

Investment Report 1978



SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO

COMMON STOCKS

Number of Shares	Cost	Market
71,000	Sears Roebuck & Co.\$ 3,376,277	\$ 1,411,125
40,000	Simplicity Pattern Co. 1,321,699	380,000
41,600	Southeast Banking Corp. 1,498,959	514,800
55,000	Standard Oil Co. of California 2,370,759	2,578,125
50,000	Standard Oil Co. of Ohio 1,989,295	2,125,000
60,000	Sun Company, Inc. 2,441,572	2,550,000
45,000	Texas Eastern Corp. 2,114,945	1,524,375
22,000	Texas Gas Transmission Corp. 1,015,445	781,000
10,000	Texas Instruments, Inc. 919,537	800,000
15,000	Texas Utilities Co. 306,825	285,000
55,000	Travelers Corp. 1,794,853	1,870,000
30,000	Union Camp Corp. 1,628,984	1,432,500
15,000	Union Carbide Corp. 1,114,663	510,000
31,190	U.S. Fidelity & Guaranty Co. 983,230	951,295
75,000	United Telecommunications, Inc. 1,422,558	1,406,250
82,200	Weyerhaeuser Co. 3,253,455	2,024,175
47,400	Whirlpool Corp. 1,549,581	906,525
27,000	Xerox Corp. 2,863,957	1,420,875
	TOTAL COMMON STOCKS\$169,035,620	<u>\$127,627,151</u>

Quality Rating

Percent of Stocks

QUALITY OF STOCKS

A+	30.7
A	29.5
A—	18.2
B+	8.0
B	—
B—	—
C	—
D	—
Not Rated	13.6

Of the stocks owned by the System, the majority fall within the top four quality grades as rated by Standard and Poor's Corporation with respect to the relative stability and growth of earnings and dividends. The 13.6 percent in the non-rated category are banks and insurance companies which are not rated by Standard and Poor's as a matter of policy.

Category	Percent
Credit Sensitive	19.8
Growth Consumer	21.0
Consumer Staple	7.3
Consumer Cyclical	9.1
Intermediate Goods and Services	28.3
Capital Goods	14.5

DIVERSIFICATION OF STOCKS

The System's stocks are diversified by industry to reduce risk and to enable the portfolio to participate in upswings in various sectors of the economy as they arise.

INVESTMENT ACTIVITY

For the year ended December 31, 1978

PRINCIPAL BALANCE AS OF DECEMBER 31, 1977		\$708,942,766
Increases in Par Value:		
Federal & Related Obligations	\$ 18,000,000	
Corporate Obligations	91,900,000	
Canadian Obligations	8,000,000	
F.H.L.M.C. Mortgage-Backed Securities	62,422,600	
G.N.M.A. Mortgage-Backed Securities	24,994,664	
Common Stocks	24,276,590	
Short-Term Investments (Net)	<u>36,450,000</u>	
Total Increases	\$266,043,854	
Decreases in Par Value:		
Federal & Related Obligations	\$ 31,027,250	
Corporate Obligations	60,216,000	
Canadian Obligations	2,500,000	
F.H.L.M.C. Mortgage-Backed Securities	5,583,885	
G.N.M.A. Mortgage-Backed Securities	39,591,875	
F.H.A. Mortgages	15,295,593	
V.A. Mortgages	2,136,542	
H.U.D. Guaranteed Mortgages	356,715	
Common Stocks	23,906,748	
Real Estate	<u>6,343,533</u>	
Total Decreases	\$186,958,141	
Net Increase to Portfolio		<u>\$ 79,085,713</u>
PRINCIPAL BALANCE AS OF DECEMBER 31, 1978		<u>\$788,028,479</u>

NOTE: Purchases of short-term investments in various amounts during the year provided the System with additional income of \$5,229,831.81. These short-term investments enabled the System to have a maximum of funds invested throughout the year.

INVESTMENT POLICY

The Retirement Board's investment philosophy is contained in the Investment Policy Statement below, which is provided for the use of the System's investment staff and counselors.

OBJECTIVE

The objective of the Retirement Board's investment policy is to provide the maximum long-term benefits to members of the System by maximizing the total rate of return within prudent parameters of risk for a retirement fund of this type. In line with this objective, due consideration is given by professional staff and portfolio advisers to the actuarial requirements of the System and changes thereto. Safety of principal is the primary consideration and is maintained by the purchase of quality investments, but investment income is also an important element commanding major consideration in the appraisal of various investment alternatives. The Board's policy provides for the utilization of all suitable and prudent avenues of investment authorized under the Ohio Revised Code to maintain a high-quality, diversified portfolio of investments in conservatively financed companies the prospects of which are continually reviewed and assessed in the varying economic climate. While the Board generally invests with the long-term in mind, the changing economic and investment conditions dictate that short-term factors also be considered in the timing of purchases or sales of any investment. Flexibility and market timing are important elements in the Board's policy, and consistency of performance with respect to the total portfolio is emphasized.

DIVERSIFICATION

Diversification of the portfolio is in respect to types of assets, types of industries, companies within industries, quality of the investments, maturities, geographical areas, etc., and is an important element in the limitation of risk. All such diversification parameters are considered within the context of the requirements of the Ohio Revised Code and of the economic climate at varying times to assure the maintenance of a diversified portfolio responsive to changing economic conditions. Diversification by asset types requires that the Board consider investments in the fixed-income area, mainly bonds and mortgages of various types, and equity investments, including high-quality stocks and productive real estate.

FIXED-INCOME INVESTMENTS

The Board's fixed-income investments are made up of both bonds and mortgages of various types carefully selected on the basis of

rate of return, maturity, quality, marketability and overall suitability to the Board's portfolio. The fixed-income portfolio is intended to provide the steady, high-level, current income for use in making benefit payments to members of the System. While such fixed-income assets do fluctuate in market value, they are legal contracts having definitely defined characteristics and maturity values which provide a great degree of stability to the investment return of the portfolio.

Bonds — The Board's policy provides for bonds to represent an important part of the total portfolio, varying somewhat depending upon economic conditions, interest rates and relative attractiveness of other avenues of investment. The Board requires that its bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics and marketability. Diversification is further provided by inclusion of industrial, utility, telephone, governmental and governmental agency bonds of various types. Active management of bonds is encouraged to continually improve the System's portfolio in terms of quality, marketability, income, refunding protection, etc.

Mortgages — The Board's high-quality, diversified mortgage portfolio varies in size dependent upon mortgage interest rates, rates available on other types of investments, and the quality of loans available. The Ohio Revised Code provides for inclusion of mortgages on single-family and multi-family units on an insured or guaranteed basis. Opportunities to purchase conventional commercial and industrial loans of a credit-type nature are considered and provided for by the Board's policy. Preference is given to those investments which can be made within the State of Ohio in order that the expenses of making the investment, administering the loan, and inspection of the property can be minimized. Since a mortgage portfolio is more expensive to administer than other fixed-income investments, the Board considers mortgage investments in those situations where the mortgage investment provides at least one-half of one percentage point per annum better yield than a comparable investment in the bond market. The mortgage portfolio, like the bond portfolio, is intended to provide a high-quality income stream, less subject to fluctuations during changing economic conditions than some other types of investments, for the payment of benefits.

EQUITY INVESTMENTS

Since fixed-income investments, such as bonds and mortgages, provide only for a current income stream and make no provision for

a hedge with respect to inflation, the Ohio Revised Code and the Board's policy provide that such a long-term inflation hedge be obtained by the use of equity investments in stocks and productive real estate. The Board's policy provides for flexibility in changing economic conditions and allows maximization of total return from judicious use of a combination of both fixed-income and equity investments.

Productive Real Estate — The Board's investment policy provides for the ownership of productive real estate, on an unleveraged basis, of high quality, and offering a good current return as well as substantial prospects for market value appreciation over time. Where they are obtainable, and in addition to the appreciation potential of the property itself, incremental increases in lease rentals are provided as a further method of offsetting monetary inflation in the economy. Selection of well-qualified managers and prime tenants is inherent in the Board's real estate investment policy.

Common Stocks — The Board's investment in common stocks is an important and flexible element in providing for a long-term inflation hedge. The Board's policy emphasizes the total return concept, dividend yield and market appreciation, and provides for investment in selected stocks of conservatively financed companies, as evidenced by debt to equity ratios, internal cash flow, etc. Such companies are usually leaders in their particular industry, have proven management, and are capable of substantial flexibility in pricing and competition with respect to their products. Such quality stocks are selected on the basis of value, considering the magnitude, stability and growth of dividends, or on the basis of growth of profits and dividends in excess of the growth rate for the economy.

Over a long period of time, it is anticipated that the stock portfolio will achieve a total return, including income and market appreciation, greater than that available from the fixed-income portions of the portfolio and that such return will compare favorably with recognized, representative market indexes and the results obtained by other funds of comparable size and character. Consideration is given to

the fact that portfolios perform differently in up and down cycles of the market and that complete re-structuring of the portfolio with respect to anticipated short-term movements in the market involves considerable risk and expense. Therefore, these performance goals of investment policy apply only to the long term.

Realized losses are minimized by careful selection of companies, attention to market timing and diversification of risk. The Board's policy provides that, generally, losses may be taken in circumstances where the fundamental outlook for the industry or the company, or the financial condition of the company, is deteriorating or in the case of a generally declining market.

SHORT-TERM INVESTMENTS

The Board's investment policy provides for the use of short-term investments in accordance with the Ohio Revised Code in order to maximize earnings of the System and to allow for flexibility in respect to market timing of other long-term investments. Such short-term investments are selected within prescribed quality limitations and include the use of U. S. Government securities, banker's acceptances, certificates of deposit and prime commercial paper bearing a quality rating of P-1 or P-2 by Moody's Investors Service, Inc.

IMPLEMENTATION

In order to implement its investment policy, the Board employs the services of one or more investment counselors in addition to its own staff. Investment guidelines are formulated annually and reviewed at least quarterly with the investment counselor and staff to provide portfolio guidelines appropriate to current economic conditions. Monthly reports are made to the Board by staff with respect to implementation of investment policy, and performance of equity investments is measured internally and by such performance measurement specialists as the Board may retain.

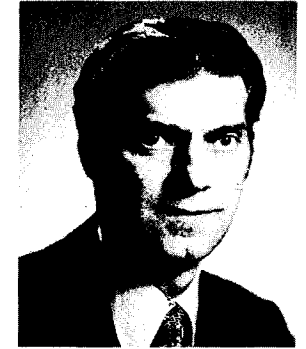
THE SCHOOL EMPLOYEES RETIREMENT BOARD OF OHIO



President
CHARLES T. LEWIS
Cleveland



Vice President
BERTHE E. WEIST
Kettering



GEORGE J. MAZZARO
Cleveland Heights-
University Heights



WILLIAM J. BROWN
Attorney General

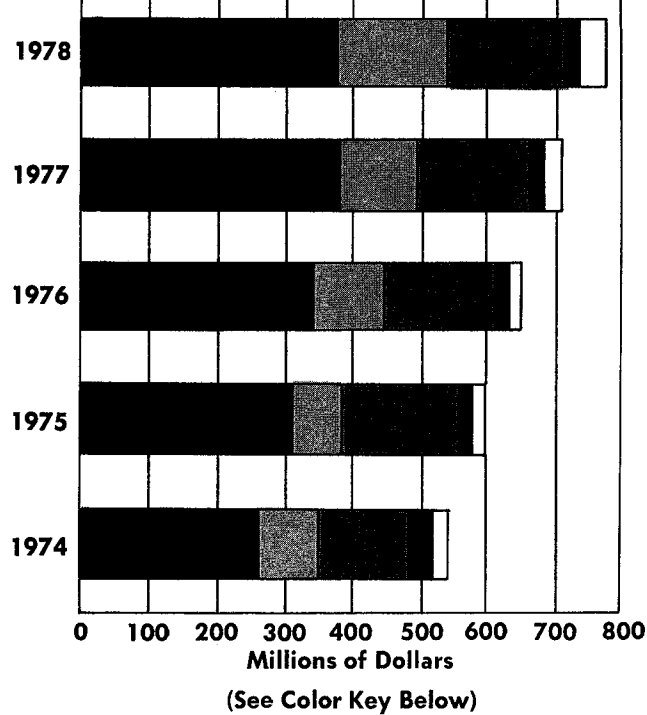


THOMAS E. FERGUSON
Auditor of State

JAMES O. BRENNAN
Executive Director

R. JACK COOPER
Investment Officer

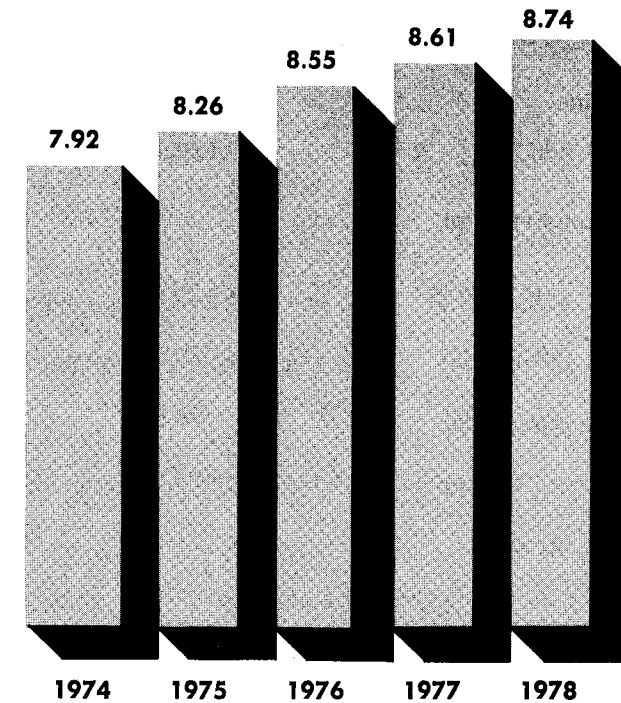
INVESTMENT COUNSELOR
Bankers Trust Company



GROWTH OF ASSETS
(Years Indicated)

The portfolio has steadily increased from \$518.2 million in 1974 to \$788.0 million in 1978. The increase in 1978 alone was 11.2 percent

BOND PORTFOLIO YIELDS
For Calendar Years as Indicated



PORTFOLIO DISTRIBUTION
December 31, 1978



- 49.5% Bonds**
- 19.8 Mortgage Securities**
- 21.5 Stocks**
- 1.7 Real Estate**
- 7.5 Short-Term**

The yield on the System's bond portfolio has increased steadily in recent years from 7.92 percent in 1974 to 8.74 percent in 1978 with the purchase of high-quality, marketable bonds. This increasing yield compares very favorably with that of other large institutional bond portfolios on a nationwide basis. The bond portfolio forms the major segment of the System's total portfolio and grew from \$248.0 million in December, 1974 to \$390.2 million, or 49.5 percent of the total portfolio, in December, 1978.

FIVE-YEAR PORTFOLIO SUMMARY

Investment Category	DECEMBER 31, 1978			Dec. 31, 1977	Dec. 31, 1976	Dec. 31, 1975	Dec. 31, 1974
	Book Value	Par Value	Percent of Portfolio	Par Value	Par Value	Par Value	Par Value
U.S. Government Obligations				\$ 13,000,000	\$ 21,000,000		
FHA Debentures				27,250	1,026,650	\$ 1,722,050	\$ 1,060,050
International Bank for Reconstruction & Development						6,522,000	6,522,000
Corporate Obligations	\$331,971,955	\$329,920,000	41.8%	298,236,000	253,338,484	251,245,871	206,888,718
Canadian Obligations	60,971,292	60,300,000	7.7	54,800,000	50,830,000	45,065,000	33,537,000
G.N.M.A. Mortgage-Backed Securities				28,200,000	28,650,000	8,000,000	
G.N.M.A. Modified Pass-Thru Mortgages	65,159,525	66,358,165	8.4	52,755,376	14,063,908		
F.H.L.M.C. Guaranteed Mortgage Certificates				2,000,000			
F.H.L.M.C. Guaranteed Mortgage-Backed Participation Certificates	62,422,084	63,687,339	8.1	4,848,624			
F.H.A. & V.A. Mortgages	20,114,131	20,128,960	2.6	37,561,095	59,504,265	64,843,590	77,939,147
H.U.D. Guaranteed Mortgages	6,205,919	6,208,824	.8	6,565,539	6,870,622	7,184,801	7,459,902
Common Stocks	169,035,620	169,035,620	21.5	168,665,778	169,862,695	163,293,724	147,734,721
Real Estate	13,089,571	13,089,571	1.7	19,433,104	20,231,512	20,969,699	19,662,400
Short-Term Investments	58,755,665	59,300,000	7.4	22,850,000	12,285,000	9,600,000	17,400,000
Totals	\$787,725,762	\$788,028,479	100.0%	\$708,942,766	\$637,663,136	\$578,446,735	\$518,203,938

PORTFOLIO RATES OF RETURN
(Percent)

For Calendar Years as Indicated

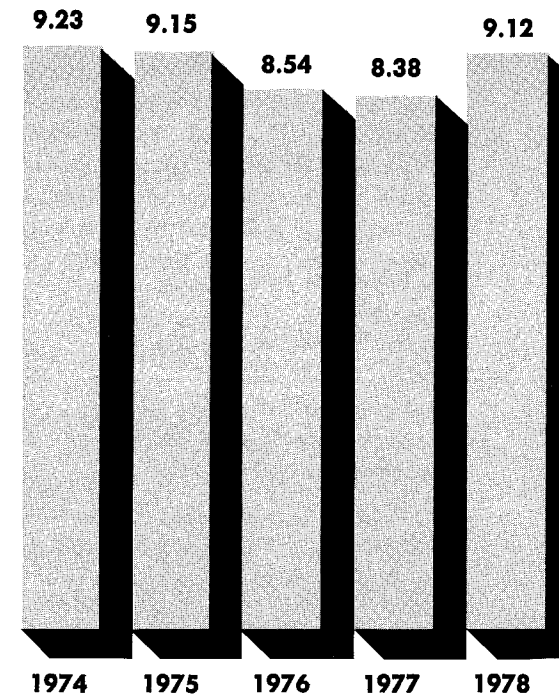
ASSET CATEGORY	1978	1977	1976	1975	1974
Bond Portfolio	8.74	8.61	8.55	8.26	7.92
Real Estate Mortgage Portfolio	8.52	7.60	6.89	6.20	5.94
Total Fixed-Income Investments	8.68	8.34	8.12	7.85	7.41
Equity Portfolio	9.13	(8.82)	15.85	26.70	(27.95)
New Invest. Return Rate (New Long-Term, Fixed-Income Investments)	9.12	8.38	8.54	9.15	9.23
Short-Term Investments	7.55	5.15	4.86	5.74	10.57

While interest rates remained rather high, the bond portfolio continued to show significant improvement in yield during the year. This performance of the bond account and the high quality of the securities within it contribute importantly to the performance of the total portfolio.

The yields on mortgage loans reflect the System's purchase of insured or guaranteed mortgage loans in previous years when interest rates for all types of investments were considerably lower in general than at the present time. Substantial increases have been made

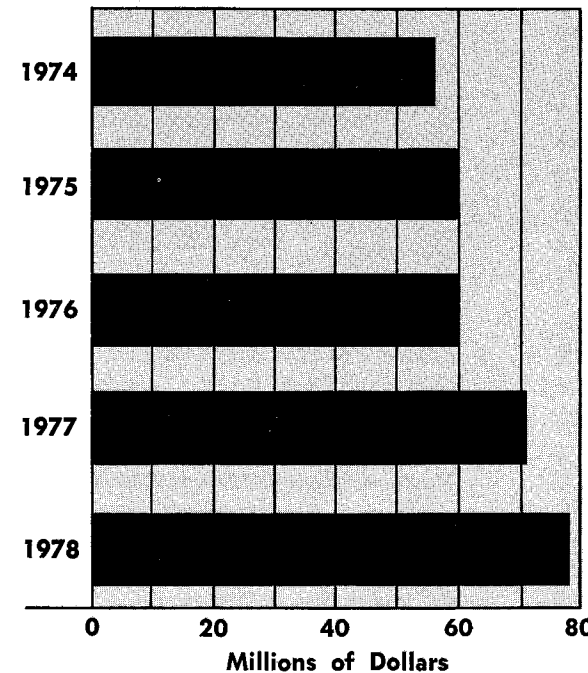
during the last three years in the mortgage loan portfolio yield. This has been accomplished by major new investments in high-yielding mortgage instruments backed by the Federal Home Loan Mortgage Corporation and by the Government National Mortgage Association.

The equity portfolio rates of return reflect the common stocks on a market-to-market basis, including realized and unrealized gains and losses and dividend income, as measured on a dollar-weighted basis by an independent performance measurement specialist.



NEW INVESTMENT RATE OF RETURN

The rate of return on new long-term, fixed-income investments fluctuates significantly with changes in the economy but has remained at moderately high levels in recent years.



AVAILABILITY OF FUNDS

New funds available for investment in 1978 were \$79 million compared to \$56 million available in 1974.

LIST OF INVESTMENTS

December 31, 1978

BONDS

Par Value	Par Value	
CORPORATE OBLIGATIONS		
Industrial		
Caterpillar Tractor Co.\$ 4,000,000	Northwestern Bell Tel. Co. 12,000,000	
Continental Can Co. 1,000,000	Ohio Bell Tel. Co. 4,250,000	
Continental Oil Co. 9,500,000	Pacific Northwest Bell Tel. Co. 2,000,000	
Continental Group, Inc. 3,000,000	Pacific Tel. & Tel. Co. 9,500,000	
Dana Corp. 9,250,000	Southern Bell Tel. & Tel. Co. 6,000,000	
Deere (John) & Co. 4,000,000	Southern New England Tel. Co. 2,000,000	
Diamond Shamrock Corp. 12,000,000	Southwestern Bell Tel. Co. 16,000,000	
Dow Chemical Co. 6,500,000	<u>\$ 96,250,000</u>	
DuPont (E. I.) de Nemours Co. 1,000,000	Power & Light	
Ford Motor Co. 3,000,000	Baltimore Gas & Electric Co.\$ 2,250,000	
Minnesota Mining & Mfg. Co. 4,000,000	Central Illinois Public Service Co. 2,000,000	
Penney (J. C.) Co. 2,000,000	Central Power & Light Co. 1,500,000	
Phillip Morris, Inc. 3,000,000	Cincinnati Gas & Electric Co. 3,000,000	
Phillips Petroleum Co. 8,000,000	Commonwealth Edison Co. 2,500,000	
Standard Brands, Inc. 2,500,000	Connecticut Light & Power Co. 1,700,000	
Standard Oil Co. of California 2,000,000	Duke Power Co. 10,000,000	
Texaco, Inc. 9,000,000	Duquesne Light Co. 3,500,000	
Xerox Corp., Sub. Conv. Deb. 1,220,000	El Paso Electric Co. 2,500,000	
<u>\$ 84,970,000</u>	Florida Power Corp. 8,000,000	
Telephone		
Chesapeake & Potomac Tel. Co.	Florida Power & Light Co. 3,000,000	
of Md.\$ 2,000,000	Houston Lighting & Power Co. 5,000,000	
Chesapeake & Potomac Tel. Co.	Idaho Power Co. 5,000,000	
of Va. 7,000,000	Illinois Power Co. 5,500,000	
Chesapeake & Potomac Tel. Co.	Indianapolis Power & Light Co. 2,650,000	
of W. Va. 1,000,000	Iowa Power & Light Co. 1,000,000	
Cincinnati Bell, Inc. 3,000,000	Iowa Public Service Co. 2,500,000	
General Tel. Co. of Florida 500,000	Kansas Gas & Electric Co. 2,500,000	
General Tel. Co. of Ohio 2,000,000	Kansas Power & Light Co. 3,000,000	
General Tel. Co. of Upstate New York, Inc. 1,000,000	Kentucky Utilities Co. 1,500,000	
Michigan Bell Tel. Co. 1,500,000	Metropolitan Edison Co. 3,000,000	
Mountain States Tel. & Tel. Co. 16,000,000	New England Power Co. 3,000,000	
New Jersey Bell Tel. Co. 4,000,000	Northern Indiana Public Service Co. 2,600,000	
New York Tel. Co. 6,500,000	Northern States Power Co. 1,000,000	
	Ohio Edison Co. 6,500,000	
	Oklahoma Gas & Electric Co. 4,600,000	

Par Value	Par Value	
Pacific Gas & Electric Co. 6,000,000	Commercial Paper	
Pennsylvania Power & Light Co. 2,500,000	Diamond Shamrock Corp.\$ 2,000,000	
Philadelphia Electric Co. 14,000,000	Ford Motor Credit Corp. 6,700,000	
Public Service Electric & Gas Co. 8,000,000	General Electric Credit Corp. 8,200,000	
Public Service Co. of Colorado 500,000	General Mills, Inc. 3,500,000	
Public Service Co. of Oklahoma 1,000,000	General Motors Acceptance Corp. 3,600,000	
South Carolina Electric Co. 4,300,000	General Tel. of the Northwest, Inc. 1,200,000	
Southern California Edison Co. 5,500,000	Iowa Power & Light Co. 2,500,000	
Southwestern Public Service Co. 1,500,000	Penn Power & Light Co. 3,500,000	
Texas Electric Service Co. 500,000	Penney, (J. C.) Financial Corp. 4,500,000	
Union Electric Co. 4,000,000	Public Service Co. of New Mexico 1,600,000	
Utah Power & Light Co. 2,100,000	Sears Roebuck Acceptance Corp. .. 6,000,000	
Virginia Electric & Power Co. 3,500,000	Southwestern Public Service Co. 1,000,000	
West Penn Power Co. 1,000,000	Utah Power & Light Co. 1,000,000	
Wisconsin Power & Light Co. 4,500,000	West Penn Power Co. 2,500,000	
Wisconsin Public Service Co. 500,000	Western Electric Co. 2,000,000	
<u>\$148,700,000</u>	Weyerhaeuser Co. 5,300,000	
	<u>\$ 55,100,000</u>	
	Total Short-Term (Par)\$ <u>59,300,000</u>	
	Total Short-Term (Cost)\$ <u>58,755,665</u>	
	Total Short-Term (Market)....\$ <u>59,030,462</u>	

CANADIAN OBLIGATIONS

Province

Province of Ontario\$ 20,000,000
Province of Saskatchewan 6,000,000
<u>\$ 26,000,000</u>

Authority, Board, Commission

Alberta Gov. Tel. Comm.\$ 2,300,000
British Columbia Hydro & Power Auth. 8,500,000
Manitoba Hydro-Electric Board 23,500,000
<u>\$ 34,300,000</u>
Total Bonds (Par)\$ <u>390,220,000</u>
Total Bonds (Market)\$ <u>359,829,969</u>

SHORT-TERM INVESTMENTS

Certificate of Deposit

Bank of America\$ 4,200,000
<u>\$ 4,200,000</u>

MORTGAGE SECURITIES

GNMA Mortgage-Backed Securities

7.50%\$ 9,845,051
8.00% 36,581,913
8.25% 7,695,629
8.50% 1,580,184
9.00% 10,655,388
<u>\$ 66,358,165</u>

FHLMC Mortgage-Backed Securities

8.25%\$ 3,596,003
8.75% 13,571,149
9.00% 12,763,440
9.25% 25,813,119
9.50% 7,943,628
<u>\$ 63,687,339</u>

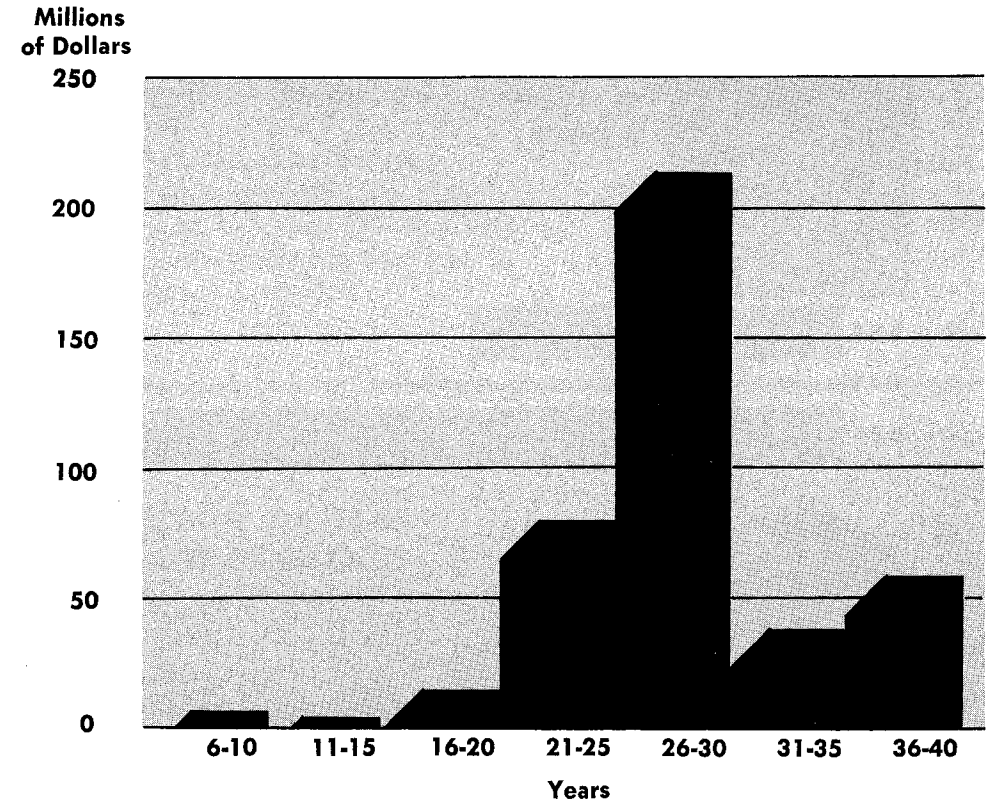
	Par Value
FHA Insured Mortgages	
4.50%	\$ 446
5.00%	19,924
5.25%	3,651,015
5.50%	6,017,230
5.75%	679,595
6.00%	757,281
6.75%	4,211,656
7.50%	2,297,520
	<u>\$ 17,634,667</u>

	Par Value
VA Guaranteed Mortgages	
4.50%	\$ 13,335
5.25%	940,523
5.50%	76,675
5.75%	333,563
6.00%	658,878
6.75%	417,653
7.50%	53,666
	<u>\$ 2,494,293</u>

	Par Value
H.U.D. Guaranteed Mortgages	
Various Rates	\$ 6,208,824
Total Mortgages (Par)	<u>\$156,883,288</u>
Total Mortgages (Market)	<u>\$141,277,798</u>

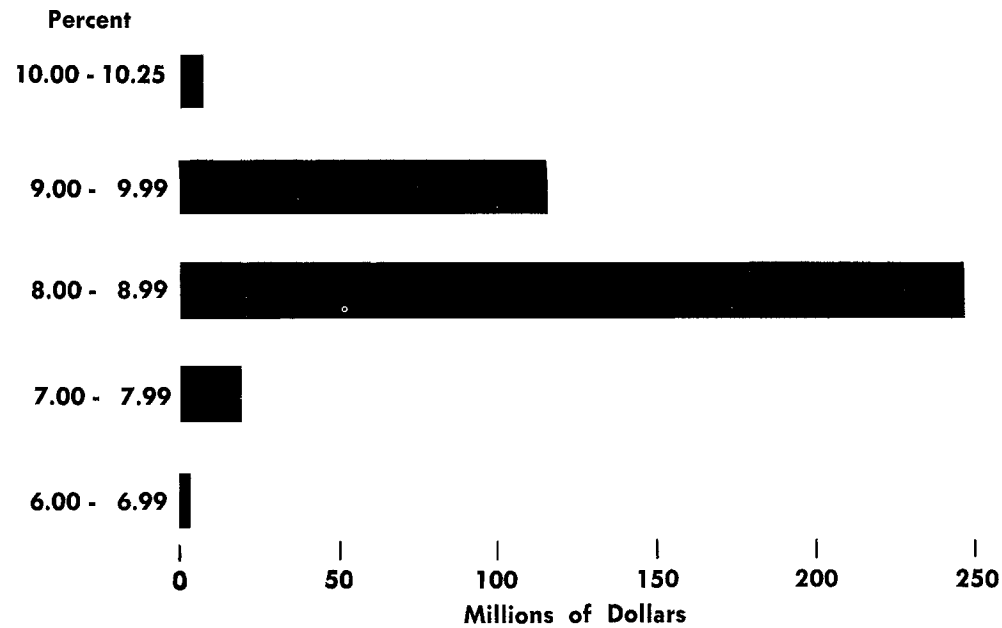
	Book Value
PRODUCTIVE REAL ESTATE	
Land and Buildings	
88 East Broad Street Columbus, Ohio	\$ 6,089,571
Prudential Property Investment Separate Account (PRISA)	7,000,000
Total Real Estate (Book Value)	<u>\$ 13,089,571</u>
Total Real Estate (Market)	<u>\$ 18,932,052</u>

BOND PORTFOLIO BY MATURITY
December 31, 1978



BOND PORTFOLIO BY INTEREST RATES

December 31, 1978



RATINGS BY MOODY'S

December 31, 1978

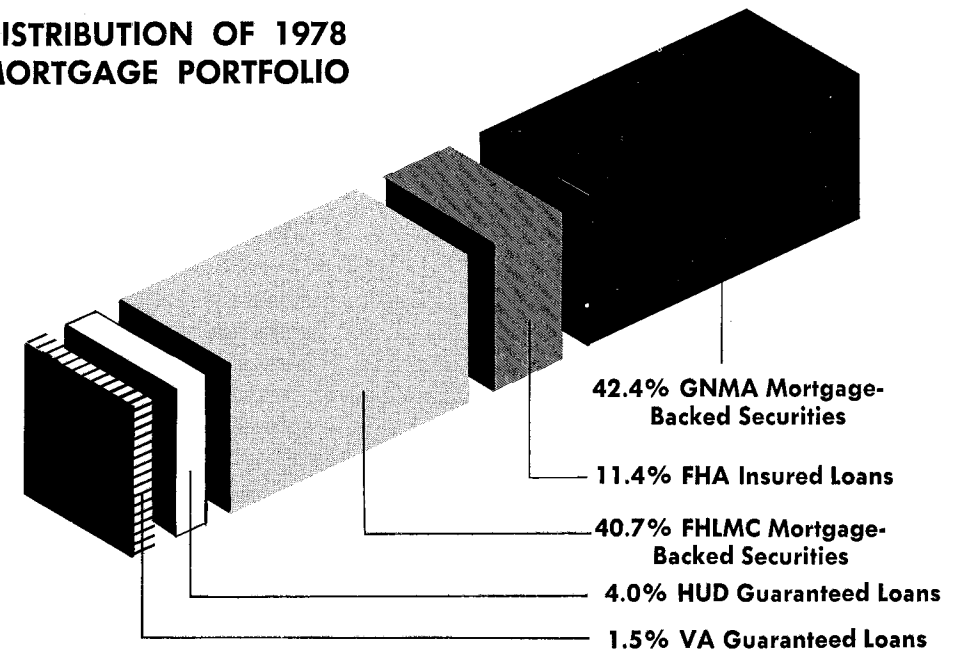
28.7% Aaa

40.5% Aa

30.8% A

All of the bonds in the portfolio fall within the top three grades of the nine bond quality ratings established by Moody's Investors Service, Inc.

DISTRIBUTION OF 1978 MORTGAGE PORTFOLIO



COMMON STOCKS

Number of Shares	Cost	Market
13,000	Aetna Life & Casualty Co.\$ 464,000	\$ 503,750
23,200	Affiliated Bankshares of Colorado, Inc. 995,280	510,410
41,820	Air Products & Chemicals, Inc. 1,508,066	987,997
30,000	AMAX, Inc. 1,432,222	1,462,500
30,000	American Express Co. 1,337,822	873,750
25,000	American Home Products Corp. 980,360	703,125
31,562	American International Group, Inc. 1,702,335	1,601,771
92,200	American Telephone & Telegraph Co. 5,057,835	5,589,625
25,600	Anheuser Busch, Inc. 1,345,515	608,000
58,880	Arizona Bank 1,005,974	839,040
39,500	Avon Products, Inc. 3,844,127	2,004,625
56,000	Bank America Corp. 1,486,910	1,442,000
29,500	Black & Decker Manufacturing Co. 1,139,355	490,437
40,000	Brown Forman Distilling Corp. (Class B) 1,100,770	1,360,000
40,000	C.I.T. Financial Corp. 1,735,951	1,255,000
15,000	Cities Service Co. 802,812	808,125
32,600	Coca Cola Co. 2,168,560	1,430,325
56,400	Colgate Palmolive Co. 1,864,575	937,650
42,000	Continental Oil Co. 1,249,860	1,181,250
45,000	Deere & Co. 1,295,392	1,558,125
30,378	Disney, Walt Productions 1,845,915	1,222,714
10,000	Dow Chemical Co. 235,500	251,250
19,000	Dun & Bradstreet Cos., Inc. 597,912	662,625
18,000	Du Pont (E.I.) de Nemours & Co. 2,551,921	2,286,000
45,000	Eastman Kodak Co. 5,291,622	2,610,000
86,000	Emerson Electric Co. 3,595,564	3,063,750
75,400	Exxon Corp. 3,470,726	3,704,025
32,000	Federated Department Stores, Inc. 1,595,617	1,024,000
15,000	First Bank Systems, Inc. 857,875	555,000
30,800	Fischbach & Moore, Inc. 2,019,575	731,500
29,000	General Electric Co. 1,460,818	1,366,625
20,600	General Motors Corp. 1,421,445	1,117,550
44,000	Getty Oil Co. 1,984,935	1,661,000
38,400	Grainger (W.W.) Inc. 1,393,616	1,248,000
35,000	Hercules, Inc. 905,813	573,125

COMMON STOCKS

Number of Shares	Cost	Market
7,000	Hewlett Packard Co.\$ 796,814	\$ 629,125
35,000	Honeywell, Inc. 1,923,750	2,432,500
50,000	Howard Johnson Co., Inc. 1,591,748	487,500
15,000	Ingersoll Rand Co. 1,162,897	727,500
23,500	International Business Machines Corp. 6,144,248	7,005,937
35,000	International Paper Co. 2,060,025	1,277,500
70,000	International Telephone & Telegraph 3,202,284	1,898,750
27,700	Johnson & Johnson Co. 3,455,468	2,042,875
40,000	Kimberly Clark Corp. 1,772,700	1,635,000
59,000	K Mart, Inc. 2,548,788	1,334,875
46,000	Knight Ridder Newspapers, Inc. 1,210,760	1,040,750
40,000	Kraft, Inc. 1,880,848	1,790,000
40,000	Lilly, Eli & Co. 3,187,290	1,915,000
25,000	M.G.I.C. Investment Corp. 1,675,935	459,375
20,000	McDonald's Corp. 1,249,832	930,000
41,400	Merck & Co., Inc. 3,639,007	2,799,675
50,000	Minnesota Mining & Manufacturing Co. 3,739,530	3,143,750
30,000	Mobil Oil Corp. 1,986,450	2,085,000
57,000	Monsanto Co. 3,551,327	2,679,000
35,000	Morgan, J.P. Co. 2,041,074	1,588,125
30,000	Motorola, Inc. 1,921,845	1,196,250
45,000	NL Industries, Inc. 997,475	922,500
47,000	Northern States Power Co. 1,355,513	1,104,500
45,000	Northwest Airlines, Inc. 2,041,431	1,282,500
60,000	Ohio Edison Co. 1,225,675	892,500
41,300	Penney, (J.C.) Co., Inc. 2,840,741	1,249,325
12,000	Pfizer, Inc. 582,750	394,500
30,000	Phillips Petroleum Co. 981,126	948,750
10,000	Polaroid Corp. 1,295,107	517,500
31,000	Procter & Gamble Co. 3,298,166	2,755,125
40,000	Reynolds, (R.J.) Industries, Inc. 2,448,920	2,265,000
50,300	Robins (A.H.) Co., Inc. 1,519,499	440,125
25,000	St. Regis Paper Co. 1,143,445	706,250
35,000	Santa Fe International Corp. 1,198,425	984,375
80,000	Schering Plough Corp. 3,646,558	2,370,000