

December 1997

“That Day We Read No Further” -- The Sigma Index

10.7 The average annual total return from the Standard & Poor’s 500 index of large company U.S. stocks since 1926.¹

22.9 The average annual total return achieved by the top performing mutual fund (out of our database of more than 8,500 mutual funds) over the 15 years ended September 30, 1997, a period encompassing the biggest U.S. bull market this century.²

34.0 The average annual total return expected by mutual fund investors from their portfolios over the next 10 years.³

5.5 The average annual total return from the Standard & Poor’s 500 index predicted for the next 10 years based upon current price levels relative to earnings, dividends and book value.⁴

84 The average percentage decline of Avon, Clorox, Disney, McDonalds, Polaroid and Wal-Mart common stocks from their 1971-73 high to their 1974 low.⁹

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.

23 Peak price/earnings ratio for the Standard & Poor’s 500 index before the 1987 market crash.

24 Recent price/earnings ratio for the Standard & Poor’s 500 index.

30 The percentage of financial planners who expect to retire within five years.⁸ (Editor's note -- this group does not include the principals of Sigma Investment Management Company)

13.2 The average annual total return from the average growth and income fund between January 1, 1984 and September 30, 1996.⁵

5.6 The average annual total return actually achieved by the average no-load equity fund investor during the same period, based upon fund cash flows.⁶

29.5 The average age of mutual fund managers.⁷

43.5 The age of both of Sigma's principals.

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.

Last December, we offered gifts to readers who correctly identified the author of the quotation in that newsletter's title. Several got it right (William Butler Yeats) and three (two anonymously) even got extra credit for pointing out that it was actually a slight misquote (Note to self – from now on, only use foreign language quotes so you can blame any differences on the translation). Having started a tradition, we feel compelled to continue -- anyone calling with a correct identification in the quote in this month's title will receive a modest gift.

¹ Stocks, Bonds, Bills & Inflation 1997 Yearbook, Ibbotson Associates.

² Morningstar Principia, October 1997

³ Montgomery Asset Management Outstanding Investor Survey, October 1997

⁴ "Does Value Matter?", July 1996 Newsletter, Sigma Investment Management Company

⁹ Data from: Dreman, David, *Psychology and the Stock Market*, ANACOM, 1977, p. 201.

⁸ Kapiloff, Howard, "Figuring to ride bull to quick retirement", Investment News, November 17, 1997

⁵ Morningstar Principia, October 1997

⁶ Dalbar, Inc.

⁷ American Funds