SIGMA
Investment Management Company
Knowledge plus Discipline

January 2000

"That Day We Read No Further"
The Sigma Index

50.7 The average 1999 percentage gain (through November) for those of the largest 1,000 U.S. stocks that were *losing money*.

-2.0 The average percentage loss during the same period for those of the largest 1,000 U.S. stocks that were *making money*.

$10 billion The increase in market capitalization for Sun Microsystems on December 8th on the announcement that it had received a $150 *million* order.

3 The increase in market valuation for Microsoft on *one day*, December 15th, divided by Microsoft's *annual revenues*.

Greater than 100 percent The increase in market valuation of Microsoft in the week ended December 17th relative to Microsoft's *total revenues* since *inception*.

2 The same *one week increase* in the value of Microsoft divided by the *total value* of General Motors.

84 The average percentage decline of Avon, Clorox, Disney, McDonalds, Polaroid and Wal-Mart from their 1971-73 high to their 1974 low.

20 Peak price/earnings ratio (a measure of how expensive the market is) for the Standard & Poor's 500 index in the bull market top of 1971-73.

33 Recent price/earnings ratio for the Standard & Poor's 500 index.

64 The percent of New York Stock Exchange stocks that declined in 1999, along with 50 percent of Nasdaq stocks. In a universe of more than 6,000 U.S. stocks followed by Ned Davis Research, the average 1999 performance was a decline of 1.4 percent.

15.7 General Electric's average price/earnings ratio over the past 16 years.

50 The recent price/earnings ratio of General Electric.

0 What more we know today about General Electric than we knew over the past 16 years.

100 The price/earnings ratio of several popular stocks in Japan in the late 1980's (before a two-thirds decline in the Japanese market)

208 The recent average price/*sales* ratio of E-Toys, Yahoo, MP3, Amazon and Priceline.com.

99.9 Based upon most media stock market commentary, the estimated percentage of investors who incorrectly interpret any observation that markets go down occasionally as brain-dead bearishness rather than balanced common sense.

Enclosed is our annual listing of the best performing asset among large stocks, small stocks, foreign stocks and bonds. If you were issuing predictions in January 1995, you would probably advise steering clear of large US stocks, which had been the best performing asset in only one of the previous 29 years. Their subsequent string of four years of besting the alternatives was finally snapped in 1999, when foreign stocks were best. We believe the table illustrates that once a "trend" of superior performance is discoverable, it may be about to disappear. Our diversified approach is illustrated in the two columns on the right.

If the numbers above give you the same feeling they give us, contact us.