down $100,000. The tips I don’t take always work out. The ones I do take cost me money. How I wish I could get back to peace of mind I had with all my money in my own business!”

“There was no market for your stock then,” I reminded him. “How did you know how you were doing?”

“Easy,” he replied. “I watched my monthly sales figures, my expense ratio, and as long as my business was increasing and my profit margin was holding, I slept like a baby.”

“We could give you that kind of reports on your portfolio,” I said. “It wouldn’t do you any good though unless you could promise not to look at the quotation pages in the *Wall Street Journal.”*

Honest even with himself, he replied “I couldn’t do that.”

Another reason why investors demand activity, even if it is profitable only to their broker, is if they have never learned to distinguish between activity arid results. When I was a boy a carpenter working for my father made this sage observation: “A lot of shavings don’t make a good workman.”

Until investors learn that he also serves who only stands and waits, the market for the counselors who let well enough alone will not be brisk.

Not all of the fault is with investors, of course. An obvious reason why the financial community does not advise and help investors to hold their good stocks is that Wall Street lives on activity. Every transaction carries a commission. Since the customers demand action, and since action pays the rent, why not give them what they want?

Even among the most high-minded in the financial community there is also the problem of never being sure of anything. Investors deal in the unknown future. A decision to ignore what seems like a passing threat could be disastrous. Getting out of a threatened stock until the situation has clarified is not only good for business but may save the customer’s shirt as well. If the broker or investment counselor advises a sale he at least shows that he is aware of what is going on in the world. Not to act might well lose the account, especially if the stock acted badly for the next year or two.

In 1949 when I was a broker I lost a multi-million dollar account by stubbornly insisting that stocks were cheap and should not be sold. Having gone on record in an article entitled “1929 Upside Down” in *Fortune* magazine, I could hardly have done anything else.

“Everyone tells me to get into cash,” my client said at our last meeting. “What makes you think you know better?”

All I needed to do to get his order to sell thousands of shares was to fall into line. When I refused to do so my client left me and never came back.

My case was like that of the man who died in a traffic accident where he had the green light: “He was right, absolutely right, but just as dead as though he had been wrong.”

And the next time I might be wrong.

CHAPTER XXIV

“Buy Right and Hold On” in Practice

Apart from a few individuals such as Paul Garrett, Mr. Darrell’s unnamed client, and some of my old associates on the *Wall Street Journal*, I cannot cite any “track records” to prove the profitability of buying right and holding on. The management of any publicly owned fund that tried to operate that way would be fired for sleeping on the job. Only the most exceptional individuals have the will power to adopt such a course and hold to it through the bad years that punctuate almost every great stock price rise.

One fund manager who has come close to buying right and holding on is Hulbert W. Tripp, who retired last spring from the chairmanship of the investment committee of the University of Rochester.

While not subscribing wholly to the idea that buying right and holding on is the way to wealth, Mr. Tripp’s actions speak louder than words. The 1970 annual investment report of the University of Rochester listed twenty-seven common stock holdings. More than half of them—fourteen of the twenty-seven—were the same companies that appeared in the University’s 1966 investment report. At that time the portfolio held twenty-nine different stocks.

The small number of issues held reflects Mr. Tripp’s belief that excessive diversification dodges rather than solves the investment problem. His emphasis on selection becomes clearer when the number of stocks held is related to the 1970 year-end value of the stock portfolio. The University’s average investment per common stock was close to ten million dollars.

How has the policy paid off? Income for the fiscal year ended June 30, 1970, as percentage of historical book value of endowment, was 11.12 percent. The comparable figure twenty years earlier was 4.31 percent. Historical book value of endowment increased 59.5 percent in that period,

and actual income received rose 327.3 percent, the investment committee reported.

As of the start of 1951 less than 45 percent of the University's endowment fund investments was in common stocks. Twenty years later more than 72 percent of the market value of the portfolio was in equities.

Not until 1954 did the market value of the University's investments top $100 million. By the end of 1969 it was $415 million, and at the close of 1970, $376 million.

By his own method of "share accounting" to reflect investment performance, Mr. Tripp's score was a gain from $1.64 at the end of 1957 to $4.46 at the end of 1970. The figures are adjusted for new money bequests and grants.

Some all-common-stock funds have done much better. Scudder, Stevens & Clark's Special Fund, for example, rose from $10.33 to $76.29 in the same period. Value of shares received as capital gains distributions is included without allowance for capital gains taxes because the University of Rochester is tax exempt. But among balanced funds, and balanced institutional portfolios, the University of Rochester's "buying right and holding on" has produced outstanding results.

Mr. Tripp would not rely 100 percent on selection and retention, nor would I. "Beware the one-answer man!" is one of the soundest rules in the infinitely complex business of investing in the unknown and unknowable future. But one need not go overboard on the idea of buying right and holding on to benefit from it. Just a slight change in a golfer's grip and stance may improve his game. So a little more emphasis on buying for keeps, a little more determination not to be tempted to sell your winners just because they have gone up in price, may fatten your portfolio. It could cost you—as it has cost me—much less to try it than not to try it.

CHAPTER XXV

Do It Yourself?

Lawyers have a saying that anyone who tries to be his own lawyer has a fool for a client. But why should anyone who simply wants to buy right and hold on require professional assistance? Paul Garrett made a fortune on his own. Why can't you?

Maybe you can. Here are some of the questions you should ask yourself before you decide to do it yourself:

1. Do my education, training, and contacts in finance and industry equip me to do an above average job of investing my own money, or would I be playing the other fellow's game?

Life is infinitely complex. In civilized society there are countless ways to make money. Some people are lucky enough to make it without any special qualifications—their number is drawn in a lottery. But most of the time money is made by people who know more, work harder, think better than their rivals and competitors. Having such an advantage in one business, they stick to it rather than run the risks of competing in other activities where they have no edge.

About 5 P.M. one Saturday afternoon in the 1940s I had a question about Amerada Petroleum. Knowing that Amerada's president, Alfred Jacobsen, was a hard worker, I phoned the company headquarters on the chance someone might still be around. The Amerada switchboard was closed but Mr. Jacobsen answered the phone himself. Without even pausing to refer to any papers he replied to my questions about developments in the Williston basin, even giving me the depths of several wells currently being drilled, and the thickness of sands encountered. The incident helped me to understand why Amerada so often held strategically located acreage in new oil plays.

Paul Garrett could answer my first question affirmatively. Can you?

2. Am I prepared to do the vast amount of screening necessary to find a stock with 100-to-one potential? Mr. Garrett did not shut his eyes, stick a pin in the quotation page of *The New York Times* and hit Haloid. Friends in finance helped him winnow fifty stocks out of more than 50,000. Then he tirelessly reviewed and analyzed those fifty until he had narrowed his list to three. And finally he studied those three intensively until he chose Haloid, now Xerox. Am I ready and able to do that much work to get started? Or do I want to concentrate on my business, profession, or hobby and let someone else pick and choose investments for me?

3. Am I strong enough, financially and emotionally, to risk a major investment in one, or even two or three, stocks I have chosen myself? Or will I lose faith in my judgment the first time the market goes down, as it often does even in the case of stocks which ultimately advance 100 for one?

Polaroid declined from above 50 in 1946 to below 20 in 1949, giving rise to the saying, “Only the brave deserve the fare.”

The old Packard automobile advertising slogan, “Ask the man who owns one,” had a sound psychological basis. Most of us need the reassurance of company in new ventures we undertake. Successful “do it yourself” investors almost by definition have to go it alone. If the stock is popular the opportunity in it is certain to be reduced and may be gone. If it is being accumulated by a few farsighted professional investors you can be sure they are not going to encourage you—a non-client—to buy it in competition with them.

Ask yourself again: Can I walk alone when the going is rough?

4. What if despite all my efforts to buy right I end up buying wrong? Have I the facilities and the knowhow to watch the stock, or stocks, of my choice, and its competitors, closely enough to discover my error before all is lost?

Mr. Garrett’s Haloid went his way almost from the first day. But many 100-to-one stocks have sorely tried the courage and patience of their owners before the big advance got under way. And many might-have-been 100-to-one stocks never made good at all.

Stubbornness is no substitute for savvy in investing.

Ask yourself: Do I know the difference between the courage of conviction and mulish balking at admitting and correcting errors?

Unless you can answer these questions in the affirmative, you should seek professional guidance. Where should you look for it?

How do you decide on your lawyer or your doctor? Your friends like him. They have gone to him for years with good results. Very good, for a starter.

How do you decide whether to stay with him? What should he do for you?

One of the simplest tests is “advantage-disadvantage,” based not just on market prices but on earnings and dividends or interest. The only justifiable reason for making any change in your investments is to make you richer. Keep track of what is sold. Compare what you would have had if it had not been sold with what you do have after the sale. But don’t do this for at least a year. It often takes that long, and sometimes two or three years, or even more, for good investment decisions to prove themselves. Finally, compare your overall results over several years with good general market averages such as those of Dow-Jones or *Standard & Poor’s.* But don’t compare bond investment results with a stock average, or stock investment performance with a bond average!

If after some such period you find that your purchases have gone up less than the stocks you sold ask your financial doctor to explain. He may be able to show you that you have gained in earnings and dividends even though the market has not yet recognized the improvement.

You have a right to expect that in toto changes effected in your security holdings will benefit you over a reasonable time span. If they do not, you should ask yourself whether you have been rocking the boat by ill-advised suggestions or demands. If you can honestly say you have not done so, you may very well conclude that you need another financial advisor.

A good way to check up on your financial doctor is to relate what he is making *on you* to what he is making *for vou.* The West Coast widow who lost half her fortune while her broker-adviser was reaping a harvest in commissions on her account might have been saved at least a part of her suffering if she had used both “advantage-disadvantage” and “on you-for you” to appraise her financial doctor.

A third index of advisory efficiency, previously cited, is turnover. As we have seen, the stock market harbors hundreds of opportunities to make $1 grow into $100 by buying right and holding on. Many other stocks have

missed 100 for one by less than a dollar. Hundreds more have risen 50 for one, and an even longer list has advanced twenty-five fold.

If your goal is to achieve maximum capital gain over the next ten or twenty years, every purchase should be made with the intention of holding on. Every sale should be recognized as a confession of error—a lost opportunity. There will be many such errors, of course. Making money is not easy and never will be. But it is helpful in trying to make money to have the right target, to keep one's thinking straight.

As a minimum, if you are to buy a stock that will increase 100 times in value in forty years, you must buy one that will go up at the compounded annual rate of 12.2 percent a year. If it falls short of that rate in one year it must make it up in another year.

Even if you are to buy a stock that will increase fiftyfold in value in forty years you must find one that will rise at the annual rate of 10-1/4 percent.

CHAPTER XXVI

A Sense of Values

All successful investing is based on foresight, but foresight alone is not enough. The other essential ingredient is a sense of values. Many a man is on relief because he paid too much for what he correctly foresaw. What does it profit a man to foresee that a stock will treble its earnings, if he pays four times as much for it as it is worth on its present earnings? Answer: Nothing, unless he can find someone else to sell it to for more than it is worth when the expected has come to pass.

Time is an often overlooked element in value. A dollar you will get five years from now is worth something like 78 cents today. A dollar you will get ten years from now may be worth 61 cents today. Neither figure allows for inflation. They are simply the amounts you would have to invest at 5 percent compounded annually, net after taxes, to have $1 five years or ten years from now. Discounted at 9 percent instead of 5 percent, a dollar you will get five years from now is worth 65 cents instead of 78 cents. A dollar due in ten years is worth only 42 cents now, instead of 61 cents. No wonder stocks selling on the basis of earnings expected five or ten years in the future declined in price as long-term interest rates rose in 1970!

Being right too soon is just as painful as being wrong. In fact it is one of the many ways to be wrong in investing.

Much money has been made by investors in the telephone television, and companies working on devices to translate the spoken word into print electronically. But much could have been lost, and doubtless some was lost, by being too soon. The ideas for all three developments are more than ninety years old. In a little book published in 1878, Professor A. E. Dolbear of Tufts College said:

“Mechanism is all that stands between us and aerial navigation; all that is necessary to reproduce human speech in writing; and all that is needed to

realize completely the prophetic picture of the ‘graphic,’ of the orator who shall at the same instant address an audience in every city in the world.”

The most important questions in investing are these:

1. How much will what I expect to happen increase the status quo value of the property I am thinking of buying?

2. How long will this take?

3. What is the present worth of the increase I expect?

4. How much of the expected value increase is already in the price I shall have to pay?

5. Is there enough difference between the value increase I expect and the expected increase I have to pay for now to give me a profit if I am right and a margin for error if I am wrong?

Status quo value means the value you would put on the property if things stayed the way they are. Anything you pay over that means that you are cutting the seller in on your flock of chickens before your eggs have hatched, and doing so at the very moment he stops bearing any of the risk. Thus stated, it seems as simple and as obvious as “A bird in the hand is worth two in the bush.” Seriously asked and answered, our fifth question should help us avoid the mistake of swapping a bird in the hand for just one bird in the bush. If you think no one could be that foolish, take another look at the stock market. It happens there all the time.

You doubt it? Look at it this way: When you hand the grocer a dollar, he does not ask where you got it. A dollar from one stock or bond is worth exactly as much to him as a dollar from another. Why then do we pay more for dollars from one source than for dollars from another? The only reason that makes sense is that we expect the flow of dollars from the first source to catch up with and surpass the flow of dollars from the second source.

This may be easier to understand if we talk about hens and eggs. One flock of. 100 hens lays eighty eggs a day. Another flock of the same size lays forty eggs a day. If we are interested only in getting the most eggs for the least money and if these suppositious hens scrounge for themselves so we need make no allowance for their care, the hens laying the larger number of eggs might seem to be worth twice as much as those laying the smaller number. If they were priced that way, a dollar would buy us as many eggs from one flock as from the other.

But let us suppose the forty-egg flock once laid eighty eggs a day. We might be fearful that the rate would drop some more. To protect ourselves against that possibility, we might offer to pay only a quarter as much for hens from the forty-egg flock as for hens from the eighty-egg flock. At that price, we should still be getting as many eggs for our money from the cheaper hens as from the dearer ones, even if the cheaper ones' rate of laying dropped from forty eggs to twenty a day. If we could buy those forty-egg hens at a fourth of the price of the eighty-egg hens, the seller in effect would be giving us free all the eggs they laid over twenty a day. It would cost us nothing if the forty-egg hens' rate of laying fell by half. If, instead of falling, their rate of laying stayed where it was, we should have twice the eggs we paid for. And if the forty-egg flock should increase its rate of laying to sixty or even eighty eggs a day, we should have three or four times as many eggs as we paid for. In other words, if the rate of laying remained unchanged, our "egg profit" would be 100 percent because we would be getting forty eggs a day when we had paid for only twenty. If we thought the chances of the flock's laying eighty eggs a day were equal to the chances of its stopping laying altogether, our opportunity-risk ratio would be 4-to-l.

Since no one can foretell the future with certainty, it makes sense to try to buy when the seller bears the brunt of possible adverse developments and to sell when the buyer is willing to transmute our hopes for the future into present cash.

In a free society, life is a series of trades. Each of us is continually exchanging whatever we have or can offer for what we can get from others. This is true whether we are ditchdiggers or symphony orchestra conductors, ministers of the gospel or call girls.

In such an exchange how do a few people get so much more than others? You have heard of the man who rode to the county fair bareback on a spavined old horse, and by trading briskly all day was able to drive home that night in a new carriage drawn by a spanking team of dapple grays? Life is like that. The boys who paid Tom Sawyer to let them white-wash the fence Tom had been ordered to paint made a voluntary exchange of their labor and their money for satisfactions that had not occurred to them until Tom pointed them out. That is salesmanship.

Few of us can say truthfully we have never made a bad trade. Almost all of us have paid for the privilege of white-washing someone else's fences. Why do we do it?

Mostly, I suspect, it is because we do not stop to think. One of the most common ways of making a bad bargain is to buy something because it is cheap. But as John Ruskin said, 'There's hardly anything that cannot be made a little worse and sold a little cheaper, and those who buy on price alone are that man's lawful prey." Nothing is cheap or dear except in relation to what we get for our money.

Those who buy on price alone may also be misled by high prices. Someone wrote a popular play years ago about a young man who breathed new life into an ailing soap business by cutting the cakes in half and doubling the price. Enough people inferred that the higher-priced soap must be better for their skins to make them avid victims of his trickery.

Some of us are misled by moving prices. We buy sugar, stocks, or Florida lots because today's price is higher than yesterday's, and hence tomorrow's price must be higher than today's. When we do this we are showing a lower order of intelligence than the poor fish I mentioned earlier. The fish is caught because he strikes at something moving, without stopping to examine it first. But a fish must play percentages. If he stopped to appraise every little thing that moved in his range of vision, he would starve to death. Not so with us. We do not have to bite on everything that moves, to stay out of the red—quite the contrary.

Other reasons why we make bad bargains in life reflect the truth that man does not live by bread alone. We buy things we do not want because of the ofttimes mistaken belief that doing so marks us as people of discernment. In other words we really are trying to bolster our tottering egos when we ape spending patterns of those whom we should like to be. It is almost impossible to make a good trade when we do not know—or admit to ourselves—what we want or why we want it.

Life is, of course, infinitely complex. A trade made to be in style, or to get ahead of the crowd, may be a good bargain in toto even though the goods or services bought may be worth less per se than we pay for them.

Many a seemingly bad bargain is made for the spiritual satisfaction of atonement. The stock market has its masochists as well as its egotists and

egonomists. The stock market masochist seems to enjoy the pain of repeated losses, the more savage the better. His theme song is:

> I’m unlucky, the most unlucky man
> Born on Friday afternoon, on the thirteenth day of June.
> If the sky were raining soup, I’d surely have a fork.

The stock market egotists, much more numerous, would rather lose money on their own ideas than make it on anyone else’s. I have dealt with the egonomists in the chapter on “The Almighty Ego vs. The Almighty Dollar.”

In these, as in so many other ways, stock trading is more a study in psychology than in finance or economics. It sometimes seems to appeal most to those least qualified by temperament to succeed at it.

A true story illustrates what makes a good trader. At luncheon some years ago when Brunswick—a manufacturer of bowling lanes and automatic pinsetters—was a market darling, Peter Falk, investment manager for a big insurance group, remarked that he had just sold his Brunswick stock at $70 a share.

“Why?” I asked. All the news was good.

“Too many bowling alleys catching fire,” was his reply.

Four years later Brunswick sold at $6 a share

CHAPTER XXVII

What Makes a Stock Grow

What makes a stock grow? Look for these possibilities:

1. Reinvesting earnings at a constant or rising rate of return on invested capital, above the average of around 9 percent currently. See chart below.

2. Investing borrowed money to earn more than the cost of borrowing.

3. Acquiring other companies by exchange of stock at lower price-earnings ratios for the companies acquired than for the company acquiring them.

4. Increasing sales without having to increase invested capital. The greatest opportunities to do this are found in companies operating far below capacity. New methods, increasing efficiency, may have the same effect.

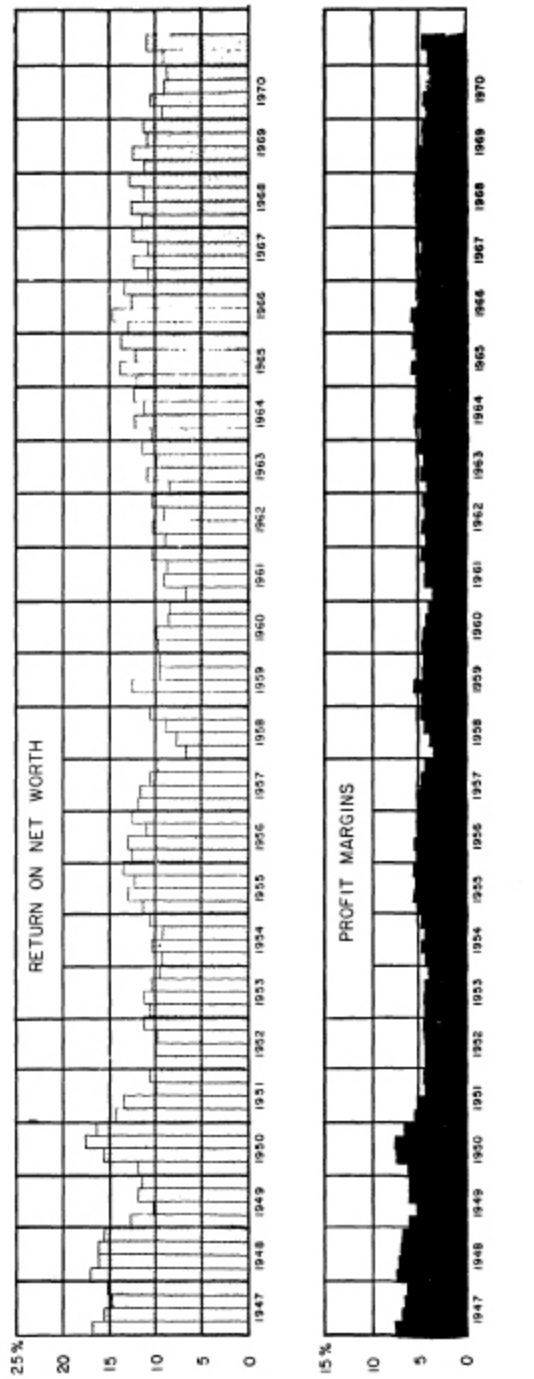
5. Discoveries of natural resources, such as a great new oil field, gold mine, or nickel deposit.

6. New inventions, processes, or formulas for filling human needs not previously met, or for doing essential old jobs better, faster, and/or cheaper.

7. Contracts to operate facilities for others, usually governments.

8. Rising price-earnings ratios.

It is simple arithmetic that a company with a book value of $10 a share earning 15 percent on its invested capital will have a book value of $11.50 a share at the end of one year if it pays no dividends. At the end of the second year its book value will be $13.22 and at the end of the third year $15.20. In five years the company's book value will have doubled. In ten years it will have quadrupled. In thirty-three years it will be up one hundredfold.



RETURN ON NET WORTH—PROFIT MARGINS
After Federal Income Taxes

If the same company pays out a third of its earnings in dividends, reinvesting earnings at the rate of 10 percent of its book value each year, its

book value will quadruple in fifteen years instead of ten. In 33 years it will be up 23.2 times instead of 100.

Obviously, dividends are an expensive luxury for the investor seeking maximum growth. If you must have income, don't expect your financial doctor to match the capital gains that might have been obtainable without dividends. When you buy a cow to milk, don't plan to race her against your neighbor's horse.

To the investor, borrowed money has a threefold significance m gauging a company's growth and prospects.

First let us assume that a company has $100 million book value on which it is earning 10 percent, no debt, and only one class of stock. Suppose the company borrows $50 million at 5 percent and invests the money to earn 10 percent, or $5 million a year. Since only $2.5 million is required for interest on the loan, the other $2.5 million is added to earnings on the stock. Return on book value thus rises to 12-1/2 percent from 10 percent, though the company still is earning at the same rate as before on its assets.

This is the first significance of the addition of borrowed money to a company's capitalization. Earnings may seem to improve without any improvement in the earning power of the assets employed in the business.

The second significance is that the improvement in earnings resulting from the addition of borrowed money to a company's capitalization may be non-recurring—there is a limit to how much any company can borrow at favorable rates. Once that much has been borrowed, no further help to earnings can be expected from borrowing.

The third significance is that all borrowing increases the risk in a business. One risk is that when the debt comes due interest rates may have risen so that the loan first made at 5 percent must be refinanced at 10 percent. Another risk is that the earning power of the assets may decline below the cost of the borrowed money so that the loan is carried at a loss. A third risk—the worst of all—is that the loan may come due at a time when the company is unable to refinance it. Result: Bankruptcy and reorganization, often turning the company over to its creditors.

Clearly rising earnings derived from rising debt are worth less than rising earnings derived from rising book value.

The game of acquiring companies at ten times their earnings by exchanging stock priced at 20 times earnings accounted for some of the

glamour surrounding conglomerates a few years ago. To illustrate, suppose Company A with 5,000,000 shares selling 20 times $1 a share earnings on its reputation as a growth company exchanges its stock for all the 2,000,000 shares of Company B selling ten times $2 a share earnings. Assuming the merger is effected on the basis of equivalent market values, Company A has 40 percent more stock outstanding than before while the earnings of the new combination are 80 percent greater than before. Assuming both parts of the merged company continue to earn at unchanged rates, Company A reports a 12.8 percent rise in its per share earnings. Investors who watch earnings alone thus are misled into thinking that their growth stock has continued its growth when as a matter of fact the basic earning power of the constituent companies has shown no gain at all.

The concept of earnings growth resulting from putting idle plants to work is one of the easiest to understand. It is as simple as the statement that hotels make more money when they are fully occupied than they do when half their rooms are vacant. Opportunities to make money by that kind of growth usually are found only when an industry or the economy as a whole is in a depression.

A great deal of luck enters into making money on discoveries of natural resources, but it need not be all luck. As I have said before, companies actively prospecting are better bets than those which are not looking. And just as some hunters and some fishermen consistently do better than others, so some companies' exploration efforts seem to succeed oftener than others. Here as in so many other aspects of life it is good business to back a winner.

It used to be said in Socony-Vacuum (now Mobil Oil) that if we knew in advance that a research project was going to pay out, it was not research but only product development. If companies themselves don't know where their research will take them, how can the investor? Obviously he cannot. Here, as with discoveries of natural resources, making money depends on identifying in advance those organizations with the best records of incessant innovation, in the expectation that they will do it again and again. As for those unforeseeable new inventions, processes, and formulas that a free society is constantly producing, the only way I know for an investor to take advantage of them is to evaluate their potential as promptly as he can as soon as he hears of them. Few individuals are qualified to do that for themselves.

Rising price-earnings ratios often double and may triple or quadruple the stock market impact of rising earnings based on Points 1 to 7. To benefit by this factor the investor must have the good luck or good judgment to buy when a stock's price-earnings ratio is relatively low. A simple guide for the average investor is to watch the price-earnings ratio of the Dow-Jones Industrial Average, published in the *Wall Street Journal* and *Barron's* every Monday. If that is 15, and the stock he is contemplating buying is selling around the same figure or lower, he can assume safely that his enthusiasm for the stock is not widely shared. If his hopes for the stock to increase its earnings are justified, he can expect those earnings to command progressively higher multipliers as years go by. At 15 times earnings of $1 a share a stock will sell at $15. At 45 times earnings of $3 a share the same stock will sell at 135. Earnings triple but the market price rises ninefold.

CHAPTER XXVIII

Real Growth—How to Spot It and Evaluate It

Stocks go up and down for many reasons having nothing to do with changes in their earning power. Even their earnings may go up or down for many reasons having nothing to do with their earning power. Anyone hoping to make 100 for one in the stock market by way of earnings growth must focus on *earning power.*

What is the difference between *earnings* and *earning power?*

Earnings are simply reported profits no matter how obtained. As we have already seen, earnings may rise because of a sudden, non-recurring surge in demand, because of a price advance, because of a change in accounting practices, because of improvement in business generally which permits utilization of what previously was excess productive capacity. None of those reasons reflects earning power any more than the movement of a cork downstream attests its motive power.

Earning power is competitive strength. It is reflected in above-average rates of return on invested capital, above-average profit margins on sales, above-average rates of sales growth. It shows to best advantage in new or expanding markets.

Failure to distinguish between ephemeral earnings fluctuations and basic changes in earning power accounts for much over trading, many lost opportunities to make 100 for one in the stock market.

Too much research in Wall Street is not even directed at making this distinction. Why should it be? The customers all too often would not understand or appreciate it, and, even if they did, such research would generate much less business than focussing on probable earnings fluctuations. Making money by investing in earning power takes time.

How can the individual investor make this distinction between earnings and earning power? This is not a textbook on security analysis. Those who want one should read *Security Analysis* by Graham and Dodd. The rest should watch:

1. Sales growth.
2. Profit margins.
3. Rate of return on book value (equity).
4. Rate of return on invested capital.
5. Ratio of sales to invested capital.
6. Buildup of book value.

By recording these data year by year the understanding investor can alert himself to significant trend changes.

Many will prefer, and should prefer, to ask their financial advisors to focus on earning power for them. “A little learning is a dangerous thing.” Like a passenger in a taxicab, the client’s role is to say where he wants to go, and leave it to the driver to get there. But he should know when he is being taken the long way around.

If you doubt that your financial advisor is emphasizing competitive strength as much as you wish, you can either ask him to prove it or seek another doctor. The data are readily available from statistical services. Any well-equipped broker, banker, or investment counselor can supply them to answer a specific inquiry if your business warrants the cost of doing so.

Never look at the data for just one year. Trends are important. A ten-year record is desirable, both on an absolute and relative basis—relative to any good stock market average such as Dow-Jones or Standard & Poor’s.

Real growth is as simple and certain as arithmetic *if* the book value of a stock is increased by retained earnings while the rate of return on invested capital remains constant. To illustrate, let us assume our company has a book value of $10 a share, with no senior securities, and is earning 15 percent on its invested capital. In this example, book value and invested capital per share are the same. Let us assume further that our company pays no dividends.

At the end of the first year per share book value will be $10 plus 15 percent of $10, or $11.50. At the end of the fifth year book value will be $20, and at the end of the tenth year $40. If our company can continue to

earn at the same rate on its invested capital, its earnings in ten years will be four times the starting figure.

If our company pays out a third of its earnings in dividends, the amount plowed back each year will be 10 percent of per share book value. At that rate it will take nearly fifteen years, instead of ten, for book value and earnings to quadruple.

Earning at 15 percent and paying no dividends, our stock would grow one hundredfold in thirty-three years. Earning 15 percent and paying a third of earnings in dividends, our stock would take more than forty-eight years to multiply its assets and earnings by 100.

Tampax is an exceptionally good example of the arithmetic of growth because its figures are not complicated by debt or preferred stocks. Here they are, for the last fifteen years.

	Return on Invested Capital	Book Value per Share	Earnings per Share	Dividends per Share	Reinvested Earnings per Share
1970	36.7%	$17.89	$6.58	$4.10	$2.48
1969	34.6	15.41	5.34	3.55	1.79
1968	35.3	13.62	4.82	3.10	1.72
1967	36.6	11.90	4.36	2.80	1.56
1966	36.8	10.34	3.81	2.50	1.31
1965	37.6	9.03	3.39	2.00	1.39
1964	36.0	7.63	2.15	1.75	.40
1963	34.1	6.63	2.26	1.35	.91
1962	37.4	4.92	1.84	1.18	.66
1961	37.9	4.26	1.61	1.03	.58
1960	38.8	3.67	1.42	.93	.49
1959	37.4	3.35	1.25	.80	.45
1958	37.5	2.90	1.08	.70	.38
1957	39.0	2.52	.97	.63	.34
1956	39.7	2.18	.86	.56	.30

Any such stock will grow as fast as its book value grows IF its rate of return on invested capital holds steady.

Between the end of 1956 and the end of 1970 Tampax's book value increased from $2.18 a share to $17.89 a share, or 8.2 times the starting figure. In the same period earnings rose 7.6 times. The difference was due to a decline in the rate of return from 39.7 percent at the start to 36.7 percent in the last year. Had the rate of return stayed at 39.7 percent, Tampax's 1970 earnings would have been $7.10 a share, instead of $6.58. Earnings of $7.10 would have been 8.2 times 1956 earnings of 86 cents, the same as the increase in book value, of course. (Share earnings figures have been adjusted for the 3-for-l split in 1962.)

Almost all of the $15.71 increase in book value—$14.46 to be exact—came from retained earnings, the difference between earnings a share and dividends a share. Obviously if Tampax had reduced its dividends each year by enough to increase retained earnings by 50 percent, Tampax's earnings would have grown 50 percent faster than they did—assuming that Tampax could have invested the additional money at the same rates of return.

Tampax is also a good example of the arithmetic of investor psychology. In 1956 Tampax stock sold at a low of 9-1/2 and a high of 11.66. Those prices were 11 and 13-1/2 times 1956 earnings. At 11 times 1970 earnings Tampax's price would have been 76 instead of its actual 1970 low of 146. At 13-1/2 times 1970 earnings, Tampax's price would have been 89 instead of its actual 1970 high of 228. The difference was entirely due to investor willingness to pay for anticipated Tampax growth further into the future than before.

At its 1971 high of 329 Tampax was selling at 50 times its 1970 earnings.

In looking for stocks that might someday sell 100 times your purchase price, the price-earnings ratio at the time you buy is highly important. If you can foresee the price-earnings ratio rising from 10 to 40, your stock's earnings need rise only to 25 times your starting level to give you $100 for $1 on your purchase. If, on the other hand, you buy at 40 times earnings and encounter a decline to 20 times earnings, your starting level of earnings must be multiplied by 200 to give you $100 for $1 on your investment.

It does not denigrate Tampax's business prospects to say that further advances in the price of the stock seem likely to depend on further gains in

sales and earnings with comparatively little if any help from further rise in its price-earnings ratio.

Two of the most important questions in buying for great growth are these:

1. How high and strong is the company's "gate" against competition? If others can enter the business easily, the above average rate of return is bound to be whittled down.

2. How good are the prospects for sales growth? No matter how high the rate of return, the company cannot grow by plowing back earnings if it already has enough capacity to supply all foreseeable markets.

Tampax's sales doubled in six years, from 1964 to 1970.

One last lesson from Tampax is that the way to buy high yields is to buy growing stocks. Tampax at its 1956 high yielded 4.8 percent on dividends paid that year. But the buyer who held on had a yield of 35 percent in 1970.

How can you evaluate such a stock?

The mathematically inclined have developed tables which help to quantify assumptions about the unknown future— assumptions regarding interest rates and the earnings of industry generally, assumptions about taxes. Essentially what they do is to divide estimates by guesses and carry the answers out to the fourth decimal place.

Stock traders sometimes proceed on a simpler basis. They predict that a stock's earnings will grow another year at 15 percent. They predict that with a continuance of that growth the price-earnings ratio will hold up, or increase. Having made those two assumptions, they come to the inevitable conclusion that the price of the stock a year hence will be up 15 percent or more.

It is an easy step from making such assumptions for another year to making them for another two years, three years, five years, or even ten years. The logic is irrefutable if you accept the assumptions.

That reminds me of a picture showing a Chinese wise man in his study looking up from his figures to exclaim, "I have proved it. The Mongols cannot get through the Great Wall." Behind him stands a tight-lipped Mongol warrior, sword upraised, ready to cut off his head.

What mathematics cannot do, common sense often can. In many instances 100-to-one stocks have been available before their great advance at no higher price-earnings ratios than the general market. In more cases, prices

of these incipient superstars have discounted no more than the earnings gain that might have been foreseen in the next year or two. To the buyer with vision such opportunities are too great to require mathematical analysis. The spread between what the buyer expects and what the stock market is discounting is large enough to cover any probable error in the buyer's expectations.

Much can never be foreseen or even imagined. The one way to benefit by it is to buy the best stock or stocks you can with no intention of selling them until they turn bad. If history is any guide, some will end up in your high bracket estate.

By a long, circuitous route we have come around to our starting point.

In the last forty years the stock market has harbored hundreds of opportunities to turn $10,000 into a million.

Many other stocks are growing at rates which if continued would produce the same one hundredfold appreciation in the next two, three, or four decades. In a free and research-oriented society such opportunities seem bound to recur again and again.

The two reasons so few of us profit by 100-to-one stocks are first that we do not try to do so and second that even when we are wise or lucky enough to buy one we do not hold on.

To buy right requires vision and courage—faith that is evidence of things not seen, things not susceptible of mathematical proof.

To realize 100 for one requires patience, extraordinary tenacity—the will to hold on.

In *Alice in Wonderland* one had to run fast in order to stand still. In the stock market, the evidence suggests, one who buys right must stand still in order to run fast.

Appendix

Table III
BREEDER REACTORS IN THE STOCK MARKET
Listing 365 different securities where One share became many and turned $10,000 into $1,000,000

During 1971 each of the following securities sold for more than 100 times the price at which it could have been bought in the year indicated. The table is arranged alphabetically according to present names, which are shown in CAPITAL LETTERS.

ABBOTT LABORATORIES
One share 1934 = 50.4 shares 1971
1934 cost $40. 1971 value $4,302

Abitibi Power & Paper Common
-ABITIBI PAPER
One share 1942 # = 6 shares 1971*
1942 cost 50 cents. 1971 value $52
Abitibi Power & Paper common
*Abitibi Paper common

Abitibi Power & Paper Co.,
Ltd. 6% Pfd. ($100 Par) -
ABITIBI PAPER
One share 1940# = 40.6 shares 1971*
1940 cost $2. 1971 value $355 †
Abitibi Power & Paper Co., Ltd. 6% Pfd.
* Abitibi Paper common
† Assumes $100 cash received July 30, 1954, was reinvested in Abitibi common at high of ensuing week.

Abitibi Power & Paper Co.
Ltd. 7% Pfd. ($100 Par) -
ABITIBI PAPER
One share 1943 # = 183.6 shares 1971*
1943 cost $12.50. 1971 value $1,606 †
Abitibi Power & Paper Co., Ltd. 7% Pfd.
* Abitibi Paper common

† Assumes $187.50 cash received August 1, 1949, was reinvested in Abitibi common at $12.25 a share, high for the week ended August 5, 1949.

Aetna Casualty & Surety—AETNA LIFE & CASUALTY
One share 1932 # = 28½ shares 1971 *
1932 cost $15. 1971 value $1,998
Aetna Casualty & Surety
* Aetna Life & Casualty

Aetna Life-AETNA LIFE & CASUALTY
One share 1932 # = 13⅓ shares 1971 *
1932 cost $8.25. 1971 value $934
Aetna Life
* Aetna Life & Casualty

AIR PRODUCTS & CHEMICALS
One share 1946 = 2.5 shares 1971
1946 cost $1. # 1971 value $144
#Reynolds & Co., New York, offered 150,000 shares at $1 a share on May 6, 1946.

ALLEGHANY CORP. common
One share 1941 = one share 1971
1941 cost 13 cents. 1971 value $18

Amerada Corp.—AMERADA HESS
One share 1933 # = 36 shares 1971*
1933 cost $18.50. 1971 value $2,574
Amerada Corp.
* Amerada Hess

AMERICAN AIRLINES
One share 1938 = 20 shares 1971
1938 cost $8. 1971 value $877

AMERICAN CHAIN & CABLE
One share 1933 = 6.4 shares 1971
1933 cost $1.63. 1971 value $194

American Beet Sugar— AMERICAN CRYSTAL SUGAR
One share 1932 # = 3 shares 1971*
1932 cost 25 cents. 1971 value $80
American Beet Sugar
* American Crystal Sugar

AMERICAN CYANAMID
One share 1932 # = 8 shares 1971*
1932 cost $1.63. 1971 value $303
Class B
* Common

Amerex Holding Corp.— AMERICAN EXPRESS
One share 1948 # = 18 shares 1971*
1948 cost $21.50. 1971 value $2,448
Amerex Holding Corp.
* American Express

AMERICAN HOME PRODUCTS
One share 1938 = 36 shares 1971 1938 cost $30.75. 1971 value $3,384

Brach (E. J.) & Sons-AMERICAN HOME PRODUCTS
One share 1933 # = 8.4 shares 1971*
1933 cost $3.75. 1971 value $789
Brach (E. J.) & Sons
* American Home Products

International Vitamin— AMERICAN HOME PRODUCTS
One share 1941 # = 4.5 shares 1971*
1941 cost $3.13. 1971 value $423
International Vitamin
* American Home Products

Miller Wholesale Drug— AMERICAN HOME PRODUCTS
One share 1940 # = 7.4 shares 1971*
1940 cost $4.38. 1971 value $695
Miller Wholesale Drug
* American Home Products

American Constitution Fire Insurance - AMERICAN INTERNATIONAL GROUP
One share 1932 # =11.4 shares 1971*
1932 cost $6. 1971 value $1,105
American Constitution Fire Insurance
* American International Group

American Home Fire Assurance -AMERICAN INTERNATIONAL GROUP
One share 1949 # = 10.9 shares 1971*
1949 cost $7. 1971 value $1,043
American Home Fire Assurance
* American International Group

Globe & Rutgers Fire Insurance -AMERICAN INTERNATIONAL GROUP
One share 1949 # = 32.8 shares 1971*
1949 cost $27. 1971 value $3,198
Globe & Rutgers Fire Insurance
* American International Group

AMERICAN INVESTMENT CO. OF ILLINOIS
One share 1933 = 17.5 shares 1971
1933 cost $3. 1971 value $347

AMERICAN MANUFACTURING
One share 1935 = 16 shares 1971
1935 cost $3.50. 1971 value $712

Air Investors—AMERICAN MANUFACTURING
One share 1942 # =2.5 shares 1971*
1942 cost 94 cents. 1971 value $111
Air Investors
* American Manufacturing

American Laboratories—AMERICAN MEDICAL INTERNATIONAL
One share 1964 # = 3.4 shares 1971*
1964 cost 75 cents. 1971 value $129

American Laboratories
* American Medical International

AMERICAN METAL CLIMAX
One share 1933 = 8.44 shares 1971
1933 cost $3.13. 1971 value $315

Ayrshire Patoka Collieries— AMERICAN METAL CLIMAX
One share 1942 # =13.5 shares 1971*
1942 cost $4. 1971 value $504
Ayrshire Patoka Collieries
* American Metal Climax

Electric Shovel Coal Preferred— AMERICAN METAL CLIMAX
One share 1942 # =27.1 shares 1971*
1942 cost $6. 1971 value $1,012
Electric Shovel Coal Preferred
* American Metal Climax

Panhandle Producing & Refining 8% Preferred— AMERICAN PETROFINA CLASS A
One share 1940 # = 54.4 shares 1971*
1940 cost $13. 1971 value $1,598
Panhandle Producing & Refining 8% Preferred
* American Petrofina Class A

AMERICAN POWER &
LIGHT $6 Preferred
One share 1935 = (in 1971)
4.9 shares (a)
1.2 shares (b)
3.7 shares (c)
8.9 shares (d)
2.3 shares (e)
1935 cost $10.13. 1971 value $1,160
(a) Florida Power & Light common
(b) Minnesota Power & Light common
(c) Montana Power common
(d) Texas Utilities common
(e) Washington Water Power common

AMERICAN SEATING
One share 1933 = 6.4 shares 1971
1933 cost 88 cents. 1971 value $138

American Machine & Metals
—AMETEK, INC.
One share 1933 # = 8 shares 1971*
1933 cost 75 cents. 1971 value
$153
American Machine & Metals
* Ametek, Inc.

ANHEUSER-BUSCH
One share 1935 = 236.7 shares 1971
1935 cost $98. 1971 value

$13,610

Rustless Iron & Steel—ARMCO STEEL
One share 1935 # = 4.8 shares 1971*
1935 cost 75 cents. 1971 value $111
#Rustiess Iron & Steel
*Armco Steel

ARMSTRONG CORK
One share 1933 = 12 shares 1971
1933 cost $4.13. 1971 value $550

Noblitt-Sparks Industries—ARVIN INDUSTRIES
One share 1933 # = 23.3 shares 1971*
1933 cost $9.50. 1971 value $955
Noblitt-Sparks Industries
*Arvin Industries

Warren Brothers-ASHLAND
OIL & REFINING
One share 1941 # = 1.3 shares 1971*
1941 cost 38 cents. 1971 value $39
Warren Brothers
*Ashland Oil & Refining

ASSOCIATED DRY GOODS
One share 1942 = 9 shares 1971
1942 cost $4.25. 1971 value $535

Pan-American Petroleum (of Cal.) Cv. 6s 1940 (Certificates of Deposit)
*ATLANTIC RICHFIELD
One $1,000 bond 1932 # = 147.7 shares 1971*
1932 cost $40. 1971 value
$11,557
Pan-American Petroleum (of Cal.) Cv. 6s 1940
* Atlantic Richfield

Richfield Oil of California 1st Cv. 6s 1944 (Certificates of Deposit)
-ATLANTIC RICHFIELD
One $1,000 bond 1932 # = 164.9 shares 1971 *
1932 cost $50. 1971 value
$12,903
Richfield Oil 1st Cv. 6s 1944
* Atlantic Richfield

Venezuelan Petroleum— ATLANTIC RICHFIELD

One share 1941 # = $1\frac{1}{16}$ shares 1971 *
1941 cost 75 cents. 1971 value $83
†
Venezuelan Petroleum
* Atlantic Richfield
† Assuming acceptance of 1967 offer of Atlantic Richfield $3 convertible preference.

Sloss-Sheffield Steel & Iron-A-T-O, INC.
One share 1932 # = 5 shares 1971*
+ $500 A-T-0 debenture 6s, 1988

+ 20 A-T-0 warrants 1932 cost $3.75. 1971 value $411 †

Sloss-Sheffield Steel & Iron
* A-T-O, Inc.

† Assuming sale of A-T-0 debenture 6s, 1988, at 68 bid, when received.

AUTOMATIC DATA PROCESSING
One share 1965 = 9 shares 1971 1965 cost $7. 1971 value $704

AVON PRODUCTS
One share 1955* = 84.2 shares 1971
1955 cost $83. 1971 value $9,430

* Before 2-for-l split

BABCOCK & WILCOX
One share 1934 = 50.1 shares 1971
1934 cost $18.50. 1971 value $2,135

Pyrene Manufacturing—BAKER INDUSTRIES
One share 1940 # = 22.9 shares 1971*
1940 cost $4.75. 1971 value $543

Pyrene Manufacturing
* Baker Industries

U.S. Bobbin & Shuttle—BAKER INDUSTRIES
One share 1941 # = 5.4 shares 1971*
1941 cost $1. 1971 value $128

#U.S. Bobbin & Shuttle
* Baker Industries

U.S. Bobbin & Shuttle Preferred-BAKER INDUSTRIES
One share 1940 # = 87.3 shares 1971*
1940 cost $20. 1971 value $2,073

#U.S. Bobbin & Shuttle preferred
* Baker Industries

BALDWIN (D.H.) CO.
One share 1939 = 8.2 shares 1971
1939 cost $2.88. 1971 value $463

Virginia Iron, Coal & Coke— BATES MANUFACTURING
One share 1943 # = 7.2 shares 1971*
1943 cost $1. 1971 value $143

Virginia Iron, Coal & Coke
* Bates Manufacturing

Virginia Iron, Coal & Coke 5%
Pfd. -BATES
MANUFACTURING
One share 1942 # = 101 shares 1971*
1942 cost $14. 1971 value $2,007

Virginia Iron, Coal & Coke 5% Pfd.

* Bates Manufacturing

BAXTER LABORATORIES
One share 1956 = 32 shares 1971
1956 cost $11.25. 1971 value $1,260

BEECH AIRCRAFT
One share 1938 = 10.7 shares 1971
1938 cost $1.25. 1971 value $231

Spiegel, May, Stern— BENEFICIAL CORP.
One share 1933 # = 5.9 shares 1971*
1933 cost $1. 1971 value $402
Spiegel, May, Stern
* Beneficial Corp.

Western Auto Supply Class A—BENEFICIAL CORP.
One share 1932 # = 13.7 shares 1971*
1932 cost $5.13. 1971 value $935
Western Auto Supply Class A
* Beneficial Corp.

BLACK & DECKER
One share 1944 = 22.7 shares 1971
1944 cost $16.50. 1971 value $1,835

Electric Bond & Share-BOISE CASCADE
One share 1942# = 1.3 shares 1971* plus nontaxable dividends in utility common stocks 1942 cost 88 cents. 1971 value $115
Electric Bond & Share
* Boise Cascade

Minnesota & Ontario Paper 6s Series A, 1931-45-BOISE CASCADE
One bond 1932 # = 110.3 shares 1971*

1932 cost $40. 1971 value $5,501 †
Minnesota & Ontario Paper
* Boise Cascade

† $500 5% bonds and $7.50 cash received in 1941

BORG-WARNER
One share 1932 = 12 shares 1971
1932 cost $3.38. 1971 value $387

Byron Jackson—BORG-WARNER
One share 1932 # = 2.2 shares 1971*
1932 cost 50 cents. 1971 value $70
Byron Jackson
* Borg-Warner

BRIGGS & STRATTON
One share 1933 = 24 shares 1971
1933 cost $7.25. 1971 value $888

Broadway Department Store— BROADWAY-HALE STORES
One share 1941 # = *10%* shares 1971 *

1941 cost $3.63. 1971 value $489
Broadway Department Store
* Broadway-Hale Stores

Emporium Capwell—BROADWAY-HALE STORES
One share 1934 # = 10.9 shares 1971*
1934 cost $5. 1971 value $527
Emporium Capwell
* Broadway-Hale Stores

Kinney (G. R.) & Co.-BROWN SHOE
One share 1943 # = 6.1 shares 1971*
1943 cost $1.88. 1971 value $256
Kinney (G. R.) & Co.
* Brown Shoe

Aloe (A. S.) Co.-BRUNSWICK
One share 1934# = 27.7 shares 1971*
1934 cost $9. 1971 value $1,073
#Aloe (A. S.) Co.
* Brunswick

Brunswick-Balke-Collender— BRUNSWICK
One share 1938 # = 19.4 shares 971*
1938 cost $5.50. 1971 value $751
Brunswick-Balke-Collender
* Brunswick Corp.

BULOVA WATCH
One share 1933 = 9.9 shares 971 1933 cost 88 cents. 1971 value $271

Burlington Mills— BURLINGTON INDUSTRIES
One share 1937 # = 13.2 shares 1971*
1937 cost $5.75. 1971 value $656
Burlington Mills
*Burlington Industries

Pacific Mills—BURLINGTON INDUSTRIES
One share 1933 # = 14.5 shares 1971*
1933 cost $6. 1971 value $721
Pacific Mills
* Burlington Industries

CARNATION COMPANY
One share 1938 = 18.4 shares 1971
1938 cost $17.88. 1971 value $1,872

CARRIER CORP.
One share 1932 = 6.6 shares 1971
1932 cost $2.50. 1971 value $320

Columbia River Packers—CASTLE & COOKE
One share 1939 # = 15.9 shares 1971*
1939 cost $4. 1971 value $429
Columbia River Packers
* Castle & Cooke

CATERPILLAR TRACTOR
One share 1933 = 25.9 shares 1971
1933 cost $5.50. 1971 value $1,447

CELANESE CORP.
One share 1932 = 2.8 shares 1971
1932 cost $1.25. 1971 value $223

Tubize Chatillon Class A— CELANESE
One share 1932 # = 6.6 shares 1971*
1932 cost $1. 1971 value $523
Tubize Chatillon Class A
* Celanese

CESSNA AIRCRAFT
One share 1941 = 14½ shares 1971
1941 cost $3.75. 1971 value $418

Parmelee Transportation— CHECKER MOTORS
One share 1942 # = 2.8 shares 1971*
1942 cost 32 cents. 1971 value $81
Parmelee Transportation
* Checker Motors

CHICAGO PNEUMATIC TOOL
One share 1933 = 7.6 shares 1971
1933 cost $2.13. 1971 value $343

CHICAGO RIVET & MACHINE
One share 1932 = 11¼ shares 1971
1932 cost $3. 1971 value $337

National Automotive Fibres A— CHRIS-CRAFT INDUSTRIES
One share 1932 # = 5.6 shares 1971*
1932 cost 50 cents. 1971 value $55
National Automotive Fibres
* Chris-Craft Industries

CITIES SERVICE
One share 1942 = 5.7 shares 1971
1942 cost $2.13. 1971 value $282

Tennessee Corp.-CITIES
SERVICE
One share 1934 # = 7.5 shares 1971*
1934 cost $3.13. 1971 value $372
Tennessee Corp.
* Cities Service

CLARK EQUIPMENT
One share 1939 = 33 shares 1971
1939 cost $15. 1971 value
$1,637

Cliffs Corp.-CLEVELAND CLIFFS
One share 1933 # = 4.5 shares 1971*

1933 cost $3.50. 1971 value $357
Cliffs Corp.
*Cleveland Cliffs

CLOROX
One share 1942 = 44.3 shares 1971
1942 cost $24.00. 1971 value $2,696

Grocery Store Products— CLOROX
One share 1942 # = 2.5 shares 1971*
1942 cost 88 cents. 1971 value $145
Grocery Store Products
* Clorox

Van Raalte Co.-CLUETT,
PEABODY & CO.
One share 1933 # = 7.3 shares 1971*
1933 cost $1.63. 1971 value $198
#Van Raalte Co.
* Cluett, Peabody & Co.

Continental Assurance—CNA FINANCIAL
One share 1943 # = 172.7 shares 1971*
1943 cost $40.50. 1971 value $4,403
Continental Assurance
* CNA Financial

Continental Casualty—CNA FINANCIAL
One share 1933 # = 29.6 shares 1971*
1933 cost $5. 1971 value $754
Continental Casualty
* CNA Financial COLLINS & AIKMAN
One share 1933 = 12 shares 1971 1933 cost $3. 1971 value $372

Henry Holt & Co.-COLUMBIA BROADCASTING SYSTEM
One share 1953 # = 15.8 shares 1971*
1953 cost $7.88. 1971 value $835f
#HenryHolt&Co.
* Columbia Broadcasting System
† Including Viacom International distribution.

International Combustion Engineering Cv. Pfd. Ctfs.— COMBUSTION ENGINEERING INC.
10 shares plus $1 in 1933 # =
18.9 shares 1971 *
1933 cost $11. 1971 value
$1,332
International Combustion Engineering Cv. Pfd. Ctfs.
* Combustion Engineering Inc.

Connecticut General Life Insurance-CONNECTICUT GENERAL INSURANCE
One share 1943 # = 48 shares 1971*
1943 cost $27.63. 1971 value $3,756
Connecticut General Life Insurance
* Connecticut General Insurance

Truax Traer Coal-CONSOLIDATION COAL
One share 1932 # = 2.4 shares 1971*
1932 cost 25 cents. 1971 value
$61 †

#Traux Traer Coal
* Consolidation Coal

† Taking 1966 liquidating distributions at then market values, plus five years interest compounded annually at 5 percent.

COOPER INDUSTRIES
One share 1937 = 10 shares 1971
1937 cost $3.50. 1971 value $375

COPPER RANGE
One share 1932 = 3.3 shares 1932 cost $1.13. 1971 value $139

CROWN CORK & SEAL
One share 1932 = 40 shares 1971
1932 cost $7.88. 1971 value $935

CROWN ZELLERBACH
One share 1933 = 4.9 shares 1971
1933 cost $1. 1971 value $186

Crum & Forster Insurance Shares—CRUM & FORSTER
One share 1932 # = 12.1 shares 1971*
1932 cost $3. 1971 value $428
Crum & Forster Insurance Shares
*Crum & Forster

CUTLER-HAMMER
One share 1932 = 8 shares 1971
1932 cost $3.50. 1971 value $362

Thatcher Manufacturing— DART INDUSTRIES
One share 1932 # = 5.2 shares 1971*
1932 cost $2. 1971 value $252
Thatcher Manufacturing
* Dart Industries

Allen Industries-DAYCO
One share 1933 # = 16.4 shares 1971*
1933 cost $1. 1971 value $358
Allen Industries
* Dayco

Dayton Rubber Manufacturing
Class A-DAYCO
One share 1933 # = 5% shares 1971*
1933 cost $1. 1971 value $119
Dayton Rubber Manufacturing Class A
* Dayco

DEERE & COMPANY
One share 1933 = 12.3 shares 1971

1933 cost $5.75. 1971 value $668

DELTA AIR LINES
One share 1942 = 28.1 shares 1971
1942 cost $8. 1971 value $1,443

Chicago & Southern Air Lines -DELTA AIR LINES
One share 1942 # = 11.2 shares 1971*
1942 cost $2. 1971 value $575
Chicago & Southern Air Lines
* Delta Air Lines

DEVELOPMENT CORP. OF AMERICA
One share 1967 = 2.2 shares 1971
1967 cost 38 cents. 1971 value $74

Shamrock Oil & Gas— DIAMOND SHAMROCK
One share 1935 # = 4.5 shares 1971*
1935 cost 75 cents. 1971 value $113
Shamrock Oil & Gas
* Diamond Shamrock

DIEBOLD, INC.
One share 1950 = 28.1 shares 1971
1950 cost $11.63. 1971 value $1,594

DISNEY (WALT) PRODUCTIONS INC.
One share 1954 = 11.4 shares 1971
1954 cost $3.63. 1971 value $1,630

DR. PEPPER
One share 1935 = 48 shares 1971
1935 cost $16. 1971 value $1,938

Empire Trust Co.-DOME PETROLEUM, LTD.
One share 1943 = 99.1 shares 1971*
1943 cost $43.50. 1971 value $4,681
Empire Trust Co.
*Dome Petroleum, Ltd.

Smith (Howard) Paper Mills— DOMTAR
One share 1933 # = 14 shares 1971*
1933 cost $1.13. 1971 value $218
Smith (Howard) Paper Mills
*Domtar—Exchange of shares not open to U.S. residents

St. Lawrence Corp.-DOMTAR
One share 1942 # = 5.5 shares 1971*
1942 cost 75 cents. 1971 value $85
#St. Lawrence Corp.
* Domtar

DOW CHEMICAL
One share 1932 = 23.9 shares 1971
1932 cost $21.13. 1971 value $2,854

Dobeckman-DOW CHEMICAL

One share 1941 # = 4 shares 1971*
1941 cost $2.50. 1971 value $313
Dobeckman
* Dow Chemical

S. R. Dresser Manufacturing Class B-DRESSER INDUSTRIES
One share 1933 = 8 shares 1971
1933 cost $2.13. 1971 value $300

Symington Class A-DRESSER INDUSTRIES
One share 1932 # = 1.4 shares 1971*
1932 cost 50 cents. 1971 value $52
Symington Class A
* Dresser Industries

EASON OIL COMPANY
One share 1942 = 4 shares 1971
1942 cost 38 cents. 1971 value $100.

Eastern Gas & Fuel 6% Pfd.— EASTERN GAS & FUEL
One share 1943 # = 45.2 shares 1971*
1943 cost $19.75. 1971 value $2,322
#6% Preferred
* Eastern Gas & Fuel common

West Virginia Coal & Coke— EASTERN GAS & FUEL
One share 1944 # = 9.8 shares 1971 *

plus 50†
$553

1944 cost $5.13. 1971 value $503
#West Virginia Coal & Coke
* Eastern Gas & Fuel
† Aggregate of nontaxable distributions

EASTMAN KODAK
One share 1933 = 64.8 shares 1971
1933 cost $46. 1971 value $6,480

Eaton Manufacturing—EATON
YALE & TOWNE
One share 1933 # = 8 shares 1971*
1933 cost $3.13. 1971 value $358
Eaton Manufacturing
*Eaton Yale & Towne

EDISON BROS. STORES
One share 1934 = 27.2 shares 1971
1934 cost $8. 1971 value $1,199

Indiana Steel Products—ELECTRONIC MEMORIES & MAGNETICS
One share 1940 # = 9½ shares 1971*
1940 cost $1.50. 1971 value $166
Indiana Steel Products
* Electronic Memories & Magnetics

EMERSON ELECTRIC

One share 1949 = 11.3 shares 1971
1949 cost $8.50. 1971 value $912

EMERY AIR FREIGHT
One share 1955 = 10.6 shares 1971
1955 cost $7.88. 1971 value $829

Savage Arms -EMHART
One share 1933 # = 6.2 shares 1971*
1933 cost $2.25. 1971 value $275
Savage Arms
* Emhart

Engineers Public Service— GULF STATES UTILITIES EL PASO ELECTRIC VIRGINIA ELECTRIC & POWER
One share common # plus .1137375 share
$5 preferred # in 1934 = in 1971: 5 snares Gulf States Utilities 2.55 shares El Paso Electric 8.4 shares Virginia Electric & Power $1.04 cash
1934 cost $3.15. 1971 value $387
Engineers Public Service

EVANS PRODUCTS
One share 1933 = 13.5 shares 1971
1933 cost 88 cents. 1971 value $367

EX-CELL-O
One share 1934 = 15.9 shares 1971
1934 cost $3.75. 1971 value $389

Fairchild Aviation— FAIRCHILD CAMERA
One share 1938 # = 6.6 shares 1971*
1938 cost $2. 1971 value $320
Fairchild Aviation
* Fairchild Camera

FALCONBRIDGE NICKEL
One share 1940 = one share 1971
1940 cost $1.43. # 1971 value $153#
#U.S. funds

Ventures, Ltd.-FALCON-BRIDGE NICKEL
One share 1940 # = 1.04 shares 1971*
1940 cost $1.57. † 1971 value $159 †
Ventures, Ltd.
* Falconbridge Nickel
†U.S. funds

FANSTEEL
One share 1932 = 4.2 shares 1971
1932 cost 25 cents. 1971 value $67

FEDDERS
One share 1945 = 20 shares 1971 1945 cost $9.50. 1971 value $1,000

FEDERAL-MOGUL

One share 1934 = 11.8 shares 1971
1934 cost $3. 1971 value $377

FEDERATED DEPARTMENT STORES
One share 1933 = 19.2 shares 1971
1933 cost $7.50. 1971 value $1,027

FIDELITY UNION LIFE INSURANCE
One share 1949 = 100 shares 1971
1949 cost $42. 1971 value $4,425

FLYING TIGER LINE
One share 1949 = 2.5 shares 1971
1949 cost $1. 1971 value $123

North American Car-FLYING TIGER LINE
One share 1942 # = 6.4 shares
1971* plus 3 warrants
1942 cost $3.88. 1971 value $409
North American Car
* Flying Tiger Line

Food Machinery—FMC
One share 1934 # = 40.2 shares 1971*
1934 cost $10.50. 1971 value $1,226
Food Machinery
*FMC

United Chemicals-FMC
One share 1939 # = 14.3 shares 1971*
1939 cost $3.25. 1971 value $436
United Chemicals
*FMC

Westvaco Chemical—FMC
One share 1932 # = 15 shares 1971*
1932 cost $3. 1971 value $457
Westvaco Chemical
*FMC

National Fireproofing—FUQUA INDUSTRIES
One share 1944 # = 3.1 shares 1971*
1944 cost 50 cents. 1971 value $82
National Fireproofing
* Fuqua Industries

GARDNER-DENVER
One share 1933 = 20¼ shares 1971
1933 cost $7.50. 1971 value $1,012

GENERAL AMERICAN OIL
One share 1937 = 17.1 shares 1971
1937 cost $6.50. 1971 value $825

GENERAL CABLE
One share 1933 = 5 shares 1971

1933 cost $1.25. 1971 value $131

General Cable Class A—GENERAL CABLE
One share 1935 # = 20 shares 1971*
1935 cost $4. 1971 value $525
Class A
* Common

Chemical Research— GENERAL DEVELOPMENT
One share 1941 # = 1.3 shares 1971*
1941 cost 41 cents. 1971 value $43
Chemical Research
* General Development

Consolidated Aircraft— GENERAL DYNAMICS
One share 1933 # — 3.4 shares 1971*
1933 cost $1. 1971 value $107
Consolidated Aircraft
* General Dynamics

Electric Boat-GENERAL DYNAMICS
One share 1933 # = 3.15 shares 1971*
1933 cost $1. 1971 value $100
Electric Boat
* General Dynamics

Snider Packing—GENERAL FOODS
One share 1933 # = 6.4 shares 1971*
1933 cost 63 cents. 1971 value $279
Snider Packing Foods
* General Foods

Yellow Truck & Coach–GENERAL MOTORS
One share 1932 # = 2 shares 1971*
1932 cost $1.38. 1971 value $182
Yellow Truck & Coach
* General Motors

General Alliance-GENERAL REINSURANCE
One share 1933 # = 2 shares 1971*
1933 cost $5. 1971 value $656
* General Alliance
* General Reinsurance

Associated Telephone Utilities Series G, 5½% convertible bonds—
GENERAL TELEPHONE One bond 1933 # = 142.8 shares 1971*
1933 cost $50. 1971 value $5,087
#Each bond exchanged for 21.158 General Telephone shares
* General Telephone

GENERAL TIRE
One share 1933 = 113.6 shares 1971
1933 cost $23. 1971 value $3,209

GEORGIA-PACIFIC
One share 1953 = 15.8 shares 1971

1953 cost $9.25. 1971 value $957

Pacific Western Oil-GETTY OIL
One share 1943 # = 10½ shares 1971 *
1943 cost $9. 1971 value $1,023
Pacific Western Oil
* Getty Oil

GILLETTE
One share 1943 = 12 shares 1971
1943 cost $4.75. 1971 value $610

GIMBEL BROTHERS
One share 1935 = 8 shares 1971
1935 cost $2.13. 1971 value $364

GOODRICH (B. F.) COMPANY
One share 1933 = 9 shares 1971 1933 cost $3. 1971 value $315

GOODYEAR TIRE & RUBBER
One share 1942 = 29.2 shares 1971
1942 cost $10.25. 1971 value $1,029

GOVERNMENT EMPLOYES INSURANCE
One share 1951 = 44 shares 1971 1951 cost $38. 1971 value $3,938.

GOVERNMENT EMPLOYES LIFE INSURANCE
One share 1949 = 14.3 shares 1971 *
1949 cost $5. 1971 value $670

Graniteville Manufacturing—GRANITEVILLE
One share 1935 # = 179.5 shares 1971 *
1935 cost $34. 1971 value $6,170
Graniteville Manufacturing
* Graniteville

GREYHOUND CORP.
One share 1934 = 30½ shares 1971
1934 cost $5.25. 1971 value $777

Armour & Co. (Illinois) Class
A-GREYHOUND
One share 1932 # = 4.3 shares 1971*
1932 cost 63 cents. 1971 value $109
Armour & Co. (Illinois) Class A
* Greyhound

Armour & Co. (Illinois) Preferred-GREYHOUND
One share 1932 # = 25.9 shares 1971*
1932 cost $3.50. 1971 value $660
Armour & Co. (Illinois) Preferred
* Greyhound

Godchaux Sugars Class B— GULF STATES LAND & INDUSTRIES
One share 1933 # = 10 shares 1971*
1933 cost 25 cents. 1971 value $62
Godchaux Sugars Class B

*Gulf States Land & Industries

Bliss (E.W.)-GULF & WESTERN
One share 1932 # = 2.6 shares 1971*
1932 cost 63 cents. 1971 value $80
Bliss (E.W.)
*Gulf & Western

Michigan Bumper—GULF & WESTERN
One share 1943 # = 1.5 shares 1971*
1943 cost 32 cents. 1971 value $46
Michigan Bumper
*Gulf & Western

Intertype-H ARRIS-INTERTYPE
One share 1933 # = 6.5 shares 1971 *
1933 cost $1.88. 1971 value $450
Intertype
* Harris-Intertype

HART SCHAFFNER & MARX
One share 1939 = 35.1 shares 1971
1939 cost $10. 1971 value $1,105

HOBART MANUFACTURING
One share 1933 = 25.4 shares 1971
1933 cost $10. 1971 value $1,651

HOLIDAY INNS
One share 1958 = 16.3 shares 1971
1958 cost $8.13. 1971 value $825

Minneapolis Honeywell—HONEYWELL
One share 1935 # = 48 shares 1971 *
1935 cost $58. 1971 value $6,660
Minneapolis Honeywell
* Honeywell

HONOLULU OIL
One share 1932 = 4 shares 1971
1932 cost $4.75. 1961 liquidating distributions on 4 shares = $394 Subsequent liquidating distributions on 4 shares $22.72.
10 years' interest on $394, compounded at 5 percent = $247 1971 total receipts = $663

HOOVER BALL & BEARING
One share 1934 = 6.6 shares 1971
1934 cost $1.13. 1971 value $237

Interstate Co.— HOST INTERNATIONAL
One share 1955 # = 14.4 shares 1971 *
1955 cost $4.38. 1971 value $561
Interstate Co.
* Host International

Houdaille-Hershey Class B— HOUDAILLE
One share 1933 # = 9 shares 1971 *

1933 cost $1. 1971 value $142
Houdaille-Hershey Class B
* Houdaille

HOUSTON OIL
One share 1942 = $166.50 cash 1957
1942 cost $2.25. 1971 value
$340 #
Cash received in liquidation in 1956 and 1957 compounded 15 years at 5 percent.

Pacific Portland Cement— IDEAL BASIC INDUSTRIES
One share 1944 # = 19.6 shares 1971*
1944 cost $2.75. 1971 value $374
Pacific Portland Cement
* Ideal Basic Industries

INDUSTRIAL ACCEPTANCE
One share 1942 = 32 shares 1971
1942 cost $5.90 (U.S.). 1971 value $644 (U.S.) #
1942 low on Montreal Stock Exchange was $6.50 with Canadian dollar at .909.

INSPIRATION CONSOLIDATED COPPER
One share 1932 = 2 shares 1971
1932 cost 75 cents. 1971 value $102

INTERNATIONAL BUSINESS MACHINES
One share 1948 = 38 shares 1971 1948 cost $125.50. 1971 value $13,898

National Department Stores 7% first preferred— INTERNATIONAL MINING
One share 1933 # = 17.6 shares 1971*
1933 cost $1.25. 1971 value $268
National Department Stores 7% first preferred
* International Mining

International Paper & Power Class A common — INTERNATIONAL PAPER
One share 1933 # = 4.2 shares 1971*
1933 cost 50 cents. 1971 value $170
International Paper & Power Class A common
* International Paper

INTERNATIONAL TELEPHONE & TELEGRAPH
One share 1942 = 4.2 shares 1971
1942 cost $1.50. 1971 value $282

Continental Baking Class A—INTERNATIONAL TELEPHONE
One share 1935 # = 7.3 shares 1971*
1935 cost $4.50. 1971 value $491
Continental Baking Class A
* International Telephone

General Fire Extinguisher— INTERNATIONAL TELEPHONE & TELEGRAPH
One share 1943 # = 9.5 shares 1971*

+ 7.9 shares 1971 †
1943 cost $10.63. 1971 value $1,096
General Fire Extinguisher

* International Telephone & Telegraph

† American District Telegraph

INTERNATIONAL UTILITIES
One share 1943 # = 16.8 shares 1971*
1943 cost $3.75. 1971 value $753
Class A
* Common

International Utilities Class B
-INTERNATIONAL
UTILITIES
One share 1942 # = .12 shares 1971*
1942 cost 4 cents. 1971 value
$5.38
Class B
* Common

JEANNETTE GLASS
One share 1942 =3.4 shares 1971
1942 cost 82 cents. 1971 value $97

Celotex-JIM WALTER
One share 1933 # = 2.1 shares 1971*
1933 cost 50 cents. 1971 value $97
Celotex
* Jim Walter

South Coast-JIM WALTER
One share 1941 # = 2.7 shares 1971*
1941 cost $1. 1971 value $124
South Coast
* Jim Walter

Holophane—JOHNS-MANVILLE
One share 1936 # = 16.3 shares 1971 *
1936 cost $6.50. 1971 value $752
Holophane
* Johns-Manville

JOHNSON & JOHNSON
One share 1946 = 52 shares 1971
1946 cost $44. 1971 value $5,174

Butte Copper & Zinc— JONATHAN LOGAN
One share 1933 # = *1%* shares 1971*
1933 cost 50 cents. 1971 value $81
Butte Copper & Zinc
* Jonathan Logan

Sullivan Machinery— JOY MANUFACTURING
One share 1932 # = 5 shares 1971*
1932 cost $3.25. 1971 value $329
Sullivan Machinery
* Joy Manufacturing

KENDALL CO.
One share 1942 = 15 shares 1971
1942 cost $6.50. 1971 value $695

Kerlyn Oil Class A-KERR-MC GEE
One share 1943 # = 17.5 shares 1971*
1943 cost $3.13. 1971 value $861
Kerlyn Oil Class A
* Kerr McGee

Lindsay Chemical—KERR-MC GEE
One share 1939 # = 5.8 shares 1971*
1939 cost $1.88. 1971 value $285
Lindsay Chemical
* Kerr-McGee

Warner Bros. Pictures, Inc.— KINNEY NATIONAL SERVICE
One share 1941 # = 4% shares 1971*
+ 7.7 shares 1971 †
+ Cash and compound interest at 5 percent
1941 cost $2.75. 1971 value $278
Warner Bros. Pictures, Inc.
* Kinney National Service
† Glen Alden

Kirsch Co. Preferred-KIRSCH COMPANY
One share 1946 # = 38.6 shares 1971*
1946 cost $14. 1971 value $1,686
Kirsch Co. preferred
* Kirsch Company common

Kirsch Co. Common B — KIRSCH CO.
One share 1946 # = 15.4 shares 1971*
1946 cost $5. 1971 value $671
Kirsch Co. common B
* Kirsch Co. common

LANE BRYANT
One share 1942 = 26.4 shares
1942 cost $8.38. 1971 value $970

Universal Winding-LEESONA
One share 1934 # = 60 shares 1971*
1934 cost $11. 1971 value $1,275
Universal Winding
* Leesona

Lehigh Valley Coal Corp. 6% $50 par convertible preferred— LEHIGH VALLEY INDUSTRIES
One share 1940 # = 26 shares 1971*
1940 cost $2. 1971 value $205 †
Lehigh Valley Coal 6% cv. pfd.
* Lehigh Valley Industries

† Including 1946 cash of $7.50 received in recapitalization and compounded at 5 percent.

LERNER STORES
One share 1933 = 24 shares 1971
1933 cost $4. 1971 value $1,233

Austin, Nichols & Co.— LIGGETT & MYERS
One share 1942 # = 2.3 snares 1971*
1942 cost $1.25. 1971 value $138
Austin, Nichols & Co.
* Liggett & Myers

Lincoln National Life Insurance -LINCOLN NATIONAL CORP.
One share 1943 # = 39.9 shares 1971*
1943 cost $28.50. 1971 value $3,630
Lincoln National Life Insurance
* Lincoln National Corp.

LOCKHEED
One share 1934 = 6.7 shares 1971
1934 cost 90 cents. 1971 value $102

LOUISIANA LAND
One share 1943 = 12 shares
1943 cost $5.13. 1971 value $624

MAGNAVOX
One share 1949 = 15.3 shares 1971
1949 cost $5. 1971 value $841

Container Corp. Class A— MARCOR
One share 1934 # = 20 shares 1971*
1934 cost $6.13. 1971 value $777
Container Corp. Class A
* Marcor common

Mengel-MARCOR
One share 1932 # = 4 shares 1971*
1932 cost $1. 1971 value $155
Mengel
* Marcor

Masco Screw Products—MASCO CORP.
One share 1961 # = 18 shares 1971*
1961 cost $6.25. 1971 value $729
Masco Screw Products
* Masco Corp.

MASONITE
One share 1933 = 18.4 shares 1971
1933 cost $8.25. 1971 value $1,214

MAYTAG
One share 1943 = 8 shares 1971 1943 cost $2.50. 1971 value $336

McCord Radiator & Manufacturing-MC CORD CORP.

One share 1943 # = 4.6 shares 1971*
1943 cost $1.25. 1971 value $160
   # McCord Radiator & Manufacturing
- * McCord Corp.

Butler Brothers-MC CRORY CORP.
One share 1932 # = 3 shares 1971*
+ one share Canal-Randolph
1932 cost 75 cents. 1971 value $114
   # Butler Brothers
   # McCrory Corp.

McCrory Stores-MC CRORY CORP.
One share 1933 = 2 shares 1971
1933 cost 38 cents. 1971 value $63

McLellan Stores-MC CRORY CORP.
One share 1933 # = 1.2 shares 1971*
1933 cost 25 cents. 1971 value $37
   # McLellan Stores
   * McCrory Corp.

McLellan Stores Preferred—MC CRORY CORP.
One share 1933 # = 10.8 shares 1971*
1933 cost $2.13. 1971 value $341
   # McLellan Stores preferred
   * McCrory Corp. common

National Shirt Shops-MC CRORY CORP.
One share 1934 # = 7.1 shares 1971*
1934 cost $1. 1971 value $224
   # National Shirt Shops
   * McCrory Corp. common

Douglas Aircraft— MCDONNELL DOUGLAS
One share 1932 # = 13.2 shares 1971*
1932 cost $5. 1971 value $513
   # Douglas Aircraft
   * McDonnell Douglas

McDonnell Aircraft—MC DONNELL DOUGLAS
One share 1950 # = 48.1 shares 1971*
1950 cost $17. 1971 value $1,924
   # McDonnell Aircraft
   * McDonnell Douglas

Line Material-MC GRAW-EDISON
One share 1935 # = 12.4 shares 1971*
1935 cost $3.63. 1971 value $536
   # Line Material
   * McGraw-Edison

McGraw Electric-MC GRAW-EDISON
One share 1934 # = 16 shares 1971*
1934 cost $3.75. 1971 value $692

McGraw Electric
* McGraw-Edison

MC GRAW-HILL
One share 1943 = 36 shares 1971
1943 cost $8.50. 1971 value $868

MELVILLE SHOE
One share 1933 = 18.8 shares 1971
1933 cost $8.75. 1971 value $1,222

MERCANTILE STORES
One share 1943 = 20 shares 1971
1943 cost $21. 1971 value $2,702

MERCK & CO.
One share 1940 = 54 shares 1971
1940 cost $43. 1971 value $7,087

Sharp & Dohme-MERCK
One share 1943 # = 6% shares 1971*
1943 cost $8.63. 1971 value $885
Sharp & Dohme
* Merck

Sharp & Dohme $3.50 Conv.
Pfd. A-MERCK
One share 1932 # = 13.5 shares 1971*
1932 cost $11.50. 1971 value $1,771
Sharp & Dohme $3.50 Conv. Pfd. A
* Merck common

Marion Steam Shovel 7% Pfd. - MERRITT-CHAPMAN & SCOTT
One share 1932 # = 19.8 shares 1971*
1932 cost $5.25. 1971 value $581
Marion Steam Shovel 7% Pfd.
* Merritt-Chapman & Scott Oct. 25, 1965, tender plus 5 percent interest on cash received.

MERRITT-CHAPMAN & SCOTT
One share 1932 = 2 shares 1971 1932 cost 38 cents. 1971 value $45*
* Aggregate of liquidating distributions

Mesabi Iron-MESABI TRUST
One share 1943 # = 11 shares 1971*
1943 cost $1. 1971 value $121
Mesabi Iron stock
*Mesabi Trust Units of beneficial interests

Electric Power & Light common -MIDDLE SOUTH UTILITIES, PENNZOIL

One share 1943 # = (in 1971) 1.4 shares * 2.8 shares †
1943 cost $1.25. 1971 value $151
Electric Power & Light common
* Middle South Utilities
† Pennzoil

Electric Power & Light $6 Preferred-MIDDLE SOUTH UTILITIES, PENNZOIL
One share 1935 # = (in 1971)

16.4 shares * 12.7 shares †
1935 cost $2.50. 1971 value $966
Electric Power & Light $6 preferred
*Middle South Utilities
† Pennzoil

Electric Power & Light $7 Preferred-MIDDLE SOUTH UTILITIES, PENNZOIL

One share 1935 # = (in 1971) 18 shares * 14 shares †
1935 cost $3. 1971 value $1,062
Electric Power & Light $7 preferred
*Middle South Utilities
† Pennzoil

Electric Power & Light $7 Second Preferred-MIDDLE SOUTH UTILITIES, PENNZOIL
One share 1943 # = (in 1971) 17.2 shares *

13.5 shares †
1943 cost $7. 1971 value
$1,034 ##
Electric Power & Light $7 second preferred
* Middle South Utilities
† Pennzoil
# # Including $5.25 cash received in 1949 and compounded at 5 percent annually

Midland Steel Products—MIDLAND-ROSS
One share 1932 # = 8 shares 1971*
1932 cost $2. 1971 value $282
Midland Steel Products
* Midland-Ross

MILTON BRADLEY
One share 1957 = 22.9 shares 1971
1957 cost $9. 1971 value $1,030

MINNESOTA MINING &
MANUFACTURING
One share 1945 = 48 shares 1971
1945 cost $60. 1971 value $6,480

Virginia Carolina Chemical -MOBIL OIL
One share 1942 # = 2.4 shares 1971*
1942 cost $1. 1971 value $144
Virginia Carolina Chemical common
* Mobil Oil

MONROE AUTO EQUIPMENT
One share 1959 = 30 shares 1971 1959 cost $10.50. 1971 value $1,346

Lion Oil-MONSANTO
One share 1935 # = 7.6 shares 1971*

1935 cost $3.50. 1971 value $400
#Lion Oil
* Monsanto

MOORE CORP., LTD.
One share 1935 = 48 shares 1971
1935 cost $17. 1971 value $1,842

MOTOROLA
One share 1948 = 13.2 shares 1971
1948 cost $11.25. 1971 value $1,184

National Bellas Hess Co., Inc.
7% Preferred-
NATIONAL BELLAS HESS,
INC. COMMON
One share 1932 # = 5.3 shares 1971*

1932 cost 13 cents. 1971 value $28 †
National Bellas Hess Co. Inc. 7% preferred
* National Bellas Hess, Inc. common

† Plus $15.53 liquidating dividends received by end of 1937

NATIONAL HOMES
One share 1945 = 23.9 shares
1945 cost $6.75. 1971 value $917

Linen Service Corp. of Texas— NATIONAL SERVICE INDUSTRIES
One share 1939 # = 3.9 shares 1971*
1939 cost $1. 1971 value $115
Linen Service Corp. of Texas common
* National Service Industries

NATIONAL STANDARD
One share 1932 = 22.5 shares 1971
1932 cost $7.25. 1971 value $978

NATOMAS CO.
One share 1932 = 10 shares 1971
1932 cost $9. 1971 value $1,013

NESTLE-LE MUR
One share 1938 # = 6 shares 1971*
1938 cost 25 cents. 1971 value $29
Class A
* Common

NEW PROCESS
One share 1955 = 120 shares 1971
1955 cost $58. 1971 value $7,380

NEWMONT MINING
One share 1933 = 36 shares 1971
1933 cost $11.50. 1971 value $1,413

Magma Copper-NEWMONT MINING

One share 1932 # = 11.9 shares 1971*
1932 cost $4.25. 1971 value $467
Magma Copper
* Newmont Mining

North American Aviation— NORTH AMERICAN ROCKWELL, SPERRY RAND, TWA
One share 1932 = in 1971: 2.8 shares North American Rockwell
7.3 shares Sperry Rand
88/1000 share TWA
1932 cost $1.25. 1971 value $371

Hunt Bros. Packing-NORTON SIMON
One share 1944 # = 16.6 shares 1971*
1944 cost $5.75. 1971 value $1,045
Hunt Bros. Packing
* Norton Simon

Noxzema Chemical—NOXELL
One share 1944 = 12 shares 1971 1944 cost $4.50. 1971 value $501

OCCIDENTAL PETROLEUM
One share 1956 = 3.7 shares 1971
1956 cost 45 cents. 1971 value $84

Johnson Motor-OUTBOARD MARINE
One share 1932 # = 2.7 shares 1971*
1932 cost 50 cents. 1971 value $120
Johnson Motor no par common
* Outboard Marine

Outboard Motors Class A-OUTBOARD MARINE
One share 1936 # = 27 shares 1971*
1936 cost $11. 1971 value $1,269
Outboard Motors Class A
* Outboard Marine

Outboard Motors Class B— OUTBOARD MARINE
One share 1935 # = 2.7 shares 1971*
1935 cost 63 cents. 1971 value $126
Outboard Motors Class B
* Outboard Marine common

National Container $2 Conv. Pfd. - OWENS-ILLINOIS-GLASS
One share 1932 # = 12.7 shares 1971*
1932 cost $8.13. 1971 value $841
National Container $2 convertible preferred
* Owens-Illinois-Glass common

PARKER PEN
One share 1932 = 10.4 shares 1971
1932 cost $2.50. 1971 value $273.

J C. PENNEY CO.
One share 1932 = 18 shares 1971
1932 cost $13. 1971 value $1,395

Duval Texas Sulphur— PENNZOIL UNITED
One share 1933 # = 7.7 shares 1971*
1933 cost 50 cents. 1971 value $300
Duval Texas Sulphur
* Pennzoil United

Loft, Inc.-PEPSICO
One share 1938 # = 6.06 shares 1971*
1938 cost 75 cents. 1971 value $427
Loft, Inc.
* Pepsico

Hussman-Ligonier-PET MILK
One share 1934 # = 3.5 shares 1971*
1934 cost $1. 1971 value $167
Hussman-Ligonier
*Pet Milk

Pfizer (Chas.) & Co.-PFIZER, INC.
One share 1943 # = 81 shares 1971*
1943 cost $29. 1971 value $3,493
Pfizer (Chas.) & Co.
* Pfizer, Inc.

New England Lime-PFIZER INC.
One share 1948 # = 13.5 shares 1971*
1948 cost $4.50. 1971 value $582
New England Lime
* Pfizer Inc.

PHILADELPHIA LIFE INSURANCE
One share 1945 = 37.1 shares 1971
1945 cost $4. 1971 value $714

PHILIP MORRIS
One share 1934 = 18.9 shares 1971
1934 cost $11.50. 1971 value $1,323

PHILLIPS PETROLEUM
One share 1932 = 8 shares 1971
1932 cost $2. 1971 value $277

Phillips-Jones-PHILLIPS-VAN HEUSEN
One share 1942 # = 27.6 shares 1971*
1942 cost $6.13. 1971 value $690
Phillips-Jones
* Phillips-Van Heusen

PITNEY-BOWES
One share 1933 = 6.4 shares 1971
1933 cost $2. 1971 value $215

PITTSTON CO.
One share 1943 = 10.9 shares 1971
1943 cost $1.75. 1971 value $572

Pittsburgh Railways (Citizens Traction common)-PITTWAY CORP.
One share 1940 # = 4.2 shares 1971*
1940 cost $1. 1971 value $161
Citizens Traction common
* Pittway

PLACER DEVELOPMENT
One share 1937 = 6 shares 1971 1937 cost $2. 1971 value $231

POLAROID
One share 1955 = 48 shares 1971 1955 cost $42.88. 1971 value $5,622

Porter (H.K.) 1st 6s of 1946-PORTER (H.K.)
One bond 1932 # = 19,101 shares 1971*
1932 cost $50. 1971 value $448,873
Porter (H.K.) 1st 6s of 1946
* Porter (H.K.) common

PRENTICE-HALL
One share 1945 = 108.5 shares 1971
1945 cost $51. 1971 value $5,452

Burry Biscuit-QUAKER OATS
One share 1942 # = 1 share 1971*
1942 cost 25 cents. 1971 value $50
Burry Biscuit
* Quaker Oats

Dunhill Int'l.-QUESTOR
One share 1932 # = 3.8 shares 1971*
1932 cost 63 cents. 1971 value $72
Dunhill International
* Questor

New York Dock-QUESTOR
One share 1939 # = 10 shares 1971 *
1939 cost $1.75. 1971 value $220
#New York Dock
* Questor

Rapid Electrotype-RAPID-AMERICAN
One share 1943 # = 20.4 shares 1971*
1943 cost $2.38. 1971 value $413
Rapid Electrotype
* Rapid-American

RAYTHEON
One share 1943 = 9.2 shares 1971
1943 cost $2.75. 1971 value $420

Starret Corp.-RECRION
One share 1943 # = 1.3 shares 1971*
1943 cost 32 cents. 1971 value $66
Starret Corp.
* Recrion

Reece Button Hole Machine—REECE CORP.
One share 1934 # = 30 shares 1971*
1934 cost $10. 1971 value $1,140
Reece Button Hole Machine
* Reece Corp.

RELIABLE STORES
One share 1933 = 8.2 shares 1971
1933 cost 88 cents. 1971 value $123

Dodge Manufacturing— RELIANCE ELECTRIC
One share 1942 # = 33.6 shares 1971*
1942 cost $9.13. 1971 value $953
Dodge Manufacturing
* Reliance Electric

Republic Gas-REPUBLIC
NATURAL GAS
One share 1932 # = 1/2 share
1966*

1932 cost 13 cents. 1971 value $26† plus five to nine years' interest on liquidating distributions.
Republic Gas
* Republic Natural Gas

† Based on liquidating distributions of $49.12 a share, 1962-66.

US Foil B-REYNOLDS METALS
One share 1943 # = 10.3 shares 1971*
1943 cost $2.63. 1971 value $342
#U.S. Foil B
* Reynolds Metals

Lawyers Title Insurance—RICHMOND CORP.
One share 1936 # = 106 shares 1971*
1936 cost $50. 1971 value $5,830
Lawyers Title Insurance
* Richmond Corp.

Art Metal Works-RONSON CORP.
One share 1933 # = 15½ shares 1971 *
1933 cost 63 cents. 1971 value $149
#Art Metal Works
* Ronson Corp.

Nehi-ROYAL CROWN COLA
One share 1936 # = 24.8 shares 1971*
1936 cost $4.25. 1971 value $861
#Nehi
* Royal Crown Cola

General America Corp.— SAFECO
One share 1938 # = 105.6 shares 1971*
1938 cost $46. 1971 value $4,686
General America Corp.
* Safeco

Eastern States Corp.—ST.
REGIS PAPER
One share 1944 # = 1.6 shares 1971*
1944 cost 63 cents. 1971 value $67
Eastern States Corp.
* St. Regis Paper

Plough- SCHERING-PLOUGH
One share 1945 # = 15.6 shares 1971* 1945 cost $13.25. 1971 value $1,402
Plough
* Schering-Plough

Wahl -SCHICK
One share 1932 # = 2.9 shares 1971*
1932 cost 13 cents. 1971 value $15
#Wahl
* Schick

Weston Electrical Instrument -SCHLUMBERGER

One share 1933 # = *2%* shares 1971*
1932 cost $3.50. 1971 value $350
Weston Electrical Instrument
* Schlumberger

Marchant Calculating Machine— SCM
One share 1933 # = 4.3 shares 1971*
1933 cost 50 cents. 1971 value $100
Marchant Calculating Machine
*SCM

SEARS, ROEBUCK & CO.
One share 1933 = 24 shares 1971 1933 cost $12.50. 1971 value $2,499

Seton Leather-SETON CO.
One share 1933 # = 10 shares 1971*
1933 cost $1.50. 1971 value $155
Seton Leather
* Seton Co.

Shell Union Oil-SHELL OIL
One share 1932 # = 4.48 shares 1971*
1932 cost $2.50 1971 value
$251†
Shell Union Oil
*Shell Oil
† Including Shell Oil of Canada Class A received as nontaxable dividend.

Hancock Oil-SIGNAL COS.
One share 1933 # = 19.6 shares 1971*
1933 cost $3.75. 1971 value $436
Hancock Oil
* Signal Cos.

Signal Oil & Gas Class A— SIGNAL COS.

One share 1935 # = 32.7 shares 1971 *
1935 cost $5.50. 1971 value $728
Signal Oil & Gas Class A
* Signal Cos.

Signode Steel Strapping— SIGNODE CORP.
One share 1942 # = 18.1 shares 1971 *
1942 cost $9.75. 1971 value $995
Signode Steel Strapping
* Signode Corp.

SIMPLICITY PATTERN
One share 1954 = 5.2 shares 1971
1954 cost $4.88. 1971 value $772

Venezuelan Petroleum— S NCLAIR OIL
One share 1941 # = 5/8 share .971 *

1941 cost 75 cents. 1971 value $90 †
Venezuelan Petroleum
*Sinclair Oil

† Assuming acceptance of December 1968 offer by Atlantic Richfield to purchase Sinclair common at $145 a share.

American Meter—SINGER
One share 1933 # = 7.4 shares 1971 *
1933 cost $5. 1971 value $573
American Meter
* Singer

SKELLY OIL
One share 1935 = 14.6 shares 1971
1935 cost $6.50. 1971 value $770

Skyline Homes-SKYLINE CORP.
One share 1963 # = 19.8 shares 1971 *
1963 cost $11. 1971 value $1,183
Skyline Homes
* Skyline Corp.

Soss Manufacturing—SOS CONSOLIDATED
One share 1941 # = 5.6 shares 1971 *
1941 cost $1.13. 1971 value $133
Soss Manufacturing
*SOS Consolidated

Realty Operators-SOUTHDOWN, INC.
One share 1944 # = 13.8 shares 1971 *
1944 cost $4.25. 1971 value $674.
Realty Operators
* Southdown, Inc.

Remington-Rand— SPERRY RAND
One share 1933 # = 6.9 shares 1971 *

1933 cost $2.50. 1971 value $263
Remington-Rand
* Sperry Rand

Sperry-SPERRY RAND
One share 1933 # = 7.3 shares 1971 *
1933 cost $2.13. 1971 value $278
Sperry
* Sperry Rand

SQUARE D Class B-SQUARE D
One share 1935 # = 106.3 shares 1971*
1935 cost $17. 1971 value $3,361
Square D Class B
* Square D Common

Old Ben Coal new common— STANDARD OIL OF OHIO
One share 1935 # = 5 shares 1971*
1935 cost 5 cents. 1971 value $460
Old Ben Coal new common
* Standard Oil of Ohio

Old Ben Coal 7½% debentures 1934-STANDARD OIL OF OHIO

One $1,000 bond 1932 # = 94 shares 1971 * 1932 cost $30. 1971 value $10,994†
Old Ben Coal 7½% debentures 1934
* Standard Oil of Ohio

† Assuming investment of bond redemption in 1946 in Old Ben Coal common at 1946 high of 50 after paying 25 percent capital gains tax on bond profit.

Old Ben Coal first gold 6s 1944 -STANDARD OIL OF OHIO One $1,000 bond 1935 # = 171 shares 1971 * 1935 cost $137.50. 1971 value $15,732 †
Old Ben Coal first gold 6s 1944
* Standard Oil of Ohio

† For tax-exempt fund, assuming reinvestment of 1946 bond redemption proceeds in Old Ben Coal common at 1946 high of 50. Individual paying 25 percent capital gains tax on bond profit would have $13,754 in 1971.

STARRETT (L.S.)
One share 1932 = 16 shares 1971
1932 cost $3. 1971 value $304

Stone & Webster—
STONE & WEBSTER GULF STATES UTILITIES EL PASO ELECTRIC
VIRGINIA ELECTRIC & POWER
SIERRA PACIFIC
ENGINEERS PUBLIC SERVICE $5.00 PFD.

One share 1935# = (in 1971)
2 shares Stone & Webster
4 shares Gulf States Utilities
2.04 shares El Paso Electric
6.72 shares Virginia Electric & Power

.8 shares Sierra Pacific
.09 shares Engineers Public Service $5 Preferred
1935 cost $3.76. 1971 value $421
Stone & Webster

Tung-Sol Electric-STUDE-BAKER-WORTHINGTON
One share 1932# = 1.4 shares 1971*
1932 cost $1. 1971 value $100
Tung-Sol Electric
* Studebaker-Worthington

Sunray Oil-SUN OIL
One share 1933# = $\frac{9}{10}$ share 1971*
1933 cost 25 cents. 1971 value $52
Sunray Oil
*Sun Oil

Chicago Flexible Shaft— SUNBEAM
One share 1935# = 51½ shares 1971*
1935 cost $13.50. 1971 value $1,622
Chicago Flexible Shaft
* Sunbeam

Sunstrand Machine Tool— SUNSTRAND CORP.
One share 1933# = 7.7 shares 1971*
1933 cost $1.50. 1971 value $233
Sunstrand Machine Tool
* Sunstrand Corp.

Ogden Corp.—SYNTEX
OGDEN CORP.
BUNKER-RAMO

One share 1951 # = (in 1971) 1½ shares Syntex
plus 50 cents 1958*
one share Ogden
$1\frac{5}{8}$ shares Bunker-Ramo
1951 cost 44 cents
plus 50 cents
94 cents. 1971 value $174
Ogden Corp.
* To exercise rights to Syntex stock.

TAMPAX
One share 1949 = 9 shares 1971 1949 cost $16.50. 1971 value $2,961

American Hide & Leather 7% Preferred—TANDY common
One share 1934 # = 45 shares 1971*
1934 cost $17.75. 1971 value $1,912
American Hide & Leather
*Tandy

American Hide & Leather 6% cv preferred-TANDY COMMON
One share 1938 # = 29 shares 1971*

1938 cost $12. 1971 value $1,232
American Hide & Leather 6% cv preferred
* Tandy common

Middle States Petroleum Class
A-TENNECO
One share 1935# = 3.3 shares 1971*
1935 cost 88 cents. 1971 value $97
Middle States Petroleum Class A
* Tenneco

Wilcox (H.F.) Oil & Gas-TENNECO
One share 1935# = 3.8 shares 1971*
1935 cost $1. 1971 value $112
Wilcox (H.F.) Oil & Gas
* Tenneco

Indian Refining-TEXACO
One share 1933# = 4.5 shares 1971*
1933 cost $1.13. 1971 value $178.
Indian Refining
* Texaco

TEXAS GULF PRODUCING
One share 1942 = 3.7 shares in liquidation
1942 cost $2. 1964-69 liquidating payments $239#
Not including subsequent interest.

Intercontinental Rubber— TEXAS INSTRUMENTS
One share 1952# = 2½ shares 1971*
1952 cost $3. 1971 value $322
Intercontinental Rubber
* Texas Instruments

TEXAS PACIFIC COAL & OIL
One share 1934 = 4 shares 1964 1934 cost $2.50. 1964 liquidating distributions $274*
* Seven years' interest at 5 percent compounded would bring 1971 total to $385

U.S. Stores $7 first preferred— THOROFARE MARKETS
One share 1941 # = 44.8 shares 1971*
1941 cost $3.25. 1971 value $683
U.S. Stores $7 first preferred
* Thorofare Markets

Sweets Co. of America— TOOTSIE ROLL INDUSTRIES
One share 1942# = 22% shares 1971*
1942 cost $3.13. 1971 value $444
Sweets Co. of America
* Tootsie Roll Industries

TRANE
One share 1943 = 15 shares 1971
1943 cost $8. 1971 value $1,125

TRI-CONTINENTAL common
One share 1941 = two shares 1971

1941 cost 63 cents. 1971 value $64

TRI-CONTINENTAL warrants One warrant in 1944 = one warrant in 1971
1944 cost 69 cents. 1971 value $72

General Shareholdings—TRI-CONTINENTAL
One share 1942# = 1.1 shares 1971*
1942 cost 19 cents. 1971 value
$35
General Shareholdings
* Tri-Continental

Selected Industries—TRI-CONTINENTAL
One share 1944# = $\frac{9}{10}$ share 1971*
+ 1¼ warrant
1944 cost 75 cents. 1971 value $93
Selected Industries common
* Tri-Continental

Selected Industries $1.50 convertible stock—TRI-CONTINENTAL
One share 1942# = 4% shares 1971*
1942 cost $1. 1971 value $145
Selected Industries $1.50 convertible stock
* Tri-Continental

Thompson Products—TRW
One share 1938# = 23.2 shares 1971*
1938 cost $8.13. 1971 value $1,003
Thompson Products
*TRW

United-Carr Fastener—TRW
One share 1933# = 8.8 shares 1971*
1933 cost $1.63. 1971 value $380
United-Carr Fastener
*TRW

Whitman & Barnes-TRW
One share 1934# = 4.4 shares 1971*
1934 cost $1.88. 1971 value $200†
Whitman & Barnes
*TRW, Inc.

† Assuming reinvestment of 50 percent of proceeds of preferred, called Nov. 1, 1958, at the highest price of that month.

Union Bag & Paper-UNION CAMP
One share 1933# = 24 shares 1971*
1933 cost $5.50. 1971 value $1,005
Union Bag & Paper
* Union Camp

UNION GAS OF CANADA
One share 1934 = 15 shares 1971
1934 cost $2. 1971 value $241

Chicago, Rock Island & Pacific convertible 4½s, 1960-UNION PACIFIC
One $1,000 bond 1940# = 8.4 shares 1971*
1940 cost $5. 1971 value $554f
Chicago, Rock Island & Pacific convertible 4½s, 1960
* Union Pacific
† Not including $12.42 cash received October 17, 1945

United States Rubber— UNIROYAL
One share 1932# = 8.4 shares 1971*
1932 cost $1.25. 1971 value $198
United States Rubber
* Uniroyal

United Paperboard-UNITED BOARD & CARTON
One share 1933# = 5¼ shares 1971*
1933 cost 50 cents. 1971 value $57
United Paperboard
*United Board & Carton

UNITED PIECE DYE WORKS common
One share 1943 = one share 1971
1943 cost 10 cents. 1971 value $51

United Piece Dye Works 6½% preferred-UNITED PIECE DYE WORKS
One share 1943# = 14 shares 1971*
1943 cost $1.88. 1971 value $724
United Piece Dye Works 6½% preferred
* United Piece Dye Works common

U.S. FREIGHT
One share 1932 = 12 shares 1971
1932 cost $3.50. 1971 value $375

U.S. HOME & DEVELOPMENT
One share 1967 = 2 shares 1971
1967 cost 63 cents. 1971 value $78

U.S. & International Securities— U.S. & FOREIGN SECURITIES
One share 1933# = 1½ shares 1971*
1933 cost 32 cents. 1971 value $53.
U.S. & International Securities
* U.S. & Foreign Securities

Scullin Steel $3 preference— UNIVERSAL MARION
One share 1932# = 5.4 shares 1971*
1932 cost $1. 1971 value $124
Scullin Steel $3 preference
* Universal Marion

Van Dorn Iron Works—VAN DORN CO.
One share 1950# = 26.6 shares 1971*
1950 cost $6.25. 1971 value $714
Van Dorn Iron Works
* Van Dorn Co.

Engineers
Public Service-VIRGINIA ELECTRIC & POWER GULF STATES UTILITIES EL PASO ELECTRIC
One share 1934# plus
.1137375 shares = (in 1971)* 8.4
EPS shares (a)
$5 Preferred 5.0 shares (b)
2.55 shares (c)

Engineers Public Service common
(a) Virginia Electric & Power
(b) Gulf States Utilities
(c) El Paso Electric
*Plus $1.04 cash distribution

WALKER (HIRAM) GOODERHAM & WORTS
One share 1933 = 24 shares 1971 1933 cost $3.50. 1971 value $1 014

Eversharp - WARNER-LAMBERT
One share 1942# = 3.2 shares 1971*
1942 cost $2.25. 1971 value $262 †

Eversharp
* Warner-Lambert
† Plus residual value in Frawley stock

Eddy Paper Corp.— WEYERHAEUSER
One share 1940# = 20 shares 1971*
1940 cost $11.50. 1971 value $1,245

Eddy Paper Corp.
* Weyerhaeuser

Birtman Electric-WHIRLPOOL
One share 1933# = 4.2 shares 1971*
1933 cost $3.75. 1971 value $410

Birtman Electric
* Whirlpool

Nineteen Hundred— WHIRLPOOL
One share 1942# = 8 shares 1971*
1942 cost $5. 1971 value $799

Nineteen Hundred
*Whirlpool

Apex Electrical Manufacturing— WHITE CONSOLIDATED INDUSTRIES
One share 1941 # = 22 shares 1971*
1941 cost $6.25. 1971 value $646

Apex Electrical Manufacturing
*White Consolidated Industries

White Sewing Machine-WHITE CONSOLIDATED INDUSTRIES
One share 1943# = 9.8 shares 1971*
1943 cost $2.63. 1971 value $287

White Sewing Machine
*White Consolidated Industries

Winn & Lovett Grocery—WINN DIXIE STORES
One share 1942# = 54 shares 1971*
1942 cost $18. 1971 value $3,105
Winn & Lovett Grocery
* Winn-Dixie Stores

Haloid Xerox-XEROX
One share 1958# = 60 shares 1971*
1958 cost $47.50. 1971 value $7,605
Haloid Xerox
* Xerox

ZENITH RADIO
One share 1948 = 36 snares 1971
1948 cost $19.75. 1971 value $1,975

In *100 to 1 in the Stock Market*, Thomas Phelps discloses the secrets and strategies to increasing your wealth one hundredfold through buy-and-hold investing. Unlike the short-term trading trends that are popular today, Phelps's highly logical, yet radical approach focuses on identifying compounding machines in public markets, buying their stocks, and holding these investments long term for at least ten years.

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Thomas William Phelps (1902–1992) spent over 40 years in the investing world working as a private investor, columnist, analyst, and financial advisor. His illustrious investing career began just before the stock market crash in 1929 and lasted into the 1970s. In 1927, he began his career with *The Wall Street Journal* where he was a reporter, news editor, and chief. Beginning in 1936, he edited *Barron's National Financial Weekly*. From 1949 to 1960, he served as an assistant to the chairman and manager of the economics department at Socony Mobil Oil. Following this venture, he was a partner in the investment firm of Scudder, Stevens & Clark until his retirement in 1970.

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