

Back-test showing the power of Price to Free Cash Flow in the Investment Process

1950-2009

By

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The following is a backtest that will be used as a proof on just how well the component of free cash flow works in the investment process. The key formula to be used in this backtest is the one for “price to free cash flow per share”, which we calculate as follows;

$$P/FCF = (\text{Market Price per share}) / ((\text{cash flow-capital spending}) / (\text{diluted shares outstanding})).$$

This I believe to be the most important ratio in finance and the core foundation of all my work.

In order to validate my theories I needed to see how a backtest of price to free cash flow per share would turn out if it were back-tested over a multi-year time frame. Accordingly, I undertook a back-test for the years 1950 to 2009, and used the thirty stocks that make up the Dow Jones Industrial Average (DJIA) to do so.

Starting on January 1st of each year from 1950 to 2009 inclusive, I determined which companies in the DJIA would have been purchased using companies that came in at around 15 times their price to free cash flow per share. I then purchased these companies and held them for exactly one year, selling them on December 31st of the same year. I repeated this process for all subsequent years, for a total of sixty years. The results confirm the validity of our methods and show conclusively that a Free Cash Flow based strategy not only works, but works very well.

Specifically, in terms of relative performance, my free cash flow picks beat the DJIA in fifty-five of sixty years tested. Moreover, the average gain for the FCF Portfolio was +21.08% per year over sixty years, compared to an average gain of the DJIA Portfolio of just +6.77%, over sixty years. Thus, if I started with \$10,000 in each of the two portfolios (FCF vs. DJIA), at the conclusion sixty years, the DJIA would be worth \$511469.76 and the FCF would be worth \$965,001,511. This means that the FCF system beat the DJIA by 1887 times, or in relative performance terms, by 188,700%.

In introducing the actual data, I have broken it down into four parts, as follows:

Part 1: The components of the DJIA for each year. Since the components were similar for many consecutive years, we decided to post the updated DJIA list only in those years where changes were made to the index.

Part 2: The side-by-side comparison of yearly percentage gain for the FCF Portfolio vs. that of the DJIA Index performance.

Part 3: Purchases made using “Free Cash Flow” for the years 1950-2009, which enable the performance of each purchase to be evaluated retrospectively.

Part 4: Yearly side-by-side cumulative performance of “Free Cash Flow” vs. that of the DJIA, in actual dollars, starting with \$10,000 in each portfolio on January 1, 1950, and ending December 31, 2009.

PART 1

The Components of the Dow Jones Industrial Average 1950-2009

1950-1955

Allied Chemical
Allied Can
American Smelting
American Telephone & Telegraph
American Tobacco
Bethlehem Steel
Chrysler
Corn Products Refining
Du Pont
Eastman Kodak
General Electric
General Foods
General Motors
Goodyear
International Harvester
International Nickel
Johns-Manville
Loew's
National Distillers
National Steel
Procter & Gamble
Sears Roebuck & Co
Standard Oil of California
Standard Oil (N.J.)
Texas Corporation
Union Carbide
United Aircraft
U.S. Steel
Westinghouse Electric
Woolworth

1956-1958

Allied Chemical
Allied Can
American Smelting
American Telephone & Telegraph
American Tobacco
Bethlehem Steel
Chrysler
Corn Products Refining
Du Pont
Eastman Kodak
General Electric
General Foods
General Motors
Goodyear
International Harvester
International Nickel
International Paper
Johns-Manville
National Distillers
National Steel
Procter & Gamble
Sears Roebuck & Co
Standard Oil of California
Standard Oil (N.J.)
Texas Corporation
Union Carbide
United Aircraft
U.S. Steel
Westinghouse Electric
Woolworth

1959-1975

Allied Chemical
Aluminum Company of America
American Can
American Telephone & Telegraph
American Tobacco
Anaconda
Bethlehem Steel
Chrysler
Du Pont
Eastman Kodak
General Electric
General Foods
General Motors
Goodyear
International Harvester
International Nickel (name changed to Inco on April 21, 1976)
International Paper
Johns-Manville
Owen's-Illinois Glass
Procter & Gamble
Sears Roebuck & Co
Standard Oil of California
Standard Oil (N.J.) (name changed to Exxon on November 1, 1972)
Swift & Co. (name changed to Esmark on May 30, 1973)
Texas Corporation
Union Carbide
United Aircraft (name changed to United Technologies on May 1, 1975)
U.S. Steel
Westinghouse Electric
Woolworth

1976-1978

Allied Chemical
Aluminum Company of America
American Can
American Telephone & Telegraph
American Tobacco
Bethlehem Steel
Chrysler
Du Pont
Eastman Kodak
Esmark
Exxon
General Electric
General Foods
General Motors
Goodyear
International Harvester
Inco
International Paper
Johns-Manville
Minnesota Mining & Manufacturing
Owen's-Illinois Glass
Procter & Gamble
Sears Roebuck & Co
Standard Oil of California
Texas Corporation
Union Carbide
United Technologies
U.S. Steel
Westinghouse Electric
Woolworth

1979-1981

Allied Chemical
Aluminum Company of America
American Can
American Telephone & Telegraph
American Tobacco
Bethlehem Steel
Du Pont
Eastman Kodak
Exxon
General Electric
General Foods
General Motors
Goodyear
International Business Machines
International Harvester
Inco
International Paper
Johns-Manville
Merck
Minnesota Mining & Manufacturing
Owen's-Illinois Glass
Procter & Gamble
Sears Roebuck & Co
Standard Oil of California
Texas Corporation
Union Carbide
United Aircraft
U.S. Steel
Westinghouse Electric
Woolworth

1982-84

Allied Chemical (renamed Allied-Signal Inc. in 1985)

Aluminum Company of America

American Can

American Express Co.

American Telephone & Telegraph

American Tobacco

Bethlehem Steel

Du Pont

Eastman Kodak

Exxon

General Electric

General Foods

General Motors

Goodyear

International Business Machines

International Harvester

Inco

International Paper

Merck

Minnesota Mining & Manufacturing

Owen's-Illinois Glass

Procter & Gamble

Sears Roebuck & Co

Standard Oil of California (renamed Chevron in 1984)

Texas Corporation

Union Carbide

United Aircraft

U.S. Steel

Westinghouse Electric

Woolworth

1985-1986

Allied-Signal Inc. (renamed Allied-Signal Inc. in 1985)

Aluminum Company of America

American Can

American Express

American Telephone & Telegraph

Bethlehem Steel

Chevron Corporation

Du Pont

Eastman Kodak

Exxon

General Electric

General Motors

Goodyear

Inco

International Business Machines

International Harvester (renamed Navistar International Corp. in 1986)

International Paper

McDonald's Corporation

Merck & Company

Minnesota Mining & Manufacturing

Owen's-Illinois

Philip Morris Companies

Procter & Gamble

Sears Roebuck & Co

Texaco

Union Carbide

United Technologies

U.S. Steel (renamed USX Corp. in 1986)

Westinghouse Electric

Woolworth

1987-1990

Allied-Signal Inc
Aluminum Company of America
American Can (name changed to Primerica Corp. in 1987)
American Express
American Telephone & Telegraph
Bethlehem Steel
Boeing Co.
Chevron Corporation
Coca-Cola Co.
Du Pont
Eastman Kodak
Exxon
General Electric
General Motors
Goodyear
International Business Machines
International Paper
McDonald's Corporation
Merck & Company
Minnesota Mining & Manufacturing
Navistar International Corp.
Philip Morris Companies
Procter & Gamble
Sears Roebuck & Co
Texaco
Union Carbide
United Technologies
USX Corporation
Westinghouse Electric
Woolworth

1991-1996

American Telephone and Telegraph (renamed AT&T Corp. in 1994)

Allied-Signal

Alcoa

American Express

Bethlehem Steel

Boeing

Caterpillar Inc.

Chevron Corporation

Coca Cola

Walt Disney Co.

Du Pont

Eastman Kodak

Exxon

General Electric

General Motors

Goodyear

International Business Machines

International Paper

McDonald's Corporation

Merck & Company

Minnesota Mining & Manufacturing

Morgan J. P.

Philip Morris Companies

Procter & Gamble

Sears Roebuck & Co

Texaco

Union Carbide

United Technologies

Westinghouse Electric

Woolworth

1997-1998

Allied-Signal
Aluminum Company of America (name changed to Alcoa, Inc. in 1999)
American Express
Boeing
Caterpillar
Chevron Corporation
Coca Cola
Disney
Du Pont
Eastman Kodak
Exxon
General Electric
General Motors
Goodyear
Hewlett Packard
International Business Machines
International Paper
Johnson & Johnson
McDonald's Corporation
Merck & Company
Minnesota Mining & Manufacturing
Morgan J. P.
Philip Morris Companies
Procter & Gamble
Sears Roebuck & Co
Travelers Group (name changed to Citigroup Inc. in 1998)
Union Carbide
United Technologies
Wal-Mart Stores

1999-2006

AT&T
Alcoa
American Express
Boeing
Caterpillar
Citigroup
Coca Cola
Disney
Du Pont
Eastman Kodak
Exxon (name changed to Exxon Mobil Corp. in 1999)
General Electric
General Motors
Hewlett Packard
Home Depot
Honeywell International Inc.
Intel Corporation
International Business Machines
International Paper
Johnson & Johnson
McDonald's Corporation
Merck & Company
Microsoft Corporation
Minnesota Mining & Manufacturing
Morgan J. P. (name changed J. P. Morgan Chase and Co. in 2001 after merging with Chase Manhattan Corp.)
Philip Morris Companies
Procter & Gamble
SBC Communications
United Technologies
Wal-Mart Stores

2007-2008

AT&T
Alcoa
Altria Group
American Express
Boeing
Caterpillar
Citigroup
Coca Cola
Disney
Du Pont
Exxon Mobil Corp.
General Electric
General Motors
Hewlett Packard
Home Depot
Honeywell International Inc.
Intel Corporation
International Business Machines
Johnson & Johnson
McDonald's Corporation
Merck & Company
Microsoft Corporation
Minnesota Mining & Manufacturing
J. P. Morgan Chase
Pfizer
Procter & Gamble
United Technologies
Verizon
Wal-Mart Stores

2009

AT&T

Alcoa

American Express

Bank of America

Boeing

Caterpillar

Chevron

Citigroup

Coca Cola

Disney

Du Pont

Exxon Mobil Corp.

General Electric

General Motors

Hewlett Packard

Home Depot

Intel Corporation

International Business Machines

Johnson & Johnson

J.P. Morgan Chase

Kraft Foods

McDonald's Corporation

Merck & Company

Microsoft Corporation

Minnesota Mining & Manufacturing

Pfizer

Procter & Gamble

United Technologies

Verizon

Wal-Mart Stores

PART 2

YEAR TO YEAR PERFORMANCE COMPARISON OF PFCF VS. DJIA

<u>YEAR</u>	<u>PRICE TO FREE CASH FLOW</u>	<u>DJIA</u>
1950	+ 31.13%	+17.62%
1951	+ 28.05%	+14.36%
1952	+ 16.88%	+ 0.51%
1953	+ 4.77%	+ 3.80%
1954	+ 64.80%	+ 43.96%
1955	+ 29.42%	+ 20.77%
1956	+ 13.86%	+ 2.27%
1957	+ 11.52%	- 12.77%
1958	+ 52.66%	+ 33.96%
1959	+ 26.94%	+ 16.39%
1960	- 15.20%	- 9.34%
1961	+ 33.23%	+ 18.72%
1962	+ 12.12%	- 10.81%
1963	+ 43.86%	+ 17.00%
1964	+ 18.81%	+ 14.57%
1965	+ 22.34%	+ 10.88%
1966	- 9.40%	- 18.94%
1967	+ 34.65%	+ 15.20%
1968	+ 6.99%	+ 4.26%
1969	- 0.33%	- 15.19%
1970	+ 31.82%	+ 4.82%
1971	+ 1.57%	+ 6.11%
1972	+ 27.32%	+ 14.58%
1973	- 14.54%	- 19.38%
1974	+ 19.51%	- 25.05%
1975	+ 52.85%	+ 38.32%

<u>YEAR</u>	<u>PRICE TO FREE CASH FLOW</u>	<u>DJIA</u>
1976	+ 46.48%	+ 17.86%
1977	- 1.77%	- 17.26%
1978	+ 12.45%	- 3.15%
1979	+ 18.57%	+ 4.19%
1980	+ 33.57%	+ 14.93%
1981	+ 10.62%	- 9.23%
1982	+ 55.82%	+ 19.60%
1983	+ 35.23%	+ 20.26%
1984	+ 6.49%	- 3.73%
1985	+ 35.77%	+ 27.66%
1986	+ 35.17%	+ 22.58%
1987	+ 34.19%	+ 2.26%
1988	+ 23.44%	+ 11.85%
1989	+ 35.96%	+ 26.96%
1990	+ 27.16%	- 4.36%
1991	+ 99.09%	+ 20.32%
1992	+ 23.17%	+ 4.17%
1993	+ 34.21%	+ 13.72%
1994	+ 14.20%	+ 2.14%
1995	+ 32.84%	+ 33.45%
1996	+ 21.72%	+ 26.01%
1997	+ 36.30%	+ 22.64%
1998	+ 37.71%	+ 16.10%
1999	+ 16.50%	+ 25.22%
2000	+ 19.96%	- 6.17%
2001	- 3.91%	- 7.10%
2002	- 3.58%	- 15.87%
2003	+ 28.96%	+ 23.98%
2004	+ 8.94%	+ 3.14%
2005	+ 3.41%	- 0.11%
2006	+ 31.10%	+ 16.29%
2007	+ 16.72%	+ 6.34%
2008	- 22.39%	- 32.71%
2009	+ 22.95%	+ 15.43%

PART 3

Purchases made using "Price to Free Cash Flow" for the years 1950-2007

1950

American Smelting	+ 40.60%
American Tobacco	- 8.85%
Bethlehem Steel	+ 55.81%
Chrysler	+ 21.63%
Corn Products Refining	+ 1.35%
Dupont	+ 43.53%
General Electric	+ 27.14%
General Foods	- .90%
General Motors	+ 37.50%
Goodyear Tire & Rubber	+ 59.00%
International Harvester	+ 24.14%
Johns Manville	+ 2.27%
National Distillers	+ 29.50%
National Steel	+ 73.02%
Standard Oil of New Jersey	+ 41.69%
Union Carbide	+ 29.72%
U.S. Steel	+ 71.23%
Westinghouse Electric	+ 11.89%

1951

American Smelting	+ 38.23%
American Tobacco	+ 2.92%
Bethlehem Steel	+ 14.59%
Corn Products Refining	+ 8.42%
General Motors	+ 25.36%
Goodyear Tire & Rubber	+ 40.85%
International Harvester	+ 13.69%
Johns Manville	+ 49.71%
Standard Oil of California	+ 16.15%
Standard Oil of New Jersey	+ 70.57%

1952

American Smelting	- 2.64%
American Tobacco	+ 6.58%
Chrysler	+ 47.86%
Corn Products Refining	+ 9.72%
General Motors	+ 40.10%
International Harvester	- 0.14%

1953

American Tobacco	+ 0.38%
Bethlehem Steel	- 2.26%
Corn Products Refining	+11.14%
Goodyear Tire & Rubber	+ 2.97%
International Harvester	- 11.45%
United Aircraft	+27.84%

1954

American Smelting	+ 70.07%
American Tobacco	+ 12.60%
Bethlehem Steel	+126.24%
Corn Products Refining	+ 20.01%
Dupont	+ 59.53%
General Foods	+ 33.42%
Goodyear	+112.26%
International Nickel	+ 74.97%
Standard Oil of California	+ 51.30%
Standard Oil of New Jersey	+ 59.92%
United Aircraft	+ 77.48%
U.S. Steel	+ 93.99%
Westinghouse Electric	+ 50.60%

1955

American Smelting	+ 15.53%
American Tobacco	+ 31.16%
Bethlehem Steel	+ 55.22%
Corn Products Refining	+ 4.97%
Dupont	+ 40.60%
General Foods	+ 26.92%
General Motors	+ 46.88%
Goodyear Tire & Rubber	+ 26.11%
International Harvester	+ 1.99%
International Nickel	+ 44.83%

1956

American Smelting	+ 25.06%
American Tobacco	- 3.99%
Corn Products Refining	+ 9.07%
International Harvester	+ 10.96%
International Nickel	+ 32.93%

1957

American Tobacco	+ 11.20%
Chrysler	- 20.36%
Corn Products Refining	+ 20.68%

1958

American Tobacco	+ 30.92%
Bethlehem Steel	+ 50.58%
Corn Products Refining	+ 63.50%
General Foods	+ 52.89%
General Motors	+ 53.73%
International Harvester	+ 64.35%

1959

Allied Chemical	+ 27.44%
Anaconda	+ 8.87%
American Tobacco	+ 16.73%
Swift	+ 35.52%
International Harvester	+ 18.26%
Westinghouse Electric	+ 54.81%

1960

Anaconda	- 28.13%
American Tobacco	+ 24.74%
Chrysler	- 42.22%

1961

Anaconda	+ 17.53%
American Tobacco	+ 58.19%
Chrysler	+ 30.34%
General Motors	+ 45.23%
International Harvester	+ 14.87%

1962

Anaconda	- 11.57%
Chrysler	+ 53.32%
General Motors	+ 6.58%
International Harvester	+ .16%

1963

American Tobacco	+ 2.13%
Chrysler	+130.37%
General Motors	+ 40.43%
Johns Manville	+ 18.02%
U.S. Steel	+ 28.37%

1964

Anaconda	+ 17.11%
American Tobacco	+ 21.49%
Swift	+ 36.05%
International Harvester	+ 30.03%
Union Carbide	+ 8.38%
U.S. Steel	- .23%

1965

Anaconda	+ 54.30%
American Tobacco	+ 21.43%
Johns Manville	+ 7.24%
U.S. Steel	+ 6.37%

1966

Johns Manville	- 9.40%
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1967

American Tobacco	+ 9.88%
Chrysler	+ 89.43%
General Motors	+ 31.39%
International Harvester	+ 7.90%

1968

Allied Chemical	- 5.25%
American Tobacco	+ 23.11%
Chrysler	+ 3.11%

1969

American Tobacco - 0.33%

1970

American Brands + 31.82%

1971

American Can - 10.50%
American Brands - 2.77%
Chrysler + 4.38%
International Harvester +15.18%

1972

American Can + .60%
American Brands + 5.97%
Chrysler + 45.33%
General Motors + 5.00%
International Harvester + 33.81%
Alcoa + 25.90%
Standard Oil of California + 48.54%
Union Carbide + 23.08%
United Aircraft + 57.62%

1973

American Can	- 10.04%
American Brands	- 18.01%
Bethlehem Steel	+16.43%
General Motors	- 37.66%
International Harvester	- 29.25%
Standard Oil of California	- 8.45%
Union Carbide	- 27.75%
United Aircraft	- 42.58%
U.S. Steel	+26.25%

1974

American Can	+ 18.86%
American Brands	+ 1.18%
Union Carbide	+ 27.33%
United Aircraft	+ 44.95%
U.S. Steel	+ 5.25%

1975

American Can	+ 15.78%
American Brands	+ 24.99%
General Foods	+ 62.38%
General Motors	+ 98.46%
Goodyear Tire and Rubber	+ 76.85%
United Technologies	+ 48.05%
Westinghouse Electric	+ 43.77%

1976

American Can	+ 29.88%
American Brands	+ 25.07%
United Technologies	+ 71.51%
General Foods	+ 14.57%
Chrysler	+ 94.05%
General Motors	+ 41.00%
Westinghouse Electric	+ 39.04%
International Harvester	+ 56.84%
Standard Oil of California	+ 46.38%

1977

American Can	+ 5.13%
American Brands	+ .11%
Du Pont	- 7.11%
General Motors	- 12.90%
International Harvester	- 3.18%
Standard Oil of California	+ .06%
United Technologies	- 4.66%
Westinghouse Electric	+ 8.37%

1978

MMM	+ 33.66%
American Brands	+ 24.08%
Bethlehem Steel	+ 0.00%
Du Pont	+ 9.45%
Eastman Kodak	+ 18.78%
General Motors	- 3.69%
Alcoa	+ 6.06%
Standard Oil of California	+ 28.62%
Westinghouse Electric	- 2.91%

1979

American Brands	+ 41.94%
Bethlehem Steel	+ 12.74%
Du Pont	+ 1.88%
Eastman Kodak	- 14.11%
General Foods	+ 9.90%
International Harvester	+ 13.72%
INCO	+ 55.24%
Alcoa	+ 20.16%
Standard Oil of California	+ 25.70%

1980

MMM	+ 22.19%
American Brands	+ 27.82%
Eastman Kodak	+ 50.75%
General Foods	- 3.67%
Goodyear Tire and Rubber	+ 34.37%
INCO	- 12.11%
Standard Oil of California	+ 81.64%
U.S. Steel	+ 50.57%
Owens Illinois	+ 32.15%
Westinghouse Electric	+ 52.03%

1981

American Brands	+ 2.45%
Bethlehem Steel	- 5.78%
Goodyear Tire and Rubber	+ 26.88%
Alcoa	- 8.67%
U.S. Steel	+ 27.17%
Owens Illinois	+ 21.67%

1982

Goodyear Tire and Rubber	+ 91.05%
American Brands	+ 33.57%
General Foods	+ 31.73%
General Electric	+ 70.76%
Procter and Gamble	+ 51.98%

1983

American Can	+ 59.60%
American Brands	+ 35.97%
IBM	+ 30.33%
General Motors	+ 23.09%
General Electric	+ 27.06%
General Foods	+ 35.33%

1984

General Foods	+ 13.43%
U.S. Steel	- 10.70%
General Motors	+ 9.14%
American Can	+ 13.92%
American Brands	+ 14.43%
Westinghouse Electric	- 1.27%

1985

Westinghouse Electric	+ 74.07%
American Can	+ 24.55%
AT & T	+ 32.82%
Phillip Morris	+ 13.67%
General Motors	- 4.15%
Inco	+ 8.68%
Union Carbide	+100.75%

1986

American Can	+ 45.04%
AT & T	+ 4.80%
Philip Morris	+ 73.13%
Chevron	+ 25.31%
Westinghouse Electric	+ 27.58%

1987

Bethlehem Steel	+168.00%
IBM	- 0.29%
Philip Morris	+ 21.87%
Texaco	+ 12.20%
Union Carbide	+ 1.70%
USX Corp.	+ 43.95%
Westinghouse Electric	- 8.34%

1988

Alcoa	+ 22.35%
AT&T Corp.	+ 10.93%
Bethlehem Steel	+ 38.81%
Boeing	+ 67.64%
Chevron	+ 21.51%
Texaco	+ 39.26%
General Motors	+ 44.20%
General Electric	+ 4.34%
Westinghouse Electric	+ 9.07%
United Technologies	+ 25.53%
USX Corp.	+ 2.35%
Union Carbide	+ 24.71%
Proctor and Gamble	+ 5.07%
Philip Morris	+ 23.44%
International Paper	+ 13.24%

1989

Allied Signal	+ 12.85%
Alcoa	+ 36.25%
AT&T Corp.	+ 64.76%
Bethlehem Steel	- 20.43%
Coca Cola	+ 75.80%
Union Carbide	- 4.78%
General Motors	+ 7.96%
Philip Morris	+ 67.18%
General Electric	+ 47.26%
Westinghouse Electric	+ 44.29%
Proctor & Gamble	+ 75.83%
International Paper	+ 24.58%

1990

Philip Morris + 27.16%

1991

Goodyear Tire & Rubber + 202.76%
General Electric + 36.61%
Philip Morris + 57.90%

1992

General Electric + 17.09%
Goodyear Tire & Rubber + 29.25%

1993

Boeing + 9.94%
Caterpillar + 67.09%
General Electric + 25.28%
General Motors + 71.18%
Goodyear Tire & Rubber + 34.62%
IBM + 21.77%
United Technologies + 32.78%
Westinghouse Electric + 10.99%

1994

Boeing	+ 10.98%
Caterpillar	+ 24.55%
Du Pont	+ 19.97%
General Motors	- 21.78%
IBM	+ 32.88%
Philip Morris	+ 8.04%
Union Carbide	+ 34.64%
United Technology	+ 4.31%

1995

United Technologies	+ 53.92%
Allied Signal	+ 41.68%
Caterpillar	+ 7.39%
Union Carbide	+ 30.21%
Alcoa	+ 23.75%
General Motors	+ 26.29%
Goodyear Tire & Rubber	+ 37.17%
Eastman Kodak	+ 43.87%
Du Pont	+ 27.74%
General Electric	+ 44.00%
IBM	+ 25.68%
International Paper	+ 3.24%
Philip Morris	+ 61.92%

1996

Philip Morris	+ 29.06%
Allied Signal	+ 42.69%
United Technologies	+ 41.81%
Alcoa	+ 22.27%
Bethlehem Steel	- 36.04%
Caterpillar	+ 30.64%
General Motors	+ 3.74%
Goodyear Tire & Rubber	+ 15.31%
IBM	+ 66.89%
International Paper	+ 11.56%
Union Carbide	+ 11.00%

1997

Caterpillar	+ 58.25%
IBM	+ 38.64%
General Motors	+ 12.00%

1998

General Motors	+ 21.82%
United Technologies	+ 53.60%

1999

Boeing	+ 28.72%
General Motors	+ 4.28%

2000

Boeing	+ 61.43%
Caterpillar	+ 3.39%
Eastman Kodak	- 37.95%
General Motors	- 27.17%
Philip Morris	+100.09%

2001

Eastman Kodak	- 20.31%
General Motors	- 0.66%
Philip Morris	+ 9.25%

2002

Boeing	- 13.17%
Eastman Kodak	+ 25.17%
General Motors	- 20.04%
Philip Morris	- 6.28%

2003

AT&T Corp.	- 19.19%
Alcoa	+ 69.44%
Eastman Kodak	- 23.46%
General Motors	+ 50.29%
Hewlett Packard	+ 33.54%
International Paper	+ 26.14%
McDonalds	+ 55.54%
Altria Group	+ 40.78%
SBC Communication	+ 1.22%
United Technologies	+ 55.33%

2004

AT&T Corp.	- 1.43%
Eastman Kodak	+ 27.58%
Exxon Mobil	+ 27.61%
General Motors	- 21.23%
Altria Group	+ 17.46%
SBC Communications	+ 3.64

2005

Altria	+ 23.23%
AT&T	- 4.69%
Exxon Mobil	+ 9.98%
General Motors	- 53.38%
Hewlett Packard	+ 35.56%
Merck	- 0.56%
Pfizer	- 14.61%

2006

Altria	+ 14.47%
AT&T	+ 45.98%
Boeing	+ 26.19%
Caterpillar	+ 5.62%
Exxon Mobil	+ 25.82%
General Motors	+ 60.67%
Hewlett Packard	+ 40.68%
Honeywell	+ 21.55%
IBM	+ 17.83%
Merck	+ 34.07%
Pfizer	+ 9.51%
United Technologies	+ 10.75%
Walt Disney	+ 42.32%

2007

AT&T	+ 23.35%
Caterpillar	+ 20.83%
Exxon Mobil	+ 28.51%
General Motors	- 15.48%
IBM	+ 11.13%
Merck	+ 32.00%
Pfizer	- 13.54%
United Technologies	+ 21.86%

2008

Dupont	- 39.16%
Exxon Mobil	- 13.46%
International Business Machines	- 18.34%
Pfizer	- 18.59%

2009

AT&T	+ 4.22%
Boeing	+ 20.75%
Chevron	+ 3.73%
Dupont	+ 34.10%
Exxon Mobil	- 14.56%
General Electric	- 1.56%
Hewlett Packard	+ 42.66%
Home Depot	+ 20.72%
International Business Machines	+ 52.96%
Johnson & Johnson	+ 10.26%
Merck	+ 24.66%
Microsoft	+ 50.68%
MMM	+ 44.74%
Pfizer	+ 4.57%
United Technologies	+ 30.66%
Walt Disney	+ 38.72%

PART 4

Compounded return of \$10,000 invested in 1950 in each would be worth

<u>YEAR</u>	<u>PRICE TO FREE CASH FLOW</u>	<u>DJIA</u>
1950	\$ 13,113	\$ 11,762
1951	\$ 16,791	\$ 13,451
1952	\$ 19,625	\$ 13,519
1953	\$ 20,561	\$ 14,032
1954	\$ 33,884	\$ 20,201
1955	\$ 43,852	\$ 24,397
1956	\$ 49,930	\$ 24,951
1957	\$ 51,847	\$ 21,765
1958	\$ 79,150	\$ 29,156
1959	\$ 100,473	\$ 33,935
1960	\$ 85,201	\$ 30,766
1961	\$ 113,513	\$ 36,525
1962	\$ 127,270	\$ 32,577
1963	\$ 183,090	\$ 38,115
1964	\$ 217,529	\$ 43,668
1965	\$ 266,125	\$ 48,420
1966	\$ 241,109	\$ 39,249
1967	\$ 324,654	\$ 45,215
1968	\$ 347,347	\$ 47,141
1969	\$ 346,201	\$ 39,981
1970	\$ 456,362	\$ 41,907
1971	\$ 463,527	\$ 44,468
1972	\$ 590,163	\$ 50,952
1973	\$ 504,353	\$ 41,077
1974	\$ 602,752	\$ 30,787
1975	\$ 921,307	\$ 42,585

<u>YEAR</u>	<u>PRICE TO FREE CASH FLOW</u>	<u>DJIA</u>
1976	\$ 1,349,530	\$ 50,191
1977	\$ 1,325,644	\$ 41,527
1978	\$ 1,490,687	\$ 40,220
1979	\$ 1,767,507	\$ 41,904
1980	\$ 2,360,859	\$ 48,161
1981	\$ 2,611,582	\$ 43,716
1982	\$ 4,069,367	\$ 52,284
1983	\$ 5,503,006	\$ 62,877
1984	\$ 5,860,151	\$ 60,531
1985	\$ 7,956,327	\$ 77,274
1986	\$ 10,754,726	\$ 94,723
1987	\$ 14,431,767	\$ 96,864
1988	\$ 17,814,573	\$ 108,343
1989	\$ 24,220,693	\$ 137,552
1990	\$ 30,799,033	\$ 131,554
1991	\$ 61,317,795	\$ 158,287
1992	\$ 75,525,128	\$ 164,886
1993	\$ 101,362,274	\$ 187,510
1994	\$ 115,756,717	\$ 191,522
1995	\$ 153,769,894	\$ 255,586
1996	\$ 187,168,715	\$ 322,064
1997	\$ 255,110,959	\$ 394,980
1998	\$ 351,313,302	\$ 458,571
1999	\$ 409,279,996	\$ 574,233
2000	\$ 490,972,284	\$ 538,802
2001	\$ 471,775,267	\$ 500,548
2002	\$ 454,885,713	\$ 421,111
2003	\$ 586,620,615	\$ 522,093
2004	\$ 639,064,498	\$ 538,487
2005	\$ 660,869,431	\$ 532,500
2006	\$ 866,433,448	\$ 619,233
2007	\$1,011,301,128	\$ 658,492
2008	\$ 784,873,128	\$ 443,100
2009	\$ 965,001,511	\$ 511,470

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