

# THE RISK FACTOR

## Method of Investing

Friday 29 October 1999

Since 1977

Issue 548

**OVERALL MARKET RISK:**  
**VERY HIGH RISK**  
**OMR: 5.22**

**Long Term Risk:**  
**VERY HIGH RISK**  
**LTR: 8.309**

**Intermediate Term Risk:**  
**BELOW NORMAL RISK**  
**ITR: 0.785**

**Short Term Risk:**  
**VERY LOW RISK**  
**STR: 0.800    ASTR: 0.389**

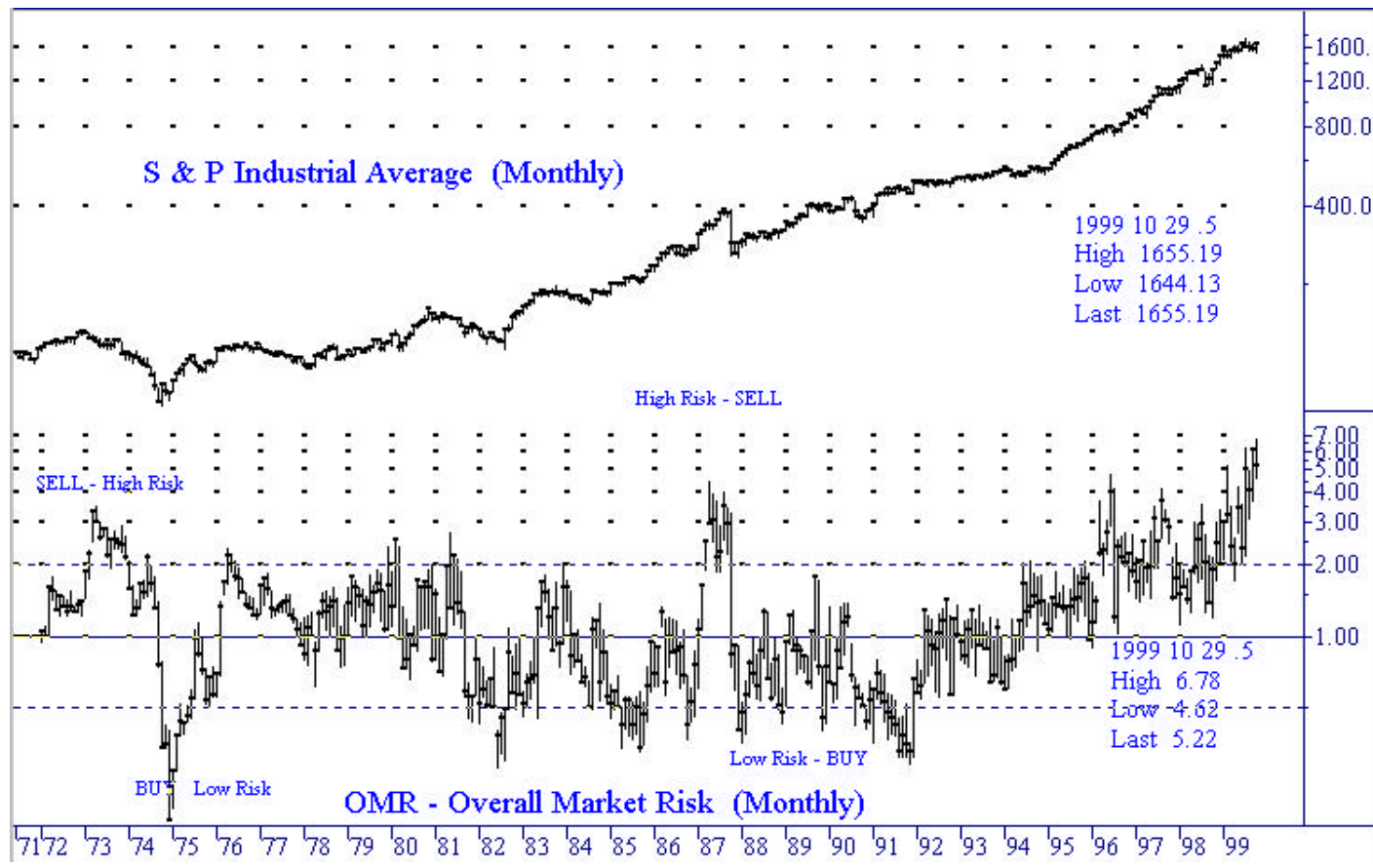
**OVERALL MARKET RISK (OMR):** This indicator gives an overview of the total degree of risk inherent in the market at any time. The lowest degree of risk recorded during the last eighteen years was .28 on 18 June 1982. The highest degree of risk was 6.78 on 11 October 1999. Cash/Margin positions should range from a minimum of 89% cash for conservative accounts to a 82% minimum cash position for speculative accounts.

**LONG TERM RISK (LTR):** Based on dividend yields we expect Dow Jones Industrial Average to trade in the range of 4373 to 5830 over the next few years. Please note the market is currently above this range. Be sure to continue to use silver and gold as a hedge. Minimum 15%.

**INTERMEDIATE TERM RISK (ITR):** This indicator is most

significant at major market bottoms and tops. Once a signal is given it will remain in effect until the next change in signals. That last change in signals was to buy on 10 November 1997. It is currently at 4. The maximum expected range during the next week-and-a-half will be +2 to +6. On 24 September 1999 we had a renewed buy signal.

**SHORT TERM RISK (STR):** A conservative sell signal was given 22 July 1999. Actual Short Term Risk (ASTR) is 0.389.



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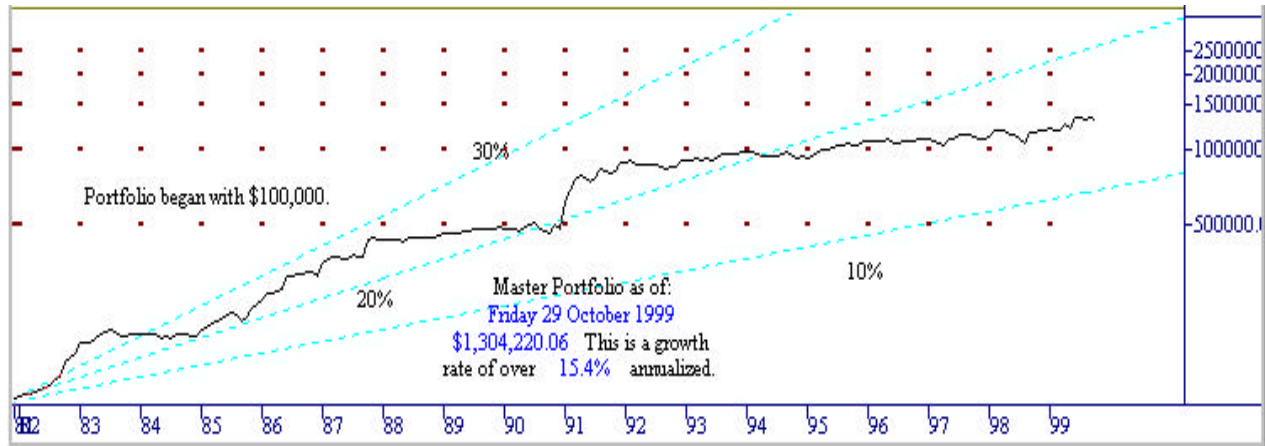


## So, How Are We Doing?

Invest/O Registered Investment Advisors began publishing “The Risk Factor Method of Investing” in January of 1977. We have been publishing the Master Portfolio since December of 1981 on an assumed \$100,000. Our complete track record is available upon request.

The following chart shows our results on a year-end basis. This is followed by a graph showing our results plotted monthly versus a 20% and a 30% annualized goal.

Portfolio beginning Value (31 Dec 1981	\$100,000.00			
Portfolio Value after 1 Yea 04 Jan 1983	\$151,188.30	Up	51.19%	1st year
Portfolio Value after 2 Yea 31 Dec 1983	\$178,779.42	Up	18.25%	2nd year
Portfolio Value after 3 Yea 31 Dec 1984	\$175,638.67	Down	-1.76%	3rd year
Portfolio Value after 4 Yea 31 Dec 1985	\$237,973.88	Up	35.49%	4th year
Portfolio Value after 5 Yea 31 Dec 1986	\$309,699.35	Up	30.14%	5th year
Portfolio Value after 6 Yea 31 Dec 1987	\$428,958.38	Up	38.51%	6th year
Portfolio Value after 7 Yea 31 Dec 1988	\$446,021.88	Up	3.98%	7th year
Portfolio Value after 8 Yea 31 Dec 1989	\$483,471.37	Up	8.40%	8th year
Portfolio Value after 9 Yea 31 Dec 1990	\$480,280.76	Down	-0.66%	9th year
Portfolio Value after 10 ye 31 Dec 1991	\$879,172.01	Up	83.05%	10th year
Portfolio Value after 11 ye 31 Dec 1992	\$902,939.65	Up	2.70%	11th year
Portfolio Value after 12 ye 31 Dec 1993	\$969,016.95	Up	7.32%	12th year
Portfolio Value after 13 ye 31 Dec 1994	\$933,996.99	Down	-3.61%	13th year
Portfolio Value after 14 ye 31 Dec 1995	\$1,064,305.63	Up	13.95%	14th year
Portfolio Value after 15 ye 31 Dec 1996	\$1,086,568.41	Up	2.09%	15th year
Portfolio Value after 16 ye 31 Dec 1997	\$1,098,942.41	Up	1.14%	16th year
Portfolio Value one year a: 31 Oct 1998	\$1,174,386.51			
Portfolio Value after 17 ye 31 Dec 1998	\$1,186,000.39	Up	7.92%	17th year
Current Portfolio Value 29 Oct 1999	\$1,304,220.06	Up	11.06%	Past 1 Yea



## MARKET MUSINGS

### Alternative Energy – Let’s Clean Up The Source Of Our Power

We are probably known best for our non-traditional philosophy of choosing stocks that don't fit the mold of conventional portfolio management. In 1983 we bought Compaq Computer instead of IBM because we were impressed with our portable computer that was faster and less expensive than the offerings of Big Blue. In 1988 after not finding a telephone in the Baja while on a whale-watching vacation we bought Telefonos de Mexico when we heard the Mexican government was selling off the government owned telephone company. And back in 1978, during the second oil embargo, we bought a bunch of solar companies because we felt we needed to do something to encourage the development of alternative power supplies.

In the past few newsletters we have written about one of our portfolio segments, water. This month we are highlighting alternative energy. Specifically power that is not generated by the burning of fossil fuels, hydroelectric dams or nuclear plants. We object to the burning of fossil fuels because of the CO<sub>2</sub>, CO<sub>3</sub>, and SO<sub>2</sub> emissions, hydro because of the fish population decimation and destruction of river basin ecosystems, and nuclear because we haven't figured out what to do with the waste and the potential for disaster.

Talking about water is easy, either you are pumping it, or treating it. When we talk about energy we must distinguish between how dirty the source is and if it is worth the effort to produce as cleanly as possible. ALL sources of power have their downsides. ALL sources of power have their dirty side. All sources of power have their benefits. Coal, oil, natural gas, hydro, and nuclear are relatively inexpensive when we are only looking at the immediate cost. It is the longer-term expense that we as a society must address.

The term green power refers to electricity generated by renewable resources like wind, sunlight and even decomposing garbage in selected landfills. Unlike fossil fuels, the sun renews green power, so it's environmentally friendly.

To begin with it is best to mention what kinds of alternative energy we currently have.

- ❑ **Geothermal** – The production of power by drilling holes in geothermal areas, putting circulation pipes into the holes and extracting the heat to generate power through steam turbines. Discussion: There are several areas around the world where geothermal power is useful and efficient. The dirty part is what to do with the salt brine that must be extracted to put the pipes into the ground. Also, if you were to use geothermal power near Yellowstone National Park, what would be the effect on Old Faithful? There is another type of geothermal power that a homeowner can use, the geothermal heat pump. By drilling holes into the earth and piping either air or a fluid through you can cool an overheated house during the summer and warm a cold house during the winter by using the natural ambient temperature of the earth (around 55° to 59°).
- ❑ **Photovoltaics** – Power from the sun makes a lot of sense until you consider that you must store the power for use later when the sun isn't shining. There is also the cleanliness/pollution factor in the production process of the cells. I have used power from photovoltaics for the past decade to run some of our incidental monitors and TVs. The price of photovoltaics has come down but is still too expensive for the average homeowner. Interestingly you can now buy shingles made of photovoltaics. The worldwide photovoltaic module market is estimated to be \$1.2 billion in 1999 and growing to \$3 billion in five years.
- ❑ **Wind power** – The grain merchants of Holland used the idea hundreds of years ago. As the wind swept in from the sea they captured its power and converted it into mechanical energy to grind wheat. Most wind power is produced by the conventional wind turbine similar in design to those used in Holland. The dirty side of wind power is that it can be noisy and the old style of rotor blades kill raptors such as hawks and eagles. There is another type of rotor based on the principle of a cylindrical

SUBSCRIPTION INFORMATION		<u>One Year</u>	<u>Two Years</u>	<u>Three Years</u>
<b>Semi-Monthly Limited Service</b>	(Via Regular U.S. Mail only)	\$175.00	\$300.00	\$400.00
<b>Semi-Monthly Limited Service</b>	(Same as above - e-mail only)	\$99.00	\$189.00	\$249.00
<b>Monthly Limited Service</b>	(Via Regular U.S. Mail only)	\$100.00	\$175.00	\$225.00
<b>Monthly Limited Service</b>	(Same as above - e-mail only)	\$59.00	\$99.00	\$149.00

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The Risk Factor Method of Investing is written and compiled by William John Kuhn and Adam J. Coppock. Editor: M. Leigh Cruden.

rotor similar to that used by Jacques Cousteau on one of his ships. Although still noisy at least it doesn't kill birds. Neither is the type of power supply that you can conveniently put on top of your house.

- ❑ **The storage of power** (i.e. Batteries) – Once you have produced the power as cleanly as possible, you then need to store it for use when it is needed. The best storage devices we have so far are batteries. The problem, batteries are NOT clean. One of the most difficult waste products to deal with in our society are old batteries. Acid, lead, and other hazardous chemicals are used to make most batteries. Have you ever read the warning labels on batteries? “Do not dispose in fire, recharge, put in backwards, disassemble...” When we recommend a company that deals with batteries, we know that they have a recycling policy that will deal with the old batteries so they don't end up in landfills.
- ❑ **Passive solar** – Or better put, if you build an efficient home in the first place you won't use as much energy to light and heat it. The passive solar companies will be mostly dealing with building supplies. Manufacturers of films for glass and insulating products could fit under this heading.

- ❑ **Green fuel** – Such as the burning of collected methane gas from decomposing garbage in a landfill. Although it is laudable to use decomposing garbage as a fuel source it must be remembered that our goal here is to not have to burn the fuel. One of our goals regarding garbage is to not produce it in the first place. Since we are interested in keeping greenhouse emissions to a minimum we will not be putting a lot of emphasis on green fuel to handle long-term energy needs. There are several companies that burn old tires as a mixture with coal, but again our goal is to reduce the dependency on combustibles.
- ❑ **Alternative fuels and cogeneration**, including vegetable oils such as soy and corn oil, biomass, and fuel cells – Biomass is stored solar energy that can be converted to electricity or fuel. Probably the best known alternative fuels company would be Archer Daniels Midland, producers of fuel ethanol. Cogeneration is where all of the byproducts such as heat are used in the production of electricity. We are including both biomass and fuel cells in this category because they do involve some combustion. Fuel cells were invented in 1839 and act like batteries that need fuel instead of recharging. The cells generate electricity with a chemical reaction of hydrogen, stored in a fuel tank, and oxygen from the air. The problems are how

Symbol	Name	Last Data 991029.5 Price	HomePage Address	Geothermal	Fuel Cell	Wind Power	Photovoltaics	Batteries	Passive Solar	Alt Fuels	Bio-mass	Instruments
AERN	A E R Energy Res Inc	0.789	<a href="http://www.aern.com">www.aern.com</a>					x				
AES	A E S Corp	56.4375								x		
AESCW	A E S Corp Warrants	81								x		
AVX	A V X Corp - Kyocera	40	<a href="http://www.avxcorp.com">www.avxcorp.com</a>				x		x			x
AGEO	American Geological Entpr	0.5313		x								
APCC	American Pwr Convrns Corp	22.4375	<a href="http://www.apcc.com">www.apcc.com</a>					x				x
AME	Ametek Inc	19.75	<a href="http://www.ametec.com">www.ametec.com</a>									x
ADM	Archer Daniels Midland Co	12.25	<a href="http://www.admworld.com">www.admworld.com</a>							x	x	
AVA	Avista Corp	18	<a href="http://www.avistacorp.com">www.avistacorp.com</a>		x							
BLDP	Ballard Power Systems Inc	28.0625	<a href="http://www.ballard.com">www.ballard.com</a>		x							
CPN	Calpine Corp	57.625	<a href="http://www.calpine.com">www.calpine.com</a>	x						x		
CWST	Casella Waste Systems (merging v	13.4375	<a href="http://www.casella.com">www.casella.com</a>								x	
ENER	Energy Conversion Devices	9.4375	<a href="http://www.ovonic.com">www.ovonic.com</a>				x	x		x		
ENE	Enron Corp	39.9375	<a href="http://www.enron.com">www.enron.com</a>			x				x		x
FCL	Fuelcell Energy Inc	25.625	<a href="http://www.fuelcellenergy.com">www.fuelcellenergy.com</a>		x							
IDA	IdaCorp Inc	30.1875	<a href="http://www.idacorpinc.com">www.idacorpinc.com</a>		x		x					
JCI	Johnson Controls Inc	61	<a href="http://www.jci.com">www.jci.com</a>					x				x
KTIE	K T I Inc	6.8125									x	
KWND.OB	Kennetech Corp	0.488				x						
MKTY	Mechanical Technology Inc	21.25	<a href="http://www.mechtech.com">www.mechtech.com</a>		x			x				x
MEC	Mid American Energy (CE)	33.625	<a href="http://www.midamericanenergy.com">www.midamericanenergy.com</a>	x		x						
OPTX	NetOptix Corporation	19.75	<a href="http://www.netoptix.com">www.netoptix.com</a>				x					
OCLI	Optical Coating Lab Inc	106.875	<a href="http://www.ocli.com">www.ocli.com</a>				x		x			x
PWER	Power-One Inc	20	<a href="http://www.power-one.com">www.power-one.com</a>									x
RGTC	Real Goods Trading Corp	4.9375	<a href="http://www.realgoods.com">www.realgoods.com</a>				x	x	x			
SEE	Sealed Air Corp	55.375	<a href="http://www.sealedair.com">www.sealedair.com</a>						x			
SMAWY	Siemens A G	90	<a href="http://www.siemens.de/en/home/index.shtml">www.siemens.de/en/home/index.shtml</a>				x				x	x
SPIR	Spire Corp	4.1875	<a href="http://www.spirecorp.com">www.spirecorp.com</a>				x					x
SSSS	Stewart & Stevenson Svcs	13.25	<a href="http://www.ssss.com">www.ssss.com</a>									x
TXN	Texas Instruments Inc	89.75	<a href="http://www.ti.com">www.ti.com</a>				x					x
TCK	Thermo Ecotek Corp	7.625	<a href="http://www.thermo.com/subsid/tck1.html">www.thermo.com/subsid/tck1.html</a>								x	
THP	Thermo Power Corp	11.9375	<a href="http://www.thermo.com/index.html">www.thermo.com/index.html</a>							x		
TGN	Trigen Energy Corp	23.3125	<a href="http://www.trigen.com">www.trigen.com</a>							x	x	x
TYC	Tyco Laboratories Inc	40.125	<a href="http://www.tycoint.com">www.tycoint.com</a>									x
ULBI	Ultralife Batteries Inc	4.0938	<a href="http://www.ulbi.com">www.ulbi.com</a>					x				
VTO	Vitro Sociedad Anonima	3.9375	<a href="http://www.vto.com">www.vto.com</a>				x		x			
YORK	York Research Corp	3.9375				x				x		

do you get free hydrogen, and how do you store it? The fuel source (the free hydrogen) is the problem. Either you pump up with hydrogen at a filling station or you have to first remove it from another source. Before you start driving around with hydrogen in your fuel tank you might want to review old film footage of the German zeppelin Hindenburg as it arrived at Lakehurst NJ in 1937. Once the source of the fuel is figured out fuel cells will sweep both the auto industry and the home heating market. Because fuel cells are nonpolluting, powerful, noiseless, fuel-efficient and don't require recharging they have the capability of becoming as commonplace as cell phones within the same short time.

- And the general area of the **instruments and controls** necessary to regulate, monitor, and maintain alternative energy – There are several electrical and even plumbing components necessary in developing alternative power. Companies may qualify for inclusion even though they do not actually produce the end product. Ametek and Tyco International fall into this category.

**Notes and Specifics on a Few of these Stocks (Charts courtesy of Yahoo Finance):**

**Ballard Power Systems Inc:** Ballard Power Systems is the world leader in developing, manufacturing and marketing zero-emission PEM fuel cells for use in transportation, electricity generation and portable products. Ballard Power Systems' proprietary fuel cell technology is enabling automobile, electrical equipment and portable power product manufacturers to develop environmentally clean products for sale. The fundamental component of these end-user products is the

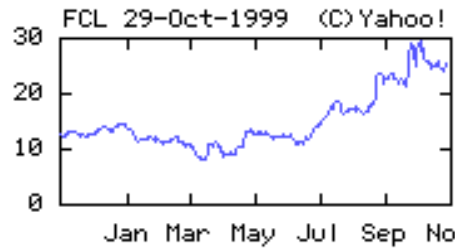


Ballard fuel cell that combines hydrogen (which can be obtained from methanol, natural gas or petroleum) and oxygen

(from air) without combustion to generate electricity. Ballard is partnering with strong, world-leading companies including DaimlerChrysler, Ford, GPU International, ALSTOM and EBARA to commercialize Ballard fuel cells. Ballard has also supplied fuel cells to General Motors, Nissan, Volkswagen, Yamaha, Cinergy and Matsushita Electric Works.

**Enron Corp:** This stock is a major player in the energy business. With their size, their clout and their resources, Enron has the capability to be a leader in a shift to a more sustainable energy industry. They have an entire division devoted to the development of wind power, and are working with alternative fuels.

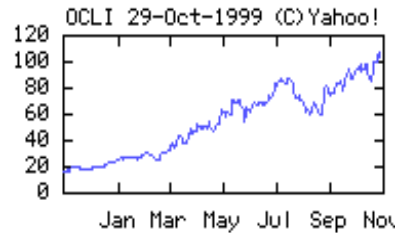
**Fuelcell Energy Inc:** This is another company involved in the growing fuel cell industry. They are a world-recognized leader



in the field of high efficiency fuel cells for electric power generation. Their "Direct FuelCell" technology takes the inherent attractiveness of fuel cells one step

further by eliminating the external fuel processing to extract hydrogen from a hydrocarbon fuel. This results in a simpler and more efficient system compared with conventional fuel cells. FuelCell Energy is based in Danbury, Conn.

**In the solar energy business** we have **Spire Corp**, the world's leading supplier of photovoltaic manufacturing equipment and production lines, establishing local PV manufacturing enterprises in selected locations throughout the world. Also take a look at the impressive performance of **Optical Coating Labs Inc.**, whose products control and enhance light by altering its various wavelengths to achieve specific effects such as reflection, refraction, absorption, abrasion resistance, anti-glare and electrical conductivity. OCLI is best known for its products being used in space, on spacecraft and telecommunications satellites.



**Where are we now?**

The OMR (Overall Market Risk) at 5.22 is by definition **Very High Risk**. Just before our mid-month newsletter Alan Greenspan communicated that the Fed would be reining in the market. Presumably this means continuing to raise interest rates. As a result, rates are expected to rise at the next FOMC meeting in two weeks, but only by a quarter percent. Two old Wall Street axioms are "Don't Fight the Tape" and "Don't Fight the Fed". The A-D line is extremely ugly and the Fed is raising rates. Taking action that is contrary is risky. Yet there is one thing that is positive (at least for the next six months), the seasonal nature of the market.

*William John Kuhn and Adam J. Coppock*

The Risk Factor Method of Investing - Friday 29 October 1999

Stock Symbol	Stock Names	Industry Group	Ind Rank	EPS	RS	Ave	VL Rn	S&P Rnk	Yld	P/E	If 100% Invs	% of Curr	Current Price	Target # Shrs	Value of Shares
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Core Portfolio = 50% of Total

**YIELD PORTION**

(Suggest 10 different securities in 8 different groups at 2.5% per stock)

ONE	Bank One Corp	BankMid	46	70	12	43	A	A	4.44	10.2	1.50	0.75	37.81	20	756.25
CMA	Comerica Inc	BankMid	46	80	50	59	B+	A	2.42	14.3	1.50	1.00	59.44	17	1,010.44
FSS	Federal Signal Corp	EleEqpt	57	34	23	38	A	A+	3.93	14.0	3.00	1.25	18.81	66	1,241.63
GTE	G T E Corp	TelcomSv	69	58	68	65	A	B+	2.50	21.0	0.00	0.00	75.25	0	0.00
HE	Hawaiian Elec Inds Inc	EleUtW	13	38	44	32	A	B+	7.35	11.5	3.00	1.00	33.75	30	1,012.50
HSY	Hershey Foods Corp	FoodPro	22	55	31	36	A+	A	2.06	20.8	3.00	1.00	50.50	20	1,010.00
LZ	Lubrizol Corp	ChemSpr	58	69	52	60	A+	B	4.06	13.5	3.00	1.75	25.63	68	1,742.50
USW	U S West Comm Group	TelcomSv	69	62	66	66	A+	B+	3.50	18.7	1.50	1.00	61.06	16	977.00
												7.75 %			

**HEDGE PORTION**

(Suggest minimum of 5 different securities at 2% each in the precious metals groups)

ABX	Barrick Gold Corp	GoldSlvr	65	52	52	56	B	A-	Nil	22.9	13.50	7.50	18.31	410	7,508.13
BMG	Battle Mountain Gold Co	GoldSlvr	65	17	54	45	B+	C	Nil	Loss	6.00	1.75	2.69	651	1,749.56
CDE	Coeur d Alene Mines Cor	GoldSlvr	65	23	57	48	NL	C	Nil	Loss	6.00	3.00	4.38	686	3,001.25
PDG	Placer Dome Inc	GoldSlvr	65	10	67	47	B+	B-	1.62	61.9	6.00	2.75	12.38	222	2,747.25
												15.00 %			

**WATER PORTION**

(Suggest minimum of 5 different securities at 2% per stock)

AZX	Azurix Corp	Environm	50	4	12	22	NL	NR	Nil	NMF	3.00	0.75	14.06	53	745.31
ION	Ionics Inc	Environm	50	57	39	49	B+	B+	Nil	21.9	3.00	1.50	29.50	51	1,504.50
MIL	Millipore Corp	ChemDiv	20	78	54	51	A	B	1.38	23.8	3.00	1.50	31.88	47	1,498.13
NLC	Nalco Chemical Co	ChemSpr	58	57	88	68	A+	A-	1.89	25.1	0.00	0.00	52.81	0	0.00
OSM	Osmonics Inc	ChemBas	14	53	62	43	NL	B	Nil	20.8	3.00	1.25	10.00	125	1,250.00
WATR	Tetra Tech Inc	Environm	50	96	54	67		NL	Nil	18.9	3.00	2.00	15.88	126	2,000.25
												7.00 %			

**ALTERNATIVE ENERGY STOCK** (Suggest minimum of 5 different securities at 2% per stock)

AVX	A V X Corp - Kyocera (Pr	FrngElct	35	60	94	63	NL	NR	0.60	NMF	3.00	2.00	40.00	50	2,000.00
JCI	Johnson Controls Inc	EleEqpt	57	92	50	66	B+	A	1.64	14.0	2.00	1.25	61.00	20	1,220.00
MEC	Mid American Energy (Ct	CoalAltE	50	57	71	59	0	B+	Nil	15.2	2.00	1.25	33.63	37	1,244.13
SEE	Sealed Air Corp	PkgCont	29	89	68	62	C+	NR	Nil	29.1	2.00	1.25	55.38	23	1,273.63
TYC	Tyco International	Diversfd	44	99	66	70	B+	B+	0.12	22.4	0.00	0.00	40.13	0	0.00
												5.75 %			

**ECOLOGY/ENVIRONMENT STO** (Suggest minimum of 3 different securities at 2 % per stock)

AW	Allied Waste Inds Inc	Environm	50	98	4	51	NL	C	Nil	8.3	0.00	0.00	10.50	0	0.00
EEI	Ecology & Environment I	Environm	50	17	30	32	NL	B-	Nil	NMF	2.00	0.75	6.00	125	750.00
IMR	Imco Recycling Inc	Environm	50	65	44	53	NL	B+	1.64	12.5	2.00	1.00	14.63	68	994.50
SDW	Southdown Inc	CementA	33	85	30	49	0	B-	1.24	8.5	0.00	0.00	48.31	0	0.00
WMI	Waste Management (US)	Environm	50	98	4	51	0	B-	0.22	9.0	0.00	0.00	18.38	0	0.00
VVDIY	Vivendi SA ADRs	Environm	50	50	50	50	NL	NL	Nil	NMF	3.00	1.50	15.00	100	1,500.00
												3.25 %			

Peripheral Portfolio = 50% of Total

**PERIPHERAL STOCKS**

BLDP	Ballard Power Systems Ir	PreciIn	75	24	56	52	NL	B-	Nil	NMF	0.00	0.00	28.06	0	0.00
FCL	Fuelcell Energy Inc	PreciIn	75	16	94	62	NL	NL	Nil	NMF	0.00	0.00	25.63	0	0.00
LU	Lucent Technologies	TelcomEc	94	98	75	89	B+	NR	0.12	48.3	0.00	0.00	64.25	0	0.00
OCLI	Optical Coating Lab Inc	PreciIn	75	91	98	88	NL	NL	0.11	87.6	0.00	0.00	106.88	0	0.00
RYURX	Rydex Urca Fund	InvstCoD	31			10	NL	NL	Nil	NMF	0.00	0.00	8.33	0	0.00
SPIR	Spire Corp	PreciIn	75	30	76	60	NL	NL	Nil	NMF	0.00	0.00	4.19	0	0.00
MDY	Standard & Poors MidCa	MktIndex	100	83	60	81	NL	NR	Nil	NMF	0.00	0.00	75.31	0	0.00
SPY	Standard & Poors Spyde	MktIndex	100	75	64	80	NL	NR	Nil	NMF	0.00	0.00	137.00	0	0.00
YHOO	Yahoo! Inc	Internet	99	77	89	88	NR	NR	Nil	389.3	0.00	0.00	179.06	0	0.00
Futures												1	0.00		
SPTXT SP 500 Dec 1100 Put Options												0.00	2.75	0	0.00
SZPXT SP 500 Dec 1200 Put Options* ####												0.70	7.00	100	700.00

We are using Index Puts as an insurance policy in case a rapid decline were to develop.

0.70 %

Suggested Cash, Equivalents and/or Money Funds 60.55 % 60563 \$60,563.04

Total Liquidation Value of Target Portfolio 100.00 % \$100,000.00

Officers, employees and clients of INVEST/O - Registered Investment Advisors and The Risk Factor Method of Investing may have positions in securities recommended herein and may make additional purchases or sales.

The Risk Factor Method of Investing - Friday 29 October 1999

Cumulative Monthly Master Portfolio : 99 10 29				CURRENT PORTFOLIO			TARGET PORTFOLIO			
Stock Symbol	Stock Name	Industry Group	Current Price	Current # Shrs	Value of Shares	% of Current	% of Target	Target Value	Target # Shrs	
<i>Core Portfolio = 50% of Total</i>										
<b>YIELD PORTION</b>										
ONE	Bank One Corp	BankMid	37.81	250	9,453.13	0.72	0.75	9,782	259	
CMA	Comerica Inc	BankMid	59.44	175	10,401.56	0.80	1.00	13,042	219	
FSS	Federal Signal Corp	EleEqpt	18.81	775	14,579.69	1.12	1.25	16,303	867	
GTE	G T E Corp	TelcomSv	75.25							
HE	Hawaiian Elec Inds Inc	EleUtW	33.75	375	12,656.25	0.97	1.00	13,042	386	
HSY	Hershey Foods Corp	FoodPro	50.50	225	11,362.50	0.87	1.00	13,042	258	
LZ	Lubrizol Corp	ChemSpc	25.63	875	22,421.88	1.72	1.75	22,824	891	
USW	U S West Comm Grou	TelcomSv	61.06	200	12,212.50	0.94	1.00	13,042	214	
						7.14	7.75			
<b>HEDGE PORTION</b>										
ABX	Barrick Gold Corp	GoldSlvr	18.31	4950	90,646.88	6.95	7.50	97,817	5342	
BMG	Battle Mountain Gold C	GoldSlvr	2.69	7350	19,753.13	1.51	1.75	22,824	8493	
CDE	Coeur d Alene Mines C	GoldSlvr	4.38	7850	34,343.75	2.63	3.00	39,127	8943	
PDG	Placer Dome Inc	GoldSlvr	12.38	2700	33,412.50	2.56	2.75	35,866	2898	
						13.66	15.00			
<b>WATER PORTION</b>										
AZX	Azurix Corp	Environm	14.06	775	10,898.44	0.84	0.75	9,782	696	
ION	Ionics Inc	Environm	29.50	725	21,387.50	1.64	1.50	19,563	663	
MIL	Millipore Corp	ChemDiv	31.88	500	15,937.50	1.22	1.50	19,563	614	
NLC	Nalco Chemical Co	ChemSpc	52.81							
OSM	Osmonics Inc	ChemBas	10.00	1575	15,750.00	1.21	1.25	16,303	1630	
WATR	Tetra Tech Inc	Environm	15.88	2025	32,146.88	2.46	2.00	26,084	1643	
						7.37	7.00			
<b>ALTERNATIVE ENERGY STOCKS</b>										
AVX	A V X Corp - Kyocera ( FrgnElct		40.00	650	26,000.00	1.99	2.00	26,084	652	
JCI	Johnson Controls Inc	EleEqpt	61.00	225	13,725.00	1.05	1.25	16,303	267	
MEC	Mid American Energy ( CoalAltE		33.63	425	14,290.63	1.10	1.25	16,303	485	
SEE	Sealed Air Corp	PkgCont	55.38	325	17,996.88	1.38	1.25	16,303	294	
TYC	Tyco International	Diversfd	40.13							
						5.52	5.75			
<b>ECOLOGY/ENVIRONMENT STOCKS</b>										
AW	Allied Waste Inds Inc	Environm	10.50							
EEI	Ecology & Environmen	Environm	6.00	1225	7,350.00	0.56	0.75	9,782	1630	
IMR	Imco Recycling Inc	Environm	14.63	1225	17,915.63	1.37	1.00	13,042	892	
SDW	Southdown Inc	CementAg	48.31							
WMI	Waste Management (L	Environm	18.38							
VVDIY	Vivendi SA ADRs	Environm	15.00	1650	24,750.00	1.90	1.50	19,563	1304	
						3.83	3.25			
<i>Peripheral Portfolio = 50% of Total</i>										
<b>PERIPHERAL STOCKS</b>										
BLDP	Ballard Power Systems	Preciln	28.06							
FCL	Fuelcell Energy Inc	Preciln	25.63							
LU	Lucent Technologies	TelcomEq	64.25							
OCLI	Optical Coating Lab In	Preciln	106.88							
RYURX	Rydex Urso Fund	InvstCoD	8.33							
SPIR	Spire Corp	Preciln	4.19							
MDY	Standard & Poors MidC	MktIndex	75.31							
SPY	Standard & Poors Spyc	MktIndex	137.00							
YHOO	Yahoo! Inc	Internet	179.06							
Futures										
SPTXT	SP 500 Dec 1100 Put Options		2.75							
SZPXT	SP 500 Dec 1200 Put Options*		7	300	2,100.00	0.16	0.70	9,130	1304	
<i>We are using Index Puts as an insurance policy in case a rapid decline were to deve</i>						0.16	0.70	9,130		
MONEY MARKET YIELD 5.26%				1	812728	812,727.83	62.32	59.85	780,576	780576
<b>TOTAL LIQUIDATION VALUE</b>						<b>\$1,304,220.06</b>	100	100	1,304,220	

## DIGEST OF OTHER ADVISORY SERVICES

### Dow Theory Letters

PO Box 1759, La Jolla, CA 92038

Richard Russell

22 Sept 1999

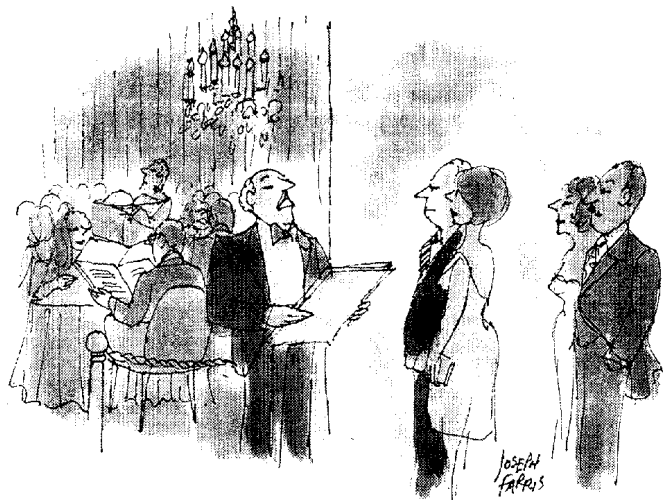
**Frantic:** Is it just me? I don't, think so. I have the strong impression that this nation is frantic, semi-hysterical, almost spinning out of control. In every area there's this feeling of speed, extreme competitiveness, money, more money. Today it isn't enough for a corporation to do OK, for its stock to be stable, for it to cover the dividend safely. Today the stock has to go up or else. Its employees are constantly looking for better jobs somewhere else, its CEO and top officers better be "growing the business" or they're history, and everybody is looking over his or her shoulder. The trend now is to merge and cut expenses by firing employees. Actually, lay-offs this year are running at double the rate of '98. A new book has been published entitled, "The Acceleration of Almost Everything" by James Gleick. The conclusion in the NY Times review: "Implicitly, 'faster' contains a darker judgment. What we lose as 'just about everything accelerates' is the chance to reflect, to analyze, and ultimately, to come up with moral judgments."

A recent cover of the *New Yorker* magazine featured "Hellhampton" and the meaning was clear enough. This once quiet area of Long Island has now become a crazy, overpopulated mess -- no longer a place to relax, it's now a place to be seen along with such media stars as Steve (pardon me, Steven) Spielberg and the Clintons. Today there's a frantic battle to get into the best colleges, a frantic tussle to get high SAT scores, a frantic push to get into the best restaurants, a frantic fight to get the most "hits" on the Internet, hysteria to produce the best revenue statistics of the week or month for your pop singer, your band, your latest film, your corporation, your anything. Day-traders, gamblers, video gamers, all are frantic. IPOs are coming out daily -- grab the money while the grabbing is good, get on the net, get thin, get great abs, reduce your thighs, do it, do it. Professional sports? Get the most money, the most home runs, the most 100-yard games, get waived, get with another team, get the most promotions, get to the Super Bowl. Get lot of sex, get a heart attack. Travel, travel, get away, get to the country, get to another country, get a first-class ticket, get a first-class ticket to anywhere. And that's the way I perceive the current picture. It's frantic, it's unhealthy, it's crazy, it's the vida loca, baby. Question: Is the frantic-ness just an American disease? According to the latest statistics, Americans are leading the world in hours worked. Americans worked an average of 1,966 hours at work in 1997 (the last year analyzed), and that's 4% more hours than they worked in 1980. So has technology made life easier for Americans? You do the math. Cover story from the latest *Fortune* magazine: "Young and Rich, the 40 Wealthiest Americans Under 40. They're amassing fortunes faster than any generation in history." Gosh, it's not enough that they're amassing big bucks, they've got to do it in a hurry?

**The Growing Gap:** Writes the *NY Times*, "The gap between rich and poor has grown into an economic chasm so wide that this year the richest 2.7 million Americans, the top 1%, will have as many dollars to spend as the bottom 100 million Americans. That ratio has more than doubled since 1977, when the top 1% had as much as the bottom 49 million,

according to new Congressional Budget Office information . . . IRS tax-return data show that two-thirds of Americans earned less than \$40,000 in 1997 . . . Many Americans who make \$80,000 to \$120,000 a year think of themselves as middle-class. But the fact is that while these people are not rich, they are also not in or even near the middle, which is only about \$32,000 in after-tax income." **Russell Comment:** I've said it before -- today you're either in the new high-tech and Internet economy and enjoying a high income -- or you're stuck in the old economy where you're selling washing machines or tightening bolts in a car factory.

**The great budget joke continues.** Already, spending has all but eliminated the much-touted "surplus," and it looks as though we're going to have another deficit. According to an article in the Sept. 6 *WSJ*, "Headlines boast of future surpluses big enough to fund new Medicare drug benefits or tax cuts worth hundreds of billions of dollars. But weeks before the start of the new fiscal year, all sides are looking under toadstools to avoid borrowing from the same Social Security funds they promised to lock away. No amount of gimmicks seem to make the numbers fit. Strict spending caps -- needed to finance the GOP's \$792 billion, tax cut -- have all but collapsed and require upward adjustments. And even the most optimistic scenario, Republicans are billions short as they try to cope with the must-pass appropriations bills to keep the government operating after Sept. 30." **Russell Comment:** Try as they might, the pols can't balance the budget because they can't stop spending more than they're taking in. On top of that, the **compounding process** continues to pile up more and more on the national debt. Over the last 12 months the national debt has **increased by \$113 billion** or more than \$2 billion a week. The relentless compounding process is slowly but surely driving the national debt through the roof.



"Cell phone or non-cell phone, please?"