

TABELL'S MARKET LETTER

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Regular readers of this letter will have noted a certain skepticism regarding what has become, in our view, close to a conventional wisdom in financial circles. This conventional wisdom holds that the investment management process consists of little more than selecting a relatively restricted list of high-grade growth companies and then simply continuing to buy those companies, pretty much regardless of what prices they may be selling for at the time. One prestigious financial institution recently took the opportunity to announce in the pages of the New York Times that the above was, in fact, its policy and calmly proceeded to list the nineteen issues it regarded as suitable vehicles under the theory.

Actually, the theory is not a new one. It had emerged as long ago as 1966, and we took the opportunity to take it to task at that time. We tabulated the performance of a list of widely-recognized growth stocks over the 1955-1966 period. The one difference between our compilation and the usual one of its type was that we picked stocks widely recognized as growth stocks---not at the end of the period, but at the beginning, i. e., 1955.

We thought it would be interesting to repeat the tabulation today some six years later. Listed below are the twenty stocks, together with their prices at the end of 1954, at the time of our original study in 1966, and today, with the Dow Jones Industrial Average included for comparison. Certain adjustments have been made. The price of Amerada Hess preferred has been used since it was received in exchange for the original Amerada Petroleum, and recent du Pont prices have been adjusted upward for the General Motors distributions. All 1954 and 1966 prices have been adjusted for stock splits.

	12/31/54	1966	Recent		12/31/54	1966	Recent
Alcan Alum	26	27	21	Minn. Mining	7	40	82
Amerada-Hess	62	74	102	Monsanto	27	38	53
Carrier Corp.	14	22	27	NL Industries	30	29	15
Corning Glass	58	182	261	Owens Corning	17	40	47
Dow Chemical	14	20	92	Pfizer, Chas.	4	23	45
DuPont	170	265	282	RCA	11	48	36
El Paso Natural G	16-1/2	18-1/2	18	Rohm & Haas	30	38	79
Goodrich, B. F.	43	44	27	Scott Paper	20	26	13
Honeywell	27	57	167	Shell Oil	26	68	45
Intern'l Bus. M.	15	171	422	Union Carbide	44	49	48
				<u>Dow-Jones Ind.</u>	412	818	950

Readers with short memories will be as surprised today as they were six years ago at the names of some of the stocks which the prevailing wisdom of the mid-fifties regarded as premier growth issues, just as, we have no doubt, analysts of the 1980's will be surprised at the inclusion of some stocks in a list compiled today. The performance of the list, both to 1966 and subsequently, might, off-hand, seem to support the growth stock thesis. The list performed 60% better than the Dow in the 1955-66 period and two and a half times better than the Dow from 1955 through 1972, scoring a 353% advance. As was the case in 1966, however, the entire performance superiority was due to just three stocks, IBM, Minnesota Mining and Pfizer, and, had these three issues been removed, performance would have been worse than the average. Perhaps a better illustration of the difficulties of picking growth issues is the fact that four of these issues are today lower than they were in 1954 (when the Dow was less than half its current level) and twelve have underperformed the Dow.

Changes in performance since 1966 are also interesting. The three stocks mentioned above were leaders in the 1955-66 period, and continued to be among the top performers, subsequently. Likewise, Alcan and NL Industries, subpar performers at the time of the first study, have continued to show below-average performance. On the other hand, RCA, one of the best performing issues on the list in 1966, has since lost ground, whereas Dow Chemical and Rohm & Haas, subpar performers prior to 1966, have turned in an above average performance since.

We think that the moral we drew at the time of the original study six years ago still holds good today. Growth continues to be an elusive concept, and a great many of the stocks which Wall Street regards as certain growth vehicles today, will probably, over the next decade or two, suffer a fate similar to some of those which were regarded as equally certain growth vehicles in 1954.

Dow-Jones Industrials (12:00 p.m.) 955.37

S&P (12:00 p.m.) 111.37

AWT:kd

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