

George Investment View

Spring, 1995

Volume 1, Number 2

Is the market headed for trouble? Is the Fed done with its interest rate hike kick? What about the dollar?

All this and more will be addressed as you enter into the minds of the future great financial analysts of our time.

HELLO! And welcome to the second edition of the *George Investment View*. In the next few pages get ready for some surprising, yet masterfully thought out ideas, views, and "hot stock" picks. Our overall strategy is still focused on a value-based analysis of individual companies. A strong financial and potential growth base weigh higher on the scale of importance than general stock market forecasts.

Conservative yet liberal, if that's possible, are the students of Stetson University's Roland George

Investments Program. We combine our solid base of investment knowledge with creativity and individual flavor. Some credit, we suppose, should be given to our wonder faculty: Dr. James Mallet, Prof. Ned W. Schmidt, CFA, and our "we couldn't do it without her" secretary Lynn Thompson. They play a minor role. Every once in a while we (the students) let them share a small nugget of their naive opinion on matters.

Anyway . . . this year, so far, has been very exciting in terms of the economy

and our local and foreign markets. We hope that you enjoy and learn from each of our unique interpretations and analysis of the world and its buyers and sellers in this edition of the *George Investment View*.

by Christie Houmes

Advisor's note: Graduating seniors of Stetson, after a rigorous program of business education, demonstrate strong evidence of well-earned confidence. Their panache is readily apparent in this issue.

EDITORIAL STAFF

Editors:

Mike Walter and Chuck Bryant

Director:

James E. Mallett, Ph.D.
George Investments Institute
904/822-7442

Advisor:

Ned W. Schmidt, CFA, CEBS
Visiting Professor of Applied
Investments

Publications Specialist:

Lynn Thompson

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REVIEW OF MARKET ACTION

Will the Federal Reserve (FED) continue to raise interest rates? This was the question foremost in the minds of financial analysts for most of the first quarter of 1995. Since February of 1994, the FED has raised interest rates seven times causing the Federal funds rate to increase to a current 6 percent, compared with 3.50 percent for this same time last year. The FED has been attempting to slow our country's fast economic growth.

Their strategy appears to be working for the present time, as Labor

Department statistics report that the economy's momentum is moderating in 1995.

THE BOND MARKET

With interest rates rising in 1994, the bond market had one of its worst years ever. Recently, bond prices appear to be posting small gains, however. Treasury bonds have rebounded by more than seven points—\$70 per \$1,000—from their deep lows yielding 8.16 percent in early November. However, traders are still uneasy and many feel that

the recent bond rally could be losing steam.

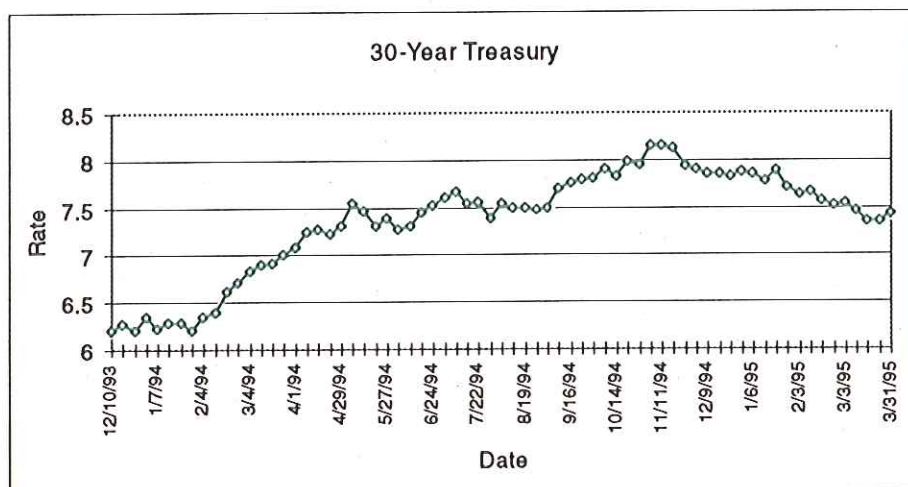
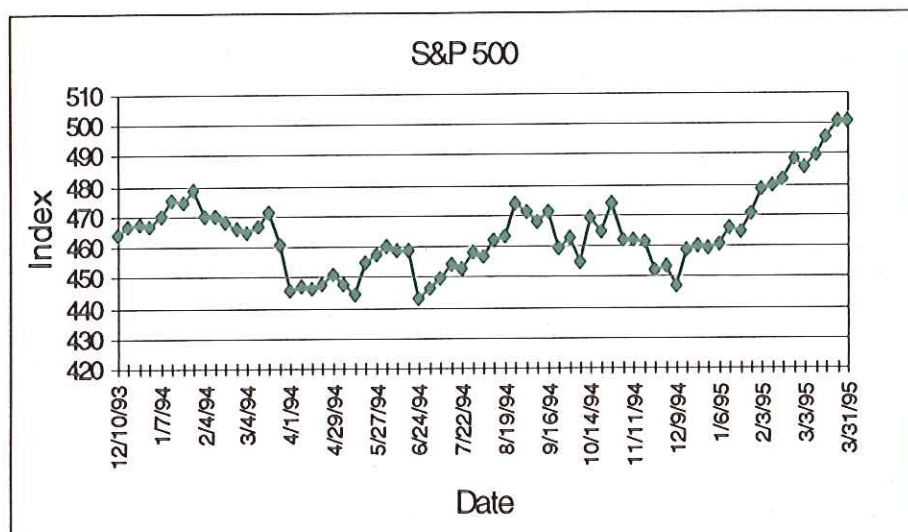
THE STOCK MARKET

The stock market finally surpassed the 4000 mark in March. Since that time, the Dow Jones Industrial Average has been setting new highs each week. Additionally, the NASDAQ composite has been able to also set new records. The technology sector appears to be leading, as forecasters are predicting increasing business and consumer demand for computers and semiconductors.

Overall, the U.S. financial market is experiencing mixed reviews by investors and analysts. Concern over the state of the U.S. dollar is discouraging some foreigners from investing in our capital market. The U.S. dollar has been setting record lows against the Japanese yen. Much of the blame falls on the U.S. trade deficit as this deficit pumps up the global supply of U.S. dollars. The U.S. trade deficit has repeatedly set all-time records. Usually, a lower dollar translates into more American exports and less foreign imports. This could lead to a more narrow trade deficit, and normally causes domestic inflation to rise.

Investors nervously await the outcome of each Federal Reserve meeting on monetary policy, and anticipate problems due to the decline of the U.S. dollar. The stock and bond markets are performing quite well, given the mixed signals for our nation's investors.

by Lori Ritter and
Melodye Brorup



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BULLISH ON STOCKS

Pessimism over future performance of the stock market for 1995, even as the Dow Jones Industrial Average (Dow) grows to record levels that comfortably exceed the 4000 level, continue to be fashionable. As the pessimists argue, the huge jumps experienced in February and March will soon come to a balance, and market conditions are now conducive to a big boom in 1995. The Dow, however, continues to rise, and is currently well above the 4000 mark. While some reaction to the recent record highs is inevitable, an upward trend can be expected for 1995 and 1996, making investments in the stock market promising for investors.

This year will mark the country's third year with the Clinton Administration. As the year before an election year, 1995 should be expected to bring large positive gains in the stock market. Presidential administrations try to build up the economy prior to re-election by increasing government

spending and pressing for the reduction of interest rates.

For us to base our "Bullish on Stocks" report strictly on a historical record, however, would not be adequate. Perhaps the fact that, in actuality, interest rates appear to be at their peak, and possibly on their way down, is a better determinant. The halting of any further rise or a reduction of interest rates, as recently hinted by Federal Reserve Chairman Alan Greenspan, would make the stock market most appealing this year.

Also related, corporate profits have continued to grow at impressive levels. Last year, while the Dow did not experience a large change from beginning to end, corporate profits of the Dow companies rose about 17%. Expect this to factor into the 1995 stock market through increased stock prices.

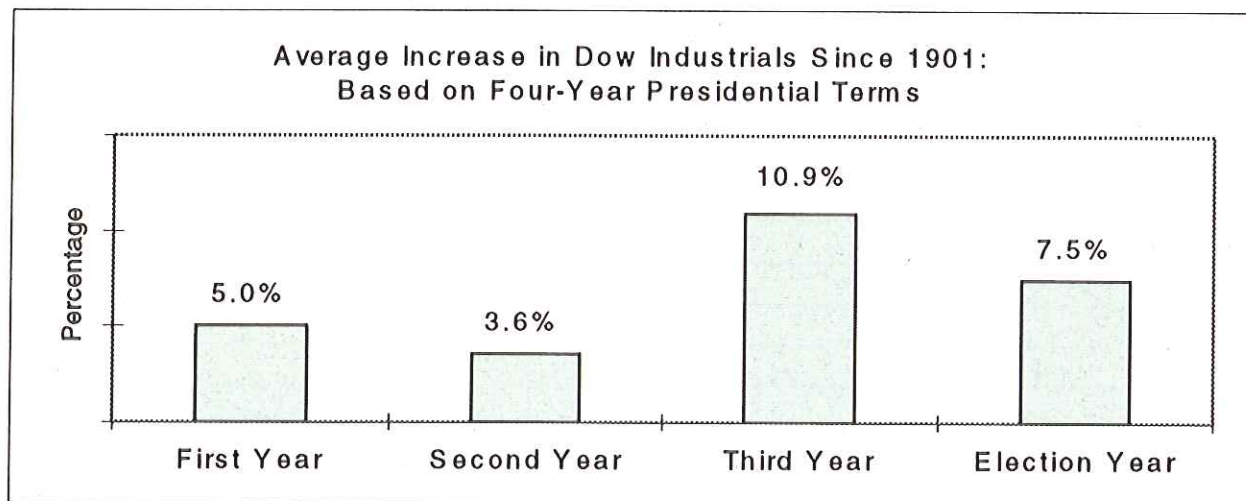
Another telling statistic is the reduction in short sales by market

specialists as a percentage of total short sales. While the number of short sales may reflect negative expected growth by the non-professional masses, market specialists are not as bearish.

The concern over inflation appears to be slowing, as well. GDP growth is expected to ease over the course of the year, which will in turn cause a reduction in the inflationary fears of investors. While there continues to be pessimism in the market, recent trends, specifically the strong profit growth, indicate positive gains for 1995.

Perhaps a major market rise will occur in 1995 in the face of extreme investor fear, but it will occur nonetheless. One final thought: If Michael Jordan can inspire a rally by returning to the game of basketball, how can we be anything but BULLish?

by Jason Dilonzo



Source: *Forbes*

BEARISH ON STOCKS

The herd of investors on Wall Street is quite strong, but there are more and more bears traveling in those herds. Change is evident on Wall Street, and many of the bulls do not want to face the fact. Many stocks that have performed well in the past have begun to falter. The increase in the Treasury bill yield has pulled investors away from the market. Economic conditions continue to slow due to higher interest rates induced by the Federal Reserve (Fed). The question that prevails is whether or not this will break the market?

Inflation continues to become more visible in our economy. Even though the Producers Price Index recently rose by only 0.3%, intermediate prices were up by 1.0% and raw materials by 3.0% in one recent report. These indicators might prove that the Fed is not through tightening. If the Fed raises interest rates again, this will send price/earnings multiples down.

The Dow Jones Industrial Average continues to make new highs, but this does not indicate that the overall market is doing well. The

broad market has not performed as well as one might think. Secondary stocks have performed far worse with a return that was barely above 4.0%. Many of the top money managers have shifted more of their funds into cash because of this, enabling them to make the similar returns without the added risk. With the market breaking new highs stock prices are becoming overvalued and eventually the market will correct itself.

Yields on Treasury bills have started to attract investors away from the market as well. As interest rates declined during the early 1990's, the yield on stocks became quite competitive relative to other investment alternatives. Aggressive action by the Fed pushed rates down. In the Fall of 1992, stock yields and T-bill yields were nearly the same. The stock market "screamed" as investors switched to stocks. Now, however, Treasury bills yield nearly twice that of stocks, a classic sell signal.

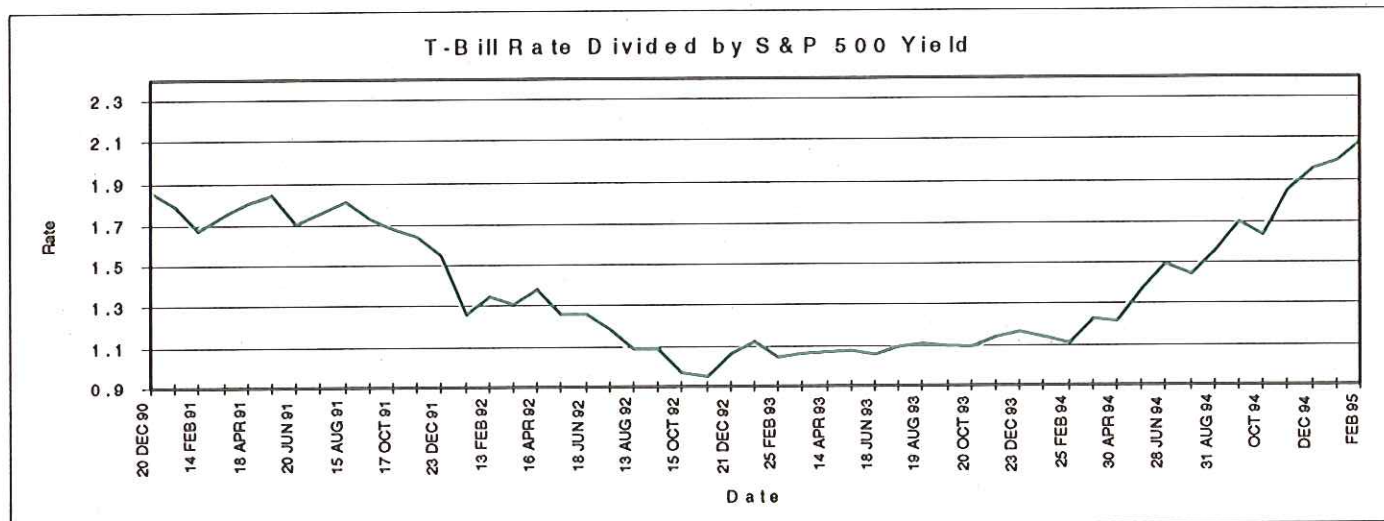
When the market is appearing so bullish there is another key factor proving that looks are deceiving. If

you take a look at the advance/decline line you will see that things are not as strong as the bulls would indicate. In a relatively strong market, the advance/decline line should have a larger percentage of gains than declines. This does not appear to be the case. Since its peak a year ago, the advance/decline line has not threatened reaching this level again.

Although the Dow Jones Industrial Index continues to reach new highs, there is little fundamental on which to stand. With inflation increasing, the dollar falling, and interest rates expected to rise, the market highs could merely be a short-lived trend.

The one thing that moves the market is "surprise". People seem to have similar concerns, that being: the peso and the Mexican economy, Clinton and Congress, the value of the dollar, the next interest rate increase and the Orange County and Baring's Bank failures. This is nothing new. What is to come for the market may be a dismal sight for those stubborn bulls.

by Marc Wooten



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ASHWORTH, INC. (ASHW)

In 1987 Ashworth, Inc. began making classically-styled, natural-fiber golf wear in the U.S., marketing exclusively to golf clubs, pro shops and resorts. Now ranked the #1 golf apparel company in the industry, Ashworth, Inc. has redefined golf wear, restoring a sense of style to the sport that reflects the nature of the game and the surroundings in which it is played. Natural fibers and colors, flowing lines, a loose relaxed fit, unprecedented attention to quality in product and presentation – innovations Ashworth, Inc. brought to golf wear – are now industry standards.

Based in Southern California, the company manufactures, markets and distributes shirts, sweaters, shorts, vests, pants, pullovers, and accessories. This year, Ashworth, Inc. has opened a hat factory, introduced a new line of golf-inspired men's casual wear, expanded the Ashworth product offering with a more extensive selection of products, styles, colors and fabrics, and firmly established brand recognition and acceptance for the company. This positions Ashworth, Inc. at the forefront of the industry as the game of golf enters a new era of national and international popularity.

The company's extraordinary leadership position in the industry has been achieved with a 30% penetration of the country's pro shops and resorts. This leaves significant room for expansion. Management's primary objective is to continue aggressive, controlled growth and maintain leadership in the golf apparel industry through innovative product design, manufacturing and marketing. In

STOCK DATA

1995 E EPS:	\$0.61
Current Price:	\$9.63
P/E Ratio:	15.6
Dividend:	None
Return On Equity:	15%
Annual Growth Rate:	15%

the coming year, Ashworth, Inc. will continue to support their objectives with several growth strategies.

Internationally, the popularity of golf is catching up with the popularity here in the U.S.. With international sales more than doubling in the last year, Ashworth, Inc. will continue to expand on their considerable overseas success. Now distributed in over 19 foreign markets, the company is realizing one of its goals of becoming a truly global company.

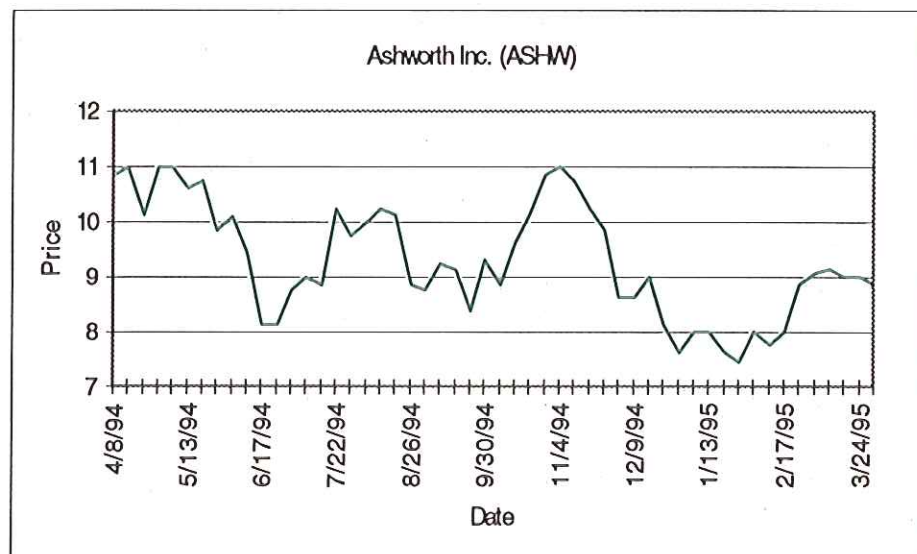
Ashworth, Inc. is currently introducing a new line of men's apparel inspired by the company's passionate involvement in the sport but it has extended beyond the boundaries of the game. Ashworth,

Inc. is actually introducing a new niche: golf-inspired casual men's wear. The company started shipping to better department and men's stores in April of 1994. Gaining access to markets beyond the green-grass accounts to which the Ashworth brand is restricted is one of the important elements of Ashworth, Inc.'s overall growth strategy. Along with this new line of apparel, the company is also introducing a hat factory. This is considered an extension of their core business, and has become one of their fastest growing segments of their overall business.

As is apparent from this article, Ashworth, Inc. has neither hooks nor slices in its basic business.

by Lisa-Marie Reeves and
Amy L. McCaslin

For more information, contact:
A. John Newman
Treasurer
619/438-6610



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PSC, Inc. (PSCX)

PSC, Inc. (formerly Photographic Sciences Corporation) is a leading manufacturer of equipment for the bar code industry; its products include hand-held laser bar code scanners, bar code verifiers and bar code film masters. PSC manufactures, markets, provides support service and repairs for electronic equipment that captures data through the use of bar codes; related products such as custom film masters for bar code printing and form slides for computer output microfilm recorders, and equipment for switching analog and digital data. Bar code equipment consists of bar code scanners, and quick check verifiers. Since 1987 the company has focused on expanding and developing its laser scan business.

Bar code scanning technology is currently being used in the food, defense, health care, manufacturing, aerospace, transportation, and retail industries. The industry continues to grow at a rapid pace. Being a leading manufacturer, with recent capital expansion, and sales throughout the world (international

STOCK DATA	
1995 E EPS:	\$0.75
Current Price:	\$13.58
P/E Ratio:	18.0
Dividend:	N/A
Return On Equity:	9.3%
Annual Growth Rate:	24%

sales account for 17% of revenue), PSC appears to be quite an attractive investment.

The ability to compete in the laser scanner marketplace is based upon price and features, and is strongly influenced by accessibility to certain patented technology. Important patent positions have been developed by PSC. In March of 1991, STI and PSC cross-licensed each other to use certain patents, thereby resolving a dispute between the companies and dispelling uncertainty which had developed in the marketplace regarding both companies' products.

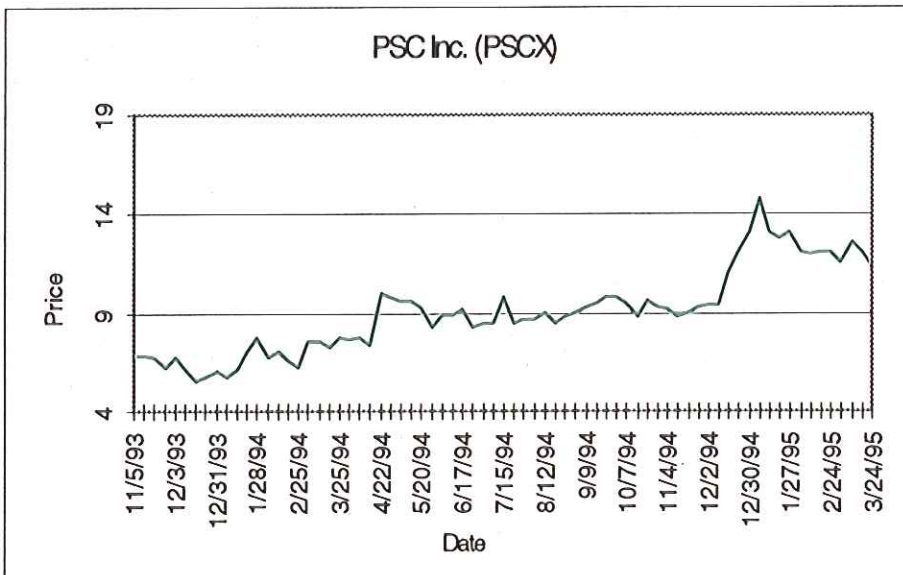
PSC has had increasing earnings since 1987. PSC's objective over

the next five years will be to grow to the \$100 million revenue level. PSC has made several acquisitions to achieve this objective. PSC has also entered into several bank agreements that included revolving credit lines for the purchase of capital equipment for expansion and new product development (namely laser scanners). The markets that PSC has targeted continue to offer a great deal of growth potential, as well as emerging markets, such as health care and pharmaceuticals. Construction has recently begun on a state of the art manufacturing facility in Webster N.Y. that will nearly TRIPLE their production capabilities.

Consumers, as well as investors, are aware of the emergence of bar code scanners. The industry has grown and continues to grow. Further evidence of PSC's leadership, stability, and growth can be seen in a recent issue of Forbes magazine (11-7-1994). Forbes recommends PSC as one of the worlds best small companies with tremendous growth potential. Recent developments show a record fourth quarter sales increase of 55% to \$60.4 million. From early December to late December the stock price rose over 50%. The price of the stock is currently up over 20 percent from early December. With recent continued capital expansion and increasing EPS estimates, the company may still be a great buy.

by Randall Rickmann

For more information, contact:
William J. Woodward
 Treasurer
 800/828-6489



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INTERNATIONAL STOCKS

The Czech Republic: Leading the Emergence of Central Europe

In September of 1994, Oppenheimer Capital International created the Czech Republic Fund (CRF) in the hopes of establishing an effective conduit for Western investors interested in participating in, and of course, profiting from, the exciting economic events currently taking place in Central Europe. As the first Central European closed end Fund, CRF is navigating uncharted waters.

However, now, five years after the birth of the regional market reform movements, the young history of capitalism in the Central Europe can be analyzed. More importantly, from an investors perspective, an accurate evaluation of the Czech Republic's potential to grow economically, as the country attempts to find its niche as an integrated, capitalistic economy, can be performed.

Among the former east-bloc nations, the Czech Republic is the leader in both privatization efforts and government "non-interference"

measures in the marketplace. From the outset of the reform era, the Czech Government advocated the rapid removal of price constraints and enabled its own citizens to buy shares in state held concerns through use of a voucher system.

As a measure of the privatization progress in Central Europe, 65% of Czech GDP was derived from the private market in 1994. No other former east-bloc country has a rate greater than 40% of private contribution to total GDP.

These statistics are all the more meaningful in light of the fact that other than Poland (growth rate of 5%), no other area reform country is experiencing as fast a growth rate in GDP, as the Czech Republic (4.7%). Many attribute their unique success in "checking" inflation, less than 9%, to the government's willingness in allowing market forces to play an important role early on in the reform program.

The general trend towards appreciation of the Koruna (the Czech monetary unit) compared to the dollar and most other major world currencies during the recent Mexican Crises, while the majority of the emerging market currencies depreciated in sympathy for the battered Peso, attests to the Czechs' strong fiscal monetary policy. The fact that the Czechs are paying an ever decreasing rate of interest for short term debt, (currently 10.31%) reflects the financial markets' increasingly favorable opinion of the country's creditworthiness.

Eastern wages continue to become more attractive to cost-conscious Western European concerns. As the ties between the West and the Czech Republic strengthen, eventually leading to the already applied for Czech membership to the European Economic Area, the CRF should provide many satisfactory returns for investors choosing to capitalize on this "ground floor" market investment.

by Chris Field

Country Funds

Fund	Price	NAV	Year-to-Date			
			Market	Currency	Total	
Brazil	BZF	\$23 5/8	\$21.83	-28.5%	-5.5%	-32.4%
Chile	CH	42	51.46	-1.1	+1.5	+0.4
Czech	CRF	12	12.43	-20.8	+7.2	-15.1
Germany	GER	11 1/4	13.22	-6.4	+10.4	+3.3
Malaysia	MF	17	19.05	-1.6	+2.5	+0.9
Mexico	MXF	13 3/4	13.63	-20.2	-21.1	-37.0
Singapore	SGF	14 1/8	13.83	-11.3	-6.2	-16.8
South Africa	NSA	14 1/4	17.76	-8.4	+13.3	+3.8

COMMENTS & DISCLAIMER

The Roland George Investments Program was created in 1980 by Sarah George to provide a unique experience for future investment professionals. This bequest was intended to honor her husband, Roland, who after traveling the standard academic path began to ply his trade and promptly lost money. Mr. George decided that serious flaws were evident in the traditional educational process for future investors since by overcoming his formal education he was able to master investing, and in short get rich.

From this start, Mr. George formed the ideas of creating an investment curriculum that combined academic theory with real world experience. This dream came true

when Sarah George funded the Roland George Investments Program. This program provides support for the applied investments program at Stetson University where student analysts manage a multi-million dollar portfolio. Insights are gained through contact with the likes of B. Carter Randall, a panelist on PBS's Wall Street Week, and Robert Stovall of Stovall/Twenty-First Advisors.

For information on the Roland George Investments Program contact Dr. James Mallett at 904-822-7442.

This effort is intended as a general interest publication and does not purport to recommend individual securities for purchase or sale.

Students and faculty involved in this program may be long or short securities of any of the companies mentioned in this report, and may change those positions without notice. Investors must do significant additional research, for the information contained within is not complete.

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School of Business Administration
George Investments Institute
Campus Box 8398
DeLand, FL 32720

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