

PRICE-EARNINGS RATIO AND STOCK RETURNS IN THE PHILIPPINE STOCK MARKET

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Abstract

It has been suggested by some researchers that price-earnings ratio is a good indicator of stock returns and that one good investment strategy is to buy stocks with low price-earnings (P/E) ratios since their performance in terms of stock returns far exceed those stocks with high price-earnings ratios. Stock returns are computed as the change in the price of the stock from one year to another plus cash dividends during the year.

This study examines whether this is true in the Philippine stock market. Ninety stocks of listed companies from 1992 to 1995 were taken as sample. Their price-earnings ratios were computed and the companies were ranked according to their P/E ratios. Then they were grouped into portfolios of ten stocks each to form nine portfolios, starting with the lowest P/E ratio to the highest. Portfolio 1 contained the stocks with the lowest P/E ratios. The stock returns of each company from 1992 to 1995 were computed. From these, twenty best performers and twenty worst performers in terms of stocks returns chosen for each year, 1992-1995. They were then grouped according to the portfolio to which they belong to determine which portfolio contained the best and worst performers.

Contrary to expectations, Portfolio 1 which contained the lowest P/E ratio stocks contained only three best performers while it had 23 worst performers in that category. The best performers were observed to belong to Portfolios 6 and 5. However, the other best performers were scattered among the different portfolios. This seems to indicate that the best performers can be found almost anywhere. Caution should be taken when investing to look into the fundamentals of the individual stocks and not to rely only on P/E ratios.

The plausible explanation for this phenomenon is that investors in emerging markets like the Philippines invest in stocks with potential for growth so that investors put their money even in expensive stocks if they see growth potential. The only constraint to their investment activity is their liquidity.

I. Introduction

Price earnings (P/E) ratio defined as stock price divided by earnings is one strategy used in investing in the stock market. Investment strategies have been derived based on P/E ratios. One of them is to invest in stocks with low P/E

ratios. How successful is this strategy? A study was made by David Dreman who noted that stocks with low price to earnings ratio performed better in terms of returns than high price to earnings ratio stocks. He further stated that while

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this is true of the market as a whole, this is also true within industries. Together with Eric Lufkin, they measured and compared the average return of stocks from the highest 20% and the lowest 20% in terms of P/E ratios in 44 industries over 25 years (December 1970 to December 1995). The sample was taken from the 1,500 largest companies, based on market capitalization, on the Compustat database by market capitalization. Each industry was divided into five equal groups based on P/E multiples. The result showed that the annual return of the lowest P/E quintile was 18.8% for the market as a whole and 18% for the industry. This compares favorably with the annual return of the stocks belonging to the highest P/E quintile which yielded 12.5% for the market as a whole and 12.5% within industry groups. The market average was 15.1% for both the total market as well as within industry groups (Dreman, David, *Forbes*, Sept. 23, 1996, p. 231). They further observed that the low P/E strategy worked not only during good times but even during bearish markets. Their study showed that the lowest P/E groups across industries declined 6.3% on average while that of the market declined 7.2% whereas the highest multiples in each industry fell 8.6%.

Another study pointed to practically the same conclusion. James McWilliams, in an earlier study (*Financial Analysts Journal*, May-June 1966, p. 137 -142) noted that low P/E ratio stocks outperformed high P/E ratio stocks. Taking 390 sample firms from Standard and Poor's 900 Industrial Company Compustat tape, he divided the firms into ten deciles according to price earnings ratio, from lowest to highest.

He concluded that better investment performance was obtained from a portfolio of low price-earnings ratio stocks as compared with portfolios made up of high price-earnings ratio stocks. However, he concluded that for individual stocks, the good performers may be found among stocks selling at any price-earnings ratio but that very poor performers are most often found among stocks with high price-earnings ratio.

Is this true also of Philippine stocks? Does the Philippine stock market exhibit the same behavior? It would be interesting to find this out as people are always eager to find good investment strategies, especially in periods of uncertainties. The present study aims to answer this question.

Asian Business (October 1996) reports that analysts in the emerging markets of Asia noted that price-earnings ratio alone does not explain the way investors behave in the emerging markets of Asia, including the Philippines. They contended that the P/E ratio is a yardstick for more established markets of North America and Europe but is an inadequate and misleading indicator of share value in emerging markets. They observed that liquidity, which reflects the investors' activities, gives a clearer picture of the market forces that determine the true value of a particular stock market, more than the price-earnings ratio (*Asian Business*, Oct. 1996, pp. 48 & 50).

Because of these conflicting views, I decided to look into the matter and study the performance of stocks using their price-earnings ratio as one variable. The methodology used is adapted from the

study of James McWilliams (*Financial Analysts' Journal*).

The sample is taken from *The Investments Guide, 1995 and 1996* and covered the periods from December 31, 1991 to December 31, 1995, a period of four years. Ninety companies were included in the sample based on the following criteria. Each company must have been listed at the Philippine Stock Market during those periods under study. Stock prices must have been available for those companies on the last trading day of December and lastly, the companies must have their year end on December 31.

Based on the above criteria, only ninety companies qualified. The sample seems small and the time period, short, to come up with a generalized conclusion. However, extending the number of years would reduce further the number considerably because it was only in the early nineties that a number of firms went public and got listed at the Philippine Stock Exchange. Besides the study is exploratory. It can be extended once more data is available.

The 90 companies were divided into nine groups of ten stocks each forming ten portfolios. The price-earnings ratios of each firm were computed as well as the returns of each company over the four year period. The price-earnings ratio was calculated by dividing December 29 prices by the stock return for the accounting year (December 29 is usually the last trading day of each year). Return is defined as income/investment, represented by the price change from December 29 of the current year and December 29 of the preceding year plus cash dividend paid during the current year stock price of preceding year. For instance, if the stock price on December

29 of the current year were P955 and the price on December 29 of the preceding year were P835 and the total cash dividend paid during the current year is P4 the return for the current year is $[(P955-835) + 4] = P124$ – a capital gain of P120 and dividend of P4. The rate of return for the current year is $P124/835 = 14.85\%$. The P/E ratio at the end of December of the current year would be $P955/124 = 7.70$. This procedure may not be very accurate but it seems a good approximation of the return from a one year investment.

After computing for the P/E ratios and the returns on the stocks, they were arranged into portfolios of ten stocks each, based on their P/E ratios, from the lowest to the highest. The lowest P/E ratio companies formed Portfolio 1 while the highest P/E ratio group formed Portfolio 9. The mean return and the standard deviation about the return were then calculated for each of the nine groups. Table 1 shows the average returns of the different groups for the four years under study.

The results seem to indicate that Portfolio 6 yielded the highest average return of 83% over the four year period, followed by Portfolio 5 with a yield of 57%. In fact Portfolio 1 came with a poor 7%, the lowest return of the whole lot, a very low return compared with the next lowest return of 25% of Portfolio 9.

While the result is encouraging it is not enough to stop at the return of the portfolios to assess stock performance. High returns usually carry high risk. It is therefore important to measure the extent of the variability of the return. It will give us a degree of confidence in our method. The higher the variability, the less confidence we have in our

method. Variability in this study is measure by the standard deviation. Table 2 shows the standard deviation of

the returns about the average return shown in Table 1.

Table 1
AVERAGE RETURNS OF THE NINETY STOCKS BY PORTFOLIOS
FOR THE YEARS ENDING DECEMBER 31

PORTFOLIO	1995	1994	1993	1992	Average
1	-32.52	56.78	7.17	-2.64	7.20
2	67.80	-4.46	80.10	24.85	42.07
3	-1.10	59.59	42.70	44.84	36.51
4	-14.8	-2.83	105.48	25.03	28.22
5	-9.57	50.08	146.85	39.53	56.72
6	-2.68	1.81	145.90	185.52	82.64
7	-0.33	31.03	62.01	44.56	34.32
8	8.37	10.64	60.10	72.99	38.02
9	-15.23	16.07	66.50	30.79	24.53
Average	-.007	24.30	79.64	51.72	38.90

Table 2
STANDARD DEVIATION ABOUT THE MEAN RETURN OF
NINETY STOCKS FOR THE YEARS ENDING DECEMBER 31

Portfolio	1995	1994	1993	1992	Average
1	17.67	234.26	57.83	21.44	82.80
2	217.40	59.08	62.14	54.73	98.34
3	25.21	130.47	66.98	98.47	80.28
4	37.74	37.24	104.26	17.17	49.10
5	33.90	111.44	93.61	49.13	72.02
6	21.67	19.06	162.42	358.32	140.37
7	17.59	53.64	53.08	66.34	47.66
8	24.05	59.70	57.12	169.52	77.59
9	17.57	67.81	113.66	54.07	63.28
Average	45.87	85.86	85.68	98.80	79.05

As mentioned earlier, it is important to measure the standard deviation about the mean return for this gives us an

indication of the risk involved. This is apparent in Portfolio 6 which has the highest average return over the four year

period It generated an 83% return but it also registered the highest standard deviation of 140.37, indicating that there is a high probability of not attaining the indicated return.

One other way of looking at our investment strategy is to compare the growth in the investment among the different portfolios. Assuming that we invest P100,000 at the end of 1991 and

reinvested the principal and return every year thereafter until the end of 1995 what would be the value of the different portfolios assuming reinvestment rates as indicated by Table 1. Portfolio 1 would grow to P110,387 at the end of 1995, Portfolio 6 would grow to P695,645 and Portfolio 9 would amount to P214,265. This is shown in Table 3 and Chart 1.

TABLE 3
VALUE OF P100,000 INVESTMENT AT THE END OF 1991
ON DECEMBER 31 OF EACH YEAR

Portfolio	1991	1992	1993	1994	1995
1	100,000	97,360	104,341	163,585	110,387
2	100,000	124,850	224,855	214,826	360,478
3	100,000	144,840	206,687	329,851	326,223
4	100,000	125,030	256,911	249,641	212,694
5	100,000	139,530	344,430	516,920	467,451
6	100,000	285,520	702,094	714,802	695,645
7	100,000	144,560	234,202	306,874	305,862
8	100,000	172,990	276,957	306,425	332,073
9	100,000	130,790	217,765	252,760	214,265

The table shows the relative performance of each portfolio. Portfolio 6 registered the highest return for each year followed by Portfolio 5. The above computations do not include commissions and other expenses incurred in the buying and selling of stocks. The effect of these charges would be to lower the returns but it would have affected all the portfolios proportionately. The ranking would be expected to be the same.

One other dimension worth looking into is to examine the performance of the individual stocks themselves. Which stocks performed best and which performed badly? Is it good to invest only in blue chips which are usually characterized by high P/E ratios or to concentrate on lower P/E ratio stocks? To determine this, I grouped the 20 best performing stocks and the 20 worst performers for each year according to their returns. Table 4 gives us the result of this exercise.

Table 4
BEST AND WORST PERFORMERS AMONG STOCKS
FOR THE YEARS ENDING DECEMBER 31

Year	Best Performers	Return	Worst Performers	Return
1992	Manila Mining Corp. B	901.61	Republic Glass Hold. A	-53.65
	Manila Mining Corp. A	824.19	Atlas Fertilizer B	-52.94
	Dizon Copper-Silver Mines	543.38	Matsushita Electric Co.	-43.48
	EEl Corporation	294.44	San Carlos Milling Co.	-42.86
	San Migeul Corp. B	218.74	Solidbank Corporation	-25.32
	Phil. Com. & Int'l. Bank	159.28	Lepanto Con. Mining B	-22.40
	Unioil & Gas Dev. Corp	140.21	Lepanto Con. Mining A	-20.01
	Prudential Bank	128.67	Phil. Tel. & Tel. Co. B	-15.66
	Dharmala Phil. A	114.58	Integrated Chrome A	-13.28
	China Banking Corp.	102.19	Sanitary Wares Mfg. Co.	-13.16
	Philex Mining Corp. B	92.31	Phil. Tel. & Tel. Co. A	-12.02
	Alcorn Pet. & Min. Corp.B	80.92	Atlas Con. Mining A	-12.00
	Seafont Resources Corp. B	79.05	Ayala Corp. B	-10.77
	Dharmala Phil. B	77.42	Phil. National Bank	-10.74
	Oriental Petroleum B	77.26	Integrated Chrome B	-10.34
	Oriental Petroleum A	74.30	SM Dev. Corp. A	-10.26
	Seafont Resources Corp. A	66.67	Benguet Corporation A	-8.00
	Alcorn Petroleum A	65.90	Atlas Con. Mining B	-7.14
	Philex Mining Corp. A	63.58	Phil. Banking Corp	-5.64
	Robinson Land Corp	62.50	Vulcan Indust. Corp	-5.38
1993	BEST PERFORMERS	Return	WORST PERFORMERS	Return
	EEl Corporation	491.55	Dizon Copper-Silver Mines	-81.43
	SM Dev. Corp. B	375.61	Atlas Con. Mining Corp B	-38.46
	Metro Pacific Corporation	354.81	Philtread Tire & Rubber B	-34.44
	Manila Mining B	309.05	Integrated Chrome Corp. B	-25.95
	Manila Mining A	284.94	Philtread Tire & Rubber A	-22.91
	SM Dev. Corp. A	266.67	Unioil & Gas Dev. Corp, Inc.	-22.75
	Bacnotan Consolidated Ind.	251.20	Atlas Consolidated Min. A	-22.73
	Philippine National Bank	199.55	Alcorn Petroleum Corp. A	-13.94
	Solidbank Corporation	198.18	JR Garments Corp	-13.04
	Ayala Corp. B	189.92	Alcorn Petroleum Corp. B	-12.78
	Kuok Phil. Properties, Inc.A	189.47	Manila Bulletin Pub. Co.	-10.00
	Keppel Phil. Hold. B	187.38	Seafont Resources B	-8.00
	PLDT	162.44	Atlas Fertilizer A	-7.67
	San Miguel Corp. A	158.07	Seafont Resources B	-6.91
	Keppel Phil. Hold. A	150.26	Liberty Flour Mills, Inc.	-6.38
	Atlas Fertilizer Corp. B	150.00	San Carlos Milling Corp	0.00
	Ayala Land., Inc	146.36	Atlas Fertilizer Corp. A	0.00
	PDCP Dev. Bank, Inc.	145.78	Bogo-Medellin Co.,Inc.	3.34
	A. Soriano Corp.	135.13	Integrated Chrome Corp. A	5.36
Jardine Dvies, Inc.	134.52	Urban Bank, Inc.	11.21	

1994	BEST PERFORMERS	Return	WORST PERFORMERS	Return
	Manila Jockey Club	714.14	JR Garments	-67.50
	Dizon Copper-Silver Mines	369.23	SM Dev. Corp. B	-65.81
	Dharmala Phillinpines, B	306.09	Alcorn Petroleum B	-64.47
	Dharmala Philippines, A	173.87	Alcorn Petroleum A	-61.54
	Cityland Dev. Corp.	141.49	Unioil & Gas Dev. Co. Inc.	-52.78
	Bank of PI	125.72	EEI Corporation	-51.56
	Urban Bank	124.60	Seafront Resources Corp. B	-51.43
	RFM Corporation	122.22	Philtread Tire & Rubber A	-50.94
	Guoco Land, A	119.44	SM Dev. Corp. A	-49.09
	PT & T A	106.18	United Paragon Mining Corp	-45.36
	Republic Cement Corp. A	102.38	House of Investments, Inc.	-44.90
	PLDT	98.92	Seafront Resources Corp. A	-44.10
	Phil. Bank of Commun.	94.09	Balabac Oil Exploration A	-43.75
	Metropolitan Bank	88.87	Interphil Laboratories, Inc. A	-42.94
	Rizal Comm. Bank. Corp	78.12	Philtread Tire & Rubber B	-42.34
	Far East Bank Trust Co.	74.64	Interphil Lab. Inc., B	-41.83
	Bacnotan Cons.	73.11	Trans-Asia Oil Dev. Corp	-41.18
	Phil. Bank. Corp.	72.28	Metro Pacific Corp	-40.55
	Jardine Davies, Inc.	59.47	Cebu Shipyard, Inc. A	-40.42
	Mabuhay Holdings, A	59.22	PLDT	-40.33
1995	BEST PERFORMERS	Return	WORST PERFORMERS	Return
	Dizon Copper-Silver Mines	680.00	Manila Mining Corp. B	-78.39
	JR Garments	69.23	Oriental Petroleum B	-66.48
	Bank of the Phil. Islands	58.93	Manila Mining Corp. A	-62.77
	Republic Cement Corp B	46.59	Oriental Petroleum A	-61.54
	Manila Jockey Club, Inc.	44.57	Picop Resources, Inc. A	-60.62
	Manila Bulletin Publ. Corp.	38.57	Sime Darby Pilipinas, Inc.	-49.47
	Cityland Dev. Corp.	35.33	Dharmala Phil., Inc. B	-40.04
	Metro Pacific Corp.	33.70	United Paragon Mining Corp	-40.00
	Republic Glass Holdings A	33.30	Vulcan Ind. & Mining Co	-37.93
	Phil. Banking Corp	31.87	Alcorn Petroleum A	-36.84
	Unioil & Gas Dev. Co., Inc.	29.41	Kuok Phil. Properties, Inc. A	-32.91
	Phil. Bk. of Communications	25.18	Philtread Tire & Rubber A	-31.91
	Trans-Asia Oil & Min. Corp	25.00	P T & T, B	-29.73
	Benguet Corp. A	20.83	Bacnotan Consolidated, Inc.	-29.58
	RCBC A	18.90	P T & T, A	-29.15
	Atlas Fertilizer Corp B	15.38	RFM Corporation	-29.11
	China Banking Corp	14.40	Seafront Resources Corp. A	-27.78
	Ayala Corp B	14.11	Guoco Land (Phil.), Inc. A	-27.43
	Guoco Holdings Phil. A	13.00	San Miguel Corp. A	-27.28
	PCIB	10.68	Balabac Oil Co., Inc.	-25.00

From the preceding table we can see that the best performer in 1995 is Dizon Copper-Silver Mines, Inc. with a 680% return while the worst performer is

Manila Mining Corp. B, with a negative 78.39% return. However, 1992 shows that the best stock is Manila Mining with a 902% return. This indicates the non-

stationarity of the companies. It could be very profitable in one year followed by a negative earning the following year. This is true of Unioil & Gas Development Corporation which registered a 140% return in 1992 but had a negative 23% earning in 1993. On the other hand, Dizon Copper-silver Mines, Inc. had a negative 81% return in 1993 but led the best performers in 1995 with a 680% return.

Since we see that the companies keep on switching groups in terms of returns, it is now interesting to see how these same stocks appear when ranked by their price earnings ratio. The purpose of this is to

determine which group has the most number of good performers and bad performers in order to select an investing strategy. If the previous studies were any indication, we should find many good performers in the low P/E group and less in the high P/E groups. Similarly, we would expect bad performers to congregate in the high P/E group and less in the low P/E group. Table 5 shows how the companies behaved vis-à-vis their grouping. It may be that one company name would appear more than once in the list if it is a good/bad performer in more than one year.

Table 5
LIST OF BEST AND WORST PERFORMING STOCKS 1992-1995
RANKED BY PRICE-EARNING RATIO

BEST PERFORMERS

PORTFOLIO 1 (Low P/E Ratio)

Manila Jockey
Atlas Fertilizer Corporation, B
Mabuhay Holdings Corporation

PORTFOLIO 2

Atlas Fertilizer, B
Rizal Commercial Banking Corporation, A
RFM Corporation
Dizon Copper-Silver Mines, Inc.
Dharmala Philippines, Inc. B
Solidbank Corporation
Dharmala Philippines, Inc. A
China Banking Corporation
Jardine Davies, Inc.
JR Garments, Inc.

PORTFOLI 3

Dizon Copper-Silver Mines, Inc.
Dharmala, Philippines, Inc. A
Keppel Philippine Holdings, A
Philippine Bank of Communications
Manila Jockey Club, Inc.

WORST PERFORMERS

PORTFOLIO 1 (Low P/E Ratio)

Lepanto Consolidated Mining Corp. B
Lepanto Consolidated Mining Corp. B
Atlas Consolidated Mining & Dev. Corp. A
Atlas Consolidated Mining & Dev. Corp. B
Benguet Corporation, A
Integrated Chrome Corporation, B
Atlas Consolidated Mining & Dev. Corp. B
Philtread Tire & Rubber Corp. A
Philtread Tire & Rubber Corp. B
Integrated Chrome Corp. B
San Carlos Milling Co., Inc
Atlas Fertilizer Corp. A
Integrated Chrome Corp., A
Alcorn Petroleum & Minerals Corp. B
Alcorn Petroleum & Minerals Corp. A
Unioil & Gas Development Corp. Inc.
Oriental Petroleum & Mineral Corp. A
Oriental Petroleum & Mineral Corp. B
Phil. Telegraph & Telephone Co., Inc. B
Seafont Resources Corp., A
Balabac Oil Exploration & Drilling Co., Inc.
Phil. Telegraph & Telephone Co., Inc., A
Vulcan Industrial Corporation

Rizal Commercial Banking Corp. A
 EEI Corporation
 Prudential Bank & Trust Co.

PORTFOLIO 4

China Banking Corporation
 Far East Bank & Trust Co.
 Cityland Development Corp.
 Republic Glass Holdings
 SM Development Corporation, A
 Bacnotan Consolidated Industries, Inc.
 Keppel Philippine Holdings, B
 Philippine Long distance Telephone Co.

PORTFOLIO 5

Manila Publishing Co.
 Philippine Commercial & International Bank
 House of Investments
 SM Development Corporation B
 Kuok Philippine Properties, A
 San Miguel Corporation, A
 Philippine National Bank
 Dharmala Philippines, B
 Bank of the Philippine Islands
 Urban Bank
 Jardine Davies, Inc.
 Philippine Bank of communication
 Guoco Holdings (Philippines), Inc. A

PORTFOLIO 6

Manila Mining Corp. B
 Manila Mining Corp. A
 Republic Cement Corp. B
 Philippine Commercial & International Bank
 Philex Mining Corp., B
 Seafont Resources A
 EEI Corporation
 PDCP Development Bank
 Philex Mining Corp. A
 Manila Mining Corp. A
 Manila Mining Corp. B

PORTFOLIO 7

Cityland Development Corp.
 Philippine Banking Corporation
 San Miguel Corporation B
 Seafont Resources B
 A. Soriano Corporation
 Metropolitan Bank & Trust Co.
 Trans-Asia Oil & Mineral Development Corp.

PORTFOLIO 2

JR Garments Corp.
 Philtread Tire & Rubber Corp. A
 Philtread Tire & Rubber Corp. B
 Atlas Fertilizer B
 Solidbanak Corporation
 Integrated Chrome, A
 United Paragon Mining Corp.
 Kuok Philippine Properties, Inc. A
 Philtread Tire & Rubber Corp. A

PORTFOLIO 3

Matsushita Electric Co.
 Philippine National Bank
 SM Development Corporation B
 SM Development Corporation A
 Dizon Copper-Silver Mines, Inc.
 Manila Bulletin Publishing Corp.
 Urban Bank, Inc.
 SM Development Corp. B
 SM Development Corp. B
 House of Investments, Inc.
 Dharmala Philipines, Inc. B

PORTFOLIO 4

EEI Corporation
 Manila Mining Corp. B
 Manila Mining Corp. A
 Robinson's Land Corp.
 Phil. Long Distance Telephone Co.
 Bacnotan Consolidated Industries, Inc.
 Liberty Flour Mills

PORTFOLIO 5

Sime Darby Pilipinas, A
 Picop Resources, Inc. A
 Trans-Asia Oil & Mineral Dev. Corp.
 RFM Corporation
 Guoco Land (Philippines), Inc.
 Cebu Shipyard & Eng'g. Works, Inc. A

PORTFOLIO 6

Sanitary Wares Manufacturing Corp.
 Philippine Telegraph & Telephone Co.

PORTFOLIO 7

Philippine Telegraph & Telephone Co., B
 Ayala Corporation, A
 Ayala Corporation, B

PORTFOLIO 8

Bank of the Philippine Islands
 Metro Pacific Corporation
 Metro Pacific Corporation
 Dizon copper-Silver Mines, Inc.
 Republic Cement corp. A
 Bacnotan Consolidated industries, Inc.
 Philippine Banking Corporation
 Unioil & Gas Development Co., Inc.
 Oriental Petroleum & Mineral Corp. B
 Oriental Petroleum & Mineral Corp. A
 Ayala Corporation B

PORTFOLIO 9

Benguet Corp. A
 Ayala Land, Inc.
 Alcorn Petroleum & Mineral Corp. B
 Alcorn Petroleum & Mineral Corp. A
 Guoco Land, A
 Unioil & Gas Development Corp
 Metro Pacific Corporation
 Philippine Telegraph & Telephone Co. A
 Philippine Telegraph & Telephone Co. B

Seafront Resources Corp., A
 Seafront Resources Corp., B
 San Miguel Corporation, A

PORTFOLIO 8

Philippine Banking Corporation
 Bogo-Medellin Milling Co., Inc.
 Seafront Resources Corp., A
 Seafront Resources, Corp. B
 Republic Glass holdings, Corp. A
 JR Garments Corporation
 Interphil Laboratories Inc., B

PORTFOLIO 9

Alcorn Petroleum & Minerals Corp B
 San Carlos Milling Corp
 Unioil & Gas Development Corporation
 Alcorn Petroleum & Minerals Corp. A
 United paragon Mining Corporation
 Vulcan Industrial & Mining Corp.
 Alcorn Petroleum & Minerals Corp. A
 Balabac Oil Exploration & Drilling co., Inc. A
 Metro Pacific Corporation

It seems clear from the preceding table that the best performing stocks are not found in the low P/E ratio groups. In fact they can be found almost anywhere except in Group 1, the portfolio with the lowest P/E ratio. Only three stocks among the best performers are found in Portfolio 1. In stark contrast, worst performers abound in the lowest P/E ratio group, with 23 stocks recorded. This bolsters my conclusion that the buying low P/E ratio stocks is not necessarily a good strategy, at least in the Philippine stock market. The best performers seem to congregate in Portfolios 5 and 6. In fact the worst performers are hardly found in Portfolio 6 as there are only two worst performing stocks found in that group.

As a whole, there seems to be no obvious pattern in the distribution of best performing stocks and worst performing stocks among the different groups.

Except for Portfolio 1 which has three best performers the rest are scattered among the different groups, ranging from seven to 13 stocks. The worst performers, on the other hand, while also scattered among the different portfolios, are very visible in Portfolio 1 and its scarcity is just as remarkable in Portfolio 6 where only two worst performers are registered. As for individual stocks, they seem to be fluid and can shift from good to bad performer and vice versa from one year to the next. However, except for Philippine National Bank, the other banks are found among the best performers.

The P/E ratio does not seem to be as good an indicator of the performance of stock returns in the Philippine stock market although if one were to look for high performing stocks he/she may do well to look at Portfolios 5 and 6 as a starting point. However, it must be

remembered that these high yielding stocks also has high volatility in earnings as shown by high standard deviations. One must be careful and analyze the fundamentals of individual stocks before deciding to invest in it.

The result of this study seems to contradict the findings of James McWilliams and Francis Nicholson (*Financial Analysts Journal* as cited by McWilliams) who found out that a portfolio of low P/E stocks usually earn more than high P/E stocks. It also does not follow the conclusion of David Dreman who also advocated the low P/E strategy, not only for the overall market but for industries as well.

On the other hand, the findings seem to corroborate the conclusion of some analysts of *Asian Business*, especially that of Michael Howell which noted that the P/E ratio is inadequate and misleading as an indicator of share value in emerging markets (*Asian Business*, Oct. 1996, p. 48). They think that liquidity is a more important consideration than the P/E ratio, as liquidity gives a clearer picture of the market forces that determine the true value of stocks. They point out that while the P/E ratio provides a rough guideline on the return over a time period, this indicator is reliable only if a company's earnings grow slowly and steadily, which does not seem to apply in an emerging market like the Philippines. In fact, share prices of some stocks in the Philippines would appear overpriced if they were traded in established stock markets, with P/E ratios going beyond multiples of 100. However, as one analyst pointed out, investors in emerging markets are buying into

growth opportunities and are therefore willing to pay for high P/E ratios with good potential for growth (*Asian Business*, Oct. 1996, p. 48). Thus share prices are often determined by the willingness of investors to invest and the amount of money available. Howell cautions that one must distinguish between value and price. Value, determined by the real economy, is expressed by profitability, while share prices, or the price of a share of value, are determined in the financial markets. Stock prices can deviate substantially from the underlying value of the stock and it is the liquidity of the investor which decides share prices in the stock market which considers investor sentiments. Moreover, Howell continues, investors are often guided by the herd instinct. 'When a bandwagon is gathering momentum, we all want to jump aboard'. This seems to aptly describe the Philippine stock market.

The findings of this study are tentative and I do not presume to generalize. I realize the lack of data and the limitation imposed by the shortness of the period involved. The period covered is also not a very typical period. The year 1993 saw a bull run in the Philippine stock market. Subsequent years are not as fortunate and the current economic problems of the region may well affect the performance of the stocks. However, I find the findings consistent with my observations of the stock market and the results realistic and justifiable.

Future research can be done by extending the time period and increasing the sample firms. It may also include such other economic variables like liquidity, as suggested by some analysts.

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APPENDIX 1A (1992)
Price Earnings Ratios and Stock Returns
1992 - 1995

COMPANY NAME	1992 P/E	1992 RETURN
PORTFOLIO 1		
VULCAN INDUSTRIAL AND MINING CORPORATION	-624.4	-5.38
JR GARMENTS CORPORATION	-85.4	53.33
UNITED PARAGON MINING CORPORATION	-76.97	-2.15
LEPANTO CONSOLIDATED MINING CORP. (B)	-36.99	-22.40
PICOP RESOURCES, INC. (A)	-35.17	7.69
LEPANTO CONSOLIDATED MINING CORP. (A)	-34.15	-20.01
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(B)	-4.01	-7.14
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(A)	-3.39	-12.00
BENGUET CORPORATION (A)	-2.35	-8.00
INTEGRATED CHROME CORPORATION (B)	-1.92	-10.34
TOTAL RETURN		-26.40
MEAN		-2.64
STANDARD DEVIATION		20.34
PORTFOLIO 2		
INTEGRATED CHROME CORPORATION (A)	-1.81	-13.28
ATLAS FERTILIZER CORPORATION (A)	-1.76	0.00
ATLAS FERTILIZER CORPORATION (B)	-1.32	-52.94
DHARMALA PHILIPPINES, INC. (A)	3.33	114.58
SOLIDBANK CORPORATION	3.43	-25.32
DHARMALA PHILIPPINES, INC. (B)	3.75	-3.22
RIZAL COMMERCIAL BANKING CORPORATION (A)	3.83	62.07
CHINA BANKING CORPORATION	4.66	102.19
PHILIPPINE BANK OF COMMUNICATIONS	4.96	31.03
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	5.1	33.41
TOTAL RETURN		248.52
MEAN		24.85
STANDARD DEVIATION		51.92
PORTFOLIO 3		
JARDINE DAVIES, INC.	5.36	18.42
MATSUSHITA ELECTRIC PHILIPPINES CORP.	5.63	-43.48
FAR EAST BANK AND TRUST COMPANY	5.84	21.29
EEI CORPORATION	6.27	294.44
PRUDENTIAL BANK	6.48	126.67

APPENDIX 1A (cont'd)

COMPANY NAME	1992 P/E	1992 RETURN
MANILA JOCKEY CLUB, INC.	6.5	4.57
BOGO-MEDELLIN MILLING CO., INC.	7.42	40.78
LIBERTY FLOUR MILLS, INC.	7.66	6.72
PHILIPPINE NATIONAL BANK	8.38	-10.74
SM DEVELOPMENT CORPORATION (A)	8.96	-10.26
TOTAL RETURN		448.41
MEAN		44.84
STANDARD DEVIATION		93.42
PORTFOLIO 4		
BANK OF THE PHILIPPINE ISLANDS	8.97	51.82
PHILIPPINE LONG DISTANCE TELEPHONE CO.	9.26	20.97
SIME DARBY PILIPINAS, INC.	9.71	2.70
FIRST PHILIPPINE HOLDINGS CORPORATION (A)	10.28	47.54
SM DEVELOPMENT CORPORATION (B)	10.5	9.82
A. SORIANO CORPORATION	10.63	46.05
RFM CORPORATION	11.11	20.22
SAN MIGUEL CORPORATION (A)	11.22	21.24
INTERPHIL LABORATORIES, INC. (A)	12.15	16.06
INTERPHIL LABORATORIES, INC. (B)	13.48	13.89
TOTAL RETURN		250.31
MEAN		25.03
STANDARD DEVIATION		16.29
PORTFOLIO 5		
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (A)	14.06	-0.29
FIRST PHILIPPINE HOLDINGS CORPORATION (B)	14.3	54.64
PHILEX MINING CORPORATION (A)	14.65	62.50
PHILIPPINE COMMERCIAL INTERNATIONAL BANK, INC.	14.74	159.28
MANILA BULLETIN PUBLISHING CORPORATION	15.08	28.05
PDCP DEVELOPMENT BANK, INC.	15.42	0.00
URBAN BANK, INC.	15.46	6.90
HOUSE OF INVESTMENTS, INC.	16.01	63.58
METROPOLITAN BANK AND TRUST COMPANY	16.92	10.97
KEPPEL PHILIPPINES HOLDINGS, INC.(A)	17.18	9.66
TOTAL RETURN		395.29
MEAN		39.53
STANDARD DEVIATION		46.61

APPENDIX 1A (cont'd)

COMPANY NAME	1992 P/E	1992 RETURN
PORTFOLIO 6		
SANITARY WARES MANUFACTURING CORPORATION	17.68	-13.16
REPUBLIC CEMENT CORPORATION (A)	18.74	-2.70
PHILEX MINING CORPORATION (B)	18.74	92.31
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (B)	19.62	3.10
KEPPEL PHILIPPINES HOLDINGS, INC.(B)	19.76	-5.25
REPUBLIC CEMENT CORPORATION (B)	20.52	3.68
MANILA MINING CORPORATION (A)	22.91	824.19
SEAFRONT RESOURCES CORPORATION (A)	23.89	66.67
MANILA MINING CORPORATION (B)	24.84	898.39
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (A)	25.01	-12.02
TOTAL RETURN		1,855.21
MEAN		185.52
STANDARD DEVIATION		339.94
PORTFOLIO 7		
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (B)	25.23	-15.66
SEAFRONT RESOURCES CORPORATION (B)	25.67	79.05
ROBINSON'S LAND CORPORATION	25.77	62.30
AYALA CORPORATION (A)	30.63	-3.76
SAN MIGUEL CORPORATION (B)	32.58	214.73
AYALA CORPORATION (B)	32.67	-15.05
PHILIPPINE REALTY AND HOLDINGS CORPORATION	32.8	0.00
GUOCO LAND (PHILIPPINES), INC. (A)	34.18	46.11
PHILTREAD TIRE AND RUBBER CORPORATION (A)	35.5	38.95
PHILTREAD TIRE AND RUBBER CORPORATION (B)	35.5	38.95
TOTAL RETURN		445.62
MEAN		44.56
STANDARD DEVIATION		64.83
PORTFOLIO 8		
REPUBLIC GLASS HOLDINGS CORPORATION (A)	35.82	-53.85
KUOK PHILIPPINE PROPERTIES, INC. (A)	37.35	15.15
ORIENTAL PETROLEUM & MINERAL CORPORATION (A)	37.68	74.30
CITYLAND DEVELOPMENT CORPORATION (A)	37.81	10.80
METRO PACIFIC CORPORATION	39.06	13.44
DIZON COPPER-SILVER MINES, INC.	45.78	543.38
THE PHILIPPINE BANKING CORPORATION	46.09	-5.64

APPENDIX 1A (concluded)

COMPANY NAME	1992 P/E	1992 RETURN
GUOCO HOLDINGS (PHILS.), INC. (A)	47.11	37.04
AYALA LAND, INC.	49.95	18.01
ORIENTAL PETROLEUM & MINERAL CORPORATION (B)	53.83	77.26
TOTAL RETURN		729.89
MEAN		72.99
STANDARD DEVIATION		160.82
PORTFOLIO 9		
GUOCO HOLDINGS (PHILS.), INC. (B)	60.47	56.59
SAN CARLOS MILLING CO., INC.	81.4	-42.86
UNIOIL AND GAS DEVELOPMENT CO., INC.	94.46	140.21
TRANS-ASIA OIL AND MINERAL DEVELOPMENT CORPORATION	145.67	5.77
BALABAC OIL EXPLORATION & DRILLING CO., INC. (A)	588.85	-5.00
BALABAC OIL EXPLORATION & DRILLING CO., INC. (B)	619.84	-4.76
MABUHAY HOLDINGS CORPORATION	637.12	0.00
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	676.42	65.90
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	737.7	80.92
PRYCE PROPERTIES CORPORATION (A)	3262.49	11.11
TOTAL RETURN		307.88
MEAN		30.79
STANDARD DEVIATION		51.3

APPENDIX 1B (1993)
Price Earnings Ratios and Stock Returns
1992-1995

COMPANY NAME	1993 P/E	1993 RETURN
PORTFOLIO 1		
PHILTREAD TIRE AND RUBBER CORPORATION (A)	-18.19	-22.91
PHILTREAD TIRE AND RUBBER CORPORATION (B)	-15.48	-34.44
ATLAS FERTILIZER CORPORATION (B)	-8	150.00
INTEGRATED CHROME CORPORATION (A)	-7.04	5.36
ATLAS FERTILIZER CORPORATION (A)	-7.01	0.00
INTEGRATED CHROME CORPORATION (B)	-5.25	-25.95
SAN CARLOS MILLING CO., INC.	-2.68	0.00
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(A)	-1.02	-22.73
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(B)	-0.96	-38.46
BENGUET CORPORATION (A)	2.34	60.87
TOTAL RETURN		71.74
MEAN		7.17
STANDARD DEVIATION		54.86
PORTFOLIO 2		
DHARMALA PHILIPPINES, INC. (A)	3.51	128.30
DHARMALA PHILIPPINES, INC. (B)	3.64	91.67
RIZAL COMMERCIAL BANKING CORPORATION (A)	4.62	22.64
PHILIPPINE BANK OF COMMUNICATIONS	6.97	41.56
PRUDENTIAL BANK	7.24	29.50
SIME DARBY PILIPINAS, INC.	8.45	24.32
SOLIDBANK CORPORATION	9.33	198.18
CHINA BANKING CORPORATION	9.37	17.81
JARDINE DAVIES, INC.	9.94	134.52
FAR EAST BANK AND TRUST COMPANY	10.75	112.54
TOTAL RETURN		801.04
MEAN		80.10
STANDARD DEVIATION		58.95
PORTFOLIO 3		
MATSUSHITA ELECTRIC PHILIPPINES CORP.	11.53	127.55
MANILA BULLETIN PUBLISHING CORPORATION	11.54	-10.00
BANK OF THE PHILIPPINE ISLANDS	11.97	84.88
CITYLAND DEVELOPMENT CORPORATION (A)	12.02	22.82
KEPPEL PHILIPPINES HOLDINGS, INC.(A)	13.14	150.26
FIRST PHILIPPINE HOLDINGS CORPORATION (A)	14.08	45.83

APPENDIX 1B (cont'd)

COMPANY NAME	1993	1993
	P/E	RETURN
DIZON COPPER-SILVER MINES, INC.	14.78	-81.43
URBAN BANK, INC.	15.62	11.21
MANILA JOCKEY CLUB, INC.	15.76	47.95
FIRST PHILIPPINE HOLDINGS CORPORATION (B)	17.23	27.96
TOTAL RETURN		427.03
MEAN		42.70
STANDARD DEVIATION		63.54
PORTFOLIO 4		
KEPPEL PHILIPPINES HOLDINGS, INC.(B)	17.41	185.23
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	18.52	251.20
SM DEVELOPMENT CORPORATION (A)	19.7	266.67
REPUBLIC CEMENT CORPORATION (B)	20.96	5.58
ROBINSON'S LAND CORPORATION	21.01	-7.67
REPUBLIC CEMENT CORPORATION (A)	21.19	44.44
PHILIPPINE LONG DISTANCE TELEPHONE CO.	21.72	162.44
REPUBLIC GLASS HOLDINGS CORPORATION (A)	22.2	89.58
PHILIPPINE COMMERCIAL INTERNATIONAL BANK, INC.	22.58	63.75
LIBERTY FLOUR MILLS, INC.	22.78	-6.38
TOTAL RETURN		1,054.84
MEAN		105.48
STANDARD DEVIATION		98.91
PORTFOLIO 5		
METROPOLITAN BANK AND TRUST COMPANY	22.87	88.95
PHILIPPINE NATIONAL BANK	23.34	199.55
SAN MIGUEL CORPORATION (A)	25.27	158.07
HOUSE OF INVESTMENTS, INC.	26.98	107.62
RFM CORPORATION	27.09	60.06
KUOK PHILIPPINE PROPERTIES, INC. (A)	28.33	189.47
SANITARY WARES MANUFACTURING CORPORATION	28.39	86.35
SM DEVELOPMENT CORPORATION (B)	29.93	375.61
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (A)	30.19	129.73
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (B)	32.12	73.12
TOTAL RETURN		1,468.53
MEAN		146.85
STANDARD DEVIATION		88.81

APPENDIX 1B (cont'd)

COMPANY NAME	1993 P/E	1993 RETURN
PORTFOLIO 6		
MANILA MINING CORPORATION (A)	32.26	284.94
BALABAC OIL EXPLORATION & DRILLING CO., INC. (A)	33.53	68.42
BALABAC OIL EXPLORATION & DRILLING CO., INC. (B)	34.79	66.00
ORIENTAL PETROLEUM & MINERAL CORPORATION (A)	35.57	21.66
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (A)	36.02	28.06
PDCP DEVELOPMENT BANK, INC.	36.32	145.78
EEL CORPORATION	36.38	491.55
THE PHILIPPINE BANKING CORPORATION	36.44	11.95
MANILA MINING CORPORATION (B)	37.18	307.75
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (B)	37.72	32.86
TOTAL RETURN		1,458.97
MEAN		145.90
STANDARD DEVIATION		154.09
PORTFOLIO 7		
GUOCO LAND (PHILIPPINES), INC. (A)	39.31	24.62
INTERPHIL LABORATORIES, INC. (B)	39.59	120.12
LEPANTO CONSOLIDATED MINING CORP. (A)	40.23	62.55
PHILEX MINING CORPORATION (A)	40.93	39.74
A. SORIANO CORPORATION	41.21	135.13
SEAFRONT RESOURCES CORPORATION (A)	41.27	-8.00
INTERPHIL LABORATORIES, INC. (A)	41.4	132.88
LEPANTO CONSOLIDATED MINING CORP. (B)	44.34	65.42
SEAFRONT RESOURCES CORPORATION (B)	44.86	-6.91
SAN MIGUEL CORPORATION (B)	44.94	54.60
TOTAL RETURN		620.15
MEAN		62.01
STANDARD DEVIATION		50.36
PORTFOLIO 8		
AYALA CORPORATION (A)	47.5	102.69
ORIENTAL PETROLEUM & MINERAL CORPORATION (B)	52.95	60.08
PHILEX MINING CORPORATION (B)	54.45	45.00
PHILIPPINE REALTY AND HOLDINGS CORPORATION	60.63	29.63
BOGO-MEDELLIN MILLING CO., INC.	64.94	3.34
UNITED PARAGON MINING CORPORATION	66.3	101.10
VULCAN INDUSTRIAL AND MINING CORPORATION	67.1	47.73

APPENDIX 1B (concluded)

COMPANY NAME	1993 P/E	1993 RETURN
GUOCO HOLDINGS (PHILS.), INC. (A)	69.84	39.64
AYALA CORPORATION (B)	73.19	184.87
JR GARMENTS CORPORATION	79.59	-13.04
TOTAL RETURN		601.04
MEAN		60.10
STANDARD DEVIATION		54.19

PORTFOLIO 9

METRO PACIFIC CORPORATION	87.76	354.81
GUOCO HOLDINGS (PHILS.), INC. (B)	91.24	42.10
AYALA LAND, INC.	98.28	146.36
TRANS-ASIA OIL AND MINERAL DEVELOPMENT CORPORATION	114.98	23.64
PRYCE PROPERTIES CORPORATION (A)	123.53	50.00
UNIOIL AND GAS DEVELOPMENT CO., INC.	267.2	-22.75
MABUHAY HOLDINGS CORPORATION	304.19	11.88
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	414.81	-13.94
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	458.48	-12.78
PICOP RESOURCES, INC. (A)	1837.03	85.71
TOTAL RETURN		665.03
MEAN		66.50
STANDARD DEVIATION		107.83

Appendix 1C (1994)
Price Earnings Ratios and Stock Returns
1992-1995

COMPANY NAME	1994 P/E	1994 RETURN
PORTFOLIO 1		
MANILA JOCKEY CLUB, INC.	-387.88	714.14
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	-328.35	-64.47
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	-321.58	-61.54
MABUHAY HOLDINGS CORPORATION	-85.17	59.22
ORIENTAL PETROLEUM & MINERAL CORPORATION (B)	-65.38	-8.91
ORIENTAL PETROLEUM & MINERAL CORPORATION (A)	-54.61	13.26
UNIOIL AND GAS DEVELOPMENT CO., INC.	-51.05	-52.78
ATLAS FERTILIZER CORPORATION (B)	-25.39	-35.00
ATLAS FERTILIZER CORPORATION (A)	-24.79	-12.50
INTEGRATED CHROME CORPORATION (B)	-6.75	16.36
TOTAL RETURN		567.79
MEAN		56.78
STANDARD DEVIATION		222.24
PORTFOLIO 2		
INTEGRATED CHROME CORPORATION (A)	-6.07	-21.89
JR GARMENTS CORPORATION	-2.75	-67.50
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(B)	-2.55	-15.00
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(A)	-2.4	-24.71
SAN CARLOS MILLING CO., INC.	-1.76	-16.67
PHILTREAD TIRE AND RUBBER CORPORATION (A)	-1.25	-50.94
PHILTREAD TIRE AND RUBBER CORPORATION (B)	-1.25	-42.34
RIZAL COMMERCIAL BANKING CORPORATION (A)	6.97	78.12
RFM CORPORATION	7.73	122.22
MANILA BULLETIN PUBLISHING CORPORATION	8.27	-5.88
TOTAL RETURN		-44.58
MEAN		-4.46
STANDARD DEVIATION		56.05
PORTFOLIO 3		
SM DEVELOPMENT CORPORATION (A)	9.08	-49.09
SOLIDBANK CORPORATION	9.08	2.50
SM DEVELOPMENT CORPORATION (B)	9.26	-65.81
PRUDENTIAL BANK	9.34	38.82
DIZON COPPER-SILVER MINES, INC.	9.35	369.23
DHARMALA PHILIPPINES, INC. (A)	10.88	173.87
SAN MIGUEL CORPORATION (A)	11.31	33.41

Appendix 1C (con'td)

COMPANY NAME	1994	1994
	P/E	RETURN
CHINA BANKING CORPORATION	11.4	43.75
PHILIPPINE BANK OF COMMUNICATIONS	12.73	94.09
HOUSE OF INVESTMENTS, INC.	12.75	-44.90
TOTAL RETURN		595.87
MEAN		59.59
STANDARD DEVIATION		123.78
PORTFOLIO 4		
LIBERTY FLOUR MILLS, INC.	14.1	3.33
MATSUSHITA ELECTRIC PHILIPPINES CORP.	14.27	31.63
REPUBLIC GLASS HOLDINGS CORPORATION (A)	14.43	2.22
MANILA MINING CORPORATION (A)	15.2	-40.27
GUOCO HOLDINGS (PHILS.), INC. (A)	15.29	-1.29
SAN MIGUEL CORPORATION (B)	15.48	1.38
PHILIPPINE LONG DISTANCE TELEPHONE CO.	15.72	-40.33
FAR EAST BANK AND TRUST COMPANY	15.95	74.64
EEL CORPORATION	16.01	-51.56
A. SORIANO CORPORATION	16.04	-8.04
TOTAL RETURN		-28.29
MEAN		-2.83
STANDARD DEVIATION		35.33
PORTFOLIO 5		
JARDINE DAVIES, INC.	16.09	59.47
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (A)	16.1	-40.42
KEPPEL PHILIPPINES HOLDINGS, INC.(A)	16.11	-37.14
URBAN BANK, INC.	16.31	124.60
DHARMALA PHILIPPINES, INC. (B)	16.68	306.09
PHILIPPINE NATIONAL BANK	17.19	-38.65
BANK OF THE PHILIPPINE ISLANDS	17.71	125.72
FIRST PHILIPPINE HOLDINGS CORPORATION (A)	18.34	45.68
PDCP DEVELOPMENT BANK, INC.	18.46	-3.36
TRANS-ASIA OIL AND MINERAL DEVELOPMENT CORPORATION	18.83	-41.18
TOTAL RETURN		500.81
MEAN		50.08
STANDARD DEVIATION		105.72

Appendix 1C (cont'd)

COMPANY NAME	1994 P/E	1994 RETURN
PORTFOLIO 6		
REPUBLIC CEMENT CORPORATION (B)	19.01	19.71
PHILIPPINE REALTY AND HOLDINGS CORPORATION	19.42	-7.62
SIME DARBY PILIPINAS, INC.	19.45	35.00
AYALA CORPORATION (A)	19.97	9.76
SANITARY WARES MANUFACTURING CORPORATION	20.24	0.00
GUOCO HOLDINGS (PHILS.), INC. (B)	20.39	-1.23
LEPANTO CONSOLIDATED MINING CORP. (A)	21.36	-5.02
PHILIPPINE COMMERCIAL INTERNATIONAL BANK, INC.	21.49	12.82
KEPPEL PHILIPPINES HOLDINGS, INC. (B)	21.97	-35.27
BOGO-MEDELLIN MILLING CO., INC.	22.46	-10.01
TOTAL RETURN		18.14
MEAN		1.81
STANDARD DEVIATION		18.08
PORTFOLIO 7		
PRYCE PROPERTIES CORPORATION (A)	22.82	20.00
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (B)	23	-20.00
LEPANTO CONSOLIDATED MINING CORP. (B)	24.1	-2.78
PHILEX MINING CORPORATION (A)	24.17	19.27
AYALA CORPORATION (B)	24.2	-15.80
CITYLAND DEVELOPMENT CORPORATION (A)	26.35	141.49
MANILA MINING CORPORATION (B)	26.73	-9.43
FIRST PHILIPPINE HOLDINGS CORPORATION (B)	27.34	77.14
METROPOLITAN BANK AND TRUST COMPANY	27.94	88.87
VULCAN INDUSTRIAL AND MINING CORPORATION	28.11	11.54
TOTAL RETURN		310.29
MEAN		31.03
STANDARD DEVIATION		50.88
PORTFOLIO 8		
SEAFRONT RESOURCES CORPORATION (B)	28.84	-51.43
THE PHILIPPINE BANKING CORPORATION	29.35	72.28
SEAFRONT RESOURCES CORPORATION (A)	30.54	-44.10
INTERPHIL LABORATORIES, INC. (A)	31.48	-42.94
REPUBLIC CEMENT CORPORATION (A)	32.44	102.38
INTERPHIL LABORATORIES, INC. (B)	32.96	-41.83

Appendix 1C (cont'd)

COMPANY NAME	1994	1994
	P/E	RETURN
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	34.65	73.11
ROBINSON'S LAND CORPORATION	35.32	36.10
PHILEX MINING CORPORATION (B)	37.18	37.93
BENGUET CORPORATION (A)	40.55	-35.14
TOTAL RETURN		106.37
MEAN		10.64
STANDARD DEVIATION		56.64
PORTFOLIO 9		
METRO PACIFIC CORPORATION	41.31	-40.55
KUOK PHILIPPINE PROPERTIES, INC. (A)	43.82	-28.18
UNITED PARAGON MINING CORPORATION	54.07	-45.36
PICOP RESOURCES, INC. (A)	56.96	23.08
AYALA LAND, INC.	66.9	10.64
BALABAC OIL EXPLORATION & DRILLING CO., INC. (A)	69.58	-43.75
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (A)	74.73	106.18
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (B)	75.34	98.92
BALABAC OIL EXPLORATION & DRILLING CO., INC. (B)	77.32	-39.76
GUOCO LAND (PHILIPPINES), INC. (A)	119.53	119.44
TOTAL RETURN		160.67
MEAN		16.07
STANDARD DEVIATION		64.33

Appendix 1D (1995)
Price Earnings Ratios and Stock Returns

COMPANY NAME	1995 P/E	1995 RETURN
PORTFOLIO 1		
MABUHAY HOLDINGS CORPORATION	-89.73	-21.95
SEAFRONT RESOURCES CORPORATION (A)	-85.09	-27.78
SEAFRONT RESOURCES CORPORATION (B)	-85.09	-23.53
BALABAC OIL EXPLORATION & DRILLING CO., INC. (B)	-47.82	-25.00
BALABAC OIL EXPLORATION & DRILLING CO., INC. (A)	-47.82	-16.67
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (B)	-40.09	-29.73
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (A)	-40.09	-29.15
ORIENTAL PETROLEUM & MINERAL CORPORATION (B)	-17.05	-66.48
ORIENTAL PETROLEUM & MINERAL CORPORATION (A)	-16.34	-61.54
PHILTREAD TIRE AND RUBBER CORPORATION (B)	-6.83	-23.40
TOTAL RETURN		-325.22
MEAN		-32.52
STANDARD DEVIATION		16.19
PORTFOLIO 2		
PHILTREAD TIRE AND RUBBER CORPORATION (A)	-6.07	-31.91
UNITED PARAGON MINING CORPORATION	-4.54	-40.00
ATLAS FERTILIZER CORPORATION (A)	-2.69	7.14
ATLAS FERTILIZER CORPORATION (B)	-2.69	15.38
JR GARMENTS CORPORATION	-1.19	69.23
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(B)	-1.12	7.35
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION(A)	-1.06	7.81
PHILIPPINE REALTY AND HOLDINGS CORPORATION	0.91	-4.12
KUOK PHILIPPINE PROPERTIES, INC. (A)	3.33	-32.91
DIZON COPPER-SILVER MINES, INC.	4.34	680.00
TOTAL RETURN		677.97
MEAN		67.80
STANDARD DEVIATION		206.24
PORTFOLIO 3		
RIZAL COMMERCIAL BANKING CORPORATION (A)	4.84	18.90
MANILA JOCKEY CLUB, INC.	5.09	44.57
SOLIDBANK CORPORATION	5.31	-7.50
LIBERTY FLOUR MILLS, INC.	6.19	1.67
PRUDENTIAL BANK	7.17	4.00
DHARMALA PHILIPPINES, INC. (A)	7.22	-11.18

Appendix 1D (cont'd)

COMPANY NAME	1995	1995
	P/E	RETURN
DHARMALA PHILIPPINES, INC. (B)	7.58	-55.03
SM DEVELOPMENT CORPORATION (A)	7.79	5.10
SM DEVELOPMENT CORPORATION (B)	7.95	0.00
HOUSE OF INVESTMENTS, INC.	8.18	-11.56
TOTAL RETURNS		-11.03
MEAN		-1.10
STANDARD DEVIATION		23.91
PORTFOLIO 4		
MANILA MINING CORPORATION (A)	8.5	-62.77
MANILA MINING CORPORATION (B)	8.68	-78.56
REPUBLIC GLASS HOLDINGS CORPORATION (A)	8.83	33.33
CITYLAND DEVELOPMENT CORPORATION (A)	8.96	35.33
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	9.38	-29.58
BOGO-MEDELLIN MILLING CO., INC.	9.39	-17.50
PDCP DEVELOPMENT BANK, INC.	9.42	-22.75
MATSUSHITA ELECTRIC PHILIPPINES CORP.	9.91	4.73
CHINA BANKING CORPORATION	9.96	14.40
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (A)	10.18	-24.61
TOTAL RETURNS		-147.98
MEAN		-14.80
STANDARD DEVIATION		35.71
PORTFOLIO 5		
SIME DARBY PILIPINAS, INC.	10.25	-59.47
MANILA BULLETIN PUBLISHING CORPORATION	10.42	38.57
GUOCO HOLDINGS (PHILS.), INC. (A)	10.61	13.00
PICOP RESOURCES, INC. (A)	11.29	-60.62
EEL CORPORATION	11.37	-23.27
PHILEX MINING CORPORATION (A)	11.76	-15.38
RFM CORPORATION	12.63	-29.11
A. SORIANO CORPORATION	13.09	10.42
GUOCO HOLDINGS (PHILS.), INC. (B)	13.3	5.00
PHILIPPINE BANK OF COMMUNICATIONS	13.3	25.18
TOTAL RETURNS		-95.68
MEAN		-9.57
STANDARD DEVIATION		32.16

Appendix 1D (cont'd)

COMPANY NAME	1995 P/E	1995 RETURN
PORTFOLIO 6		
PRYCE PROPERTIES CORPORATION (A)	13.52	7.30
PHILIPPINE NATIONAL BANK	14.09	-15.94
URBAN BANK, INC.	14.19	-6.40
FIRST PHILIPPINE HOLDINGS CORPORATION (A)	14.31	-15.16
PHILIPPINE COMMERCIAL INTERNATIONAL BANK, INC.	14.31	10.68
FAR EAST BANK AND TRUST COMPANY	14.5	8.75
CEBU SHIPYARD AND ENGINEERING WORKS, INC. (B)	14.97	-22.36
REPUBLIC CEMENT CORPORATION (A)	15.64	-15.29
REPUBLIC CEMENT CORPORATION (B)	15.85	46.59
PHILEX MINING CORPORATION (B)	16.04	-25.00
TOTAL RETURNS		-26.83
MEAN		-2.68
STANDARD DEVIATION		20.56
PORTFOLIO 7		
SAN CARLOS MILLING CO., INC.	16.41	0.00
SAN MIGUEL CORPORATION (A)	16.45	-27.28
PHILIPPINE LONG DISTANCE TELEPHONE CO.	17.01	5.25
TRANS-ASIA OIL AND MINERAL DEVELOPMENT CORPORATION	17.05	25.00
SANITARY WARES MANUFACTURING CORPORATION	17.45	-13.04
AYALA CORPORATION (A)	17.66	-4.11
KEPPEL PHILIPPINES HOLDINGS, INC.(A)	18.17	-9.09
JARDINE DAVIES, INC.	18.79	-10.00
ROBINSON'S LAND CORPORATION	19.88	-1.86
THE PHILIPPINE BANKING CORPORATION	19.92	31.87
TOTAL RETURNS		-3.26
MEAN		-0.33
STANDARD DEVIATION		16.69
PORTFOLIO 8		
FIRST PHILIPPINE HOLDINGS CORPORATION (B)	20.86	-17.23
METROPOLITAN BANK AND TRUST COMPANY	21.16	5.61
BANK OF THE PHILIPPINE ISLANDS	23.07	58.93
LEPANTO CONSOLIDATED MINING CORP. (A)	24.06	-7.69
METRO PACIFIC CORPORATION	24.69	33.70
KEPPEL PHILIPPINES HOLDINGS, INC.(B)	24.99	-8.33
LEPANTO CONSOLIDATED MINING CORP. (B)	25.4	-13.64

Appendix 1D (concluded)

COMPANY NAME	1995	1995
	P/E	RETURN
AYALA CORPORATION (B)	25.68	12.00
SAN MIGUEL CORPORATION (B)	28.59	-9.10
UNIOIL AND GAS DEVELOPMENT CO., INC.	33.54	29.41
TOTAL RETURNS		83.66
MEAN		8.37
STANDARD DEVIATION		23.76
PORTFOLIO 9		
INTERPHIL LABORATORIES, INC. (A)	34.74	-12.12
INTERPHIL LABORATORIES, INC. (B)	36.3	-10.48
AYALA LAND, INC.	39.22	-15.63
BENGUET CORPORATION (A)	41.2	20.83
INTEGRATED CHROME CORPORATION (B)	51.34	-10.00
INTEGRATED CHROME CORPORATION (A)	51.34	0.00
GUOCO LAND (PHILIPPINES), INC. (A)	66.81	-27.43
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	169.02	-36.84
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	211.28	-22.68
VULCAN INDUSTRIAL AND MINING CORPORATION	233.46	-37.93
TOTAL RETURNS		-152.28
MEAN		-15.3
STANDARD DEVIATION		16.67

Appendix 2A
Top Ten Best Performers (1992-1995)
Annual Return for the Years

1992

MANILA MINING CORPORATION (B)	901.61
MANILA MINING CORPORATION (A)	824.19
DIZON COPPER-SILVER MINES, INC.	543.38
EEI CORPORATION	294.44
SAN MIGUEL CORPORATION (B)	218.74
PHILIPPINE COMMERCIAL INTERNATIONAL BANK, INC.	159.28
UNIOIL AND GAS DEVELOPMENT CO., INC.	140.21
PRUDENTIAL BANK	126.67
DHARMALA PHILIPPINES, INC. (A)	114.58
CHINA BANKING CORPORATION	102.19

1993

EEI CORPORATION	491.55
SM DEVELOPMENT CORPORATION (B)	375.61
METRO PACIFIC CORPORATION	354.81
MANILA MINING CORPORATION (B)	309.05
MANILA MINING CORPORATION (A)	284.94
SM DEVELOPMENT CORPORATION (A)	266.67
BACNOTAN CONSOLIDATED INDUSTRIES, INC.	251.20
PHILIPPINE NATIONAL BANK	199.55
SOLIDBANK CORPORATION	198.18
AYALA CORPORATION (B)	189.92

1994

MANILA JOCKEY CLUB, INC.	714.14
DIZON COPPER-SILVER MINES, INC.	369.23
DHARMALA PHILIPPINES, INC. (B)	306.09
DHARMALA PHILIPPINES, INC. (A)	173.87
CITYLAND DEVELOPMENT CORPORATION (A)	141.49
BANK OF THE PHILIPPINE ISLANDS	125.72
URBAN BANK, INC.	124.60
RFM CORPORATION	122.22
GUOCO LAND (PHILIPPINES), INC. (A)	119.44
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (A)	106.18

1995

DIZON COPPER-SILVER MINES, INC.	680.00
JR GARMENTS CORPORATION	69.23
BANK OF THE PHILIPPINE ISLANDS	58.93
REPUBLIC CEMENT CORPORATION (B)	46.59
MANILA JOCKEY CLUB, INC.	44.57
MANILA BULLETIN PUBLISHING CORPORATION	38.57
CITYLAND DEVELOPMENT CORPORATION (A)	35.33
METRO PACIFIC CORPORATION	33.70
REPUBLIC GLASS HOLDINGS CORPORATION (A)	33.33
THE PHILIPPINE BANKING CORPORATION	31.87

Appendix 2B
Ten Worst Performers (1992-1995)
Stock Returns

	Stock Return
1992	
REPUBLIC GLASS HOLDINGS CORPORATION (A)	-53.85
ATLAS FERTILIZER CORPORATION (B)	-52.94
MATSUSHITA ELECTRIC PHILIPPINES CORP.	-43.48
SAN CARLOS MILLING CO., INC.	-42.86
SOLIDBANK CORPORATION	-25.32
LEPANTO CONSOLIDATED MINING CORP. (B)	-22.40
LEPANTO CONSOLIDATED MINING CORP. (A)	-20.01
PHILIPPINE TELEGRAPH AND TELEPHONE CORP. (B)	-15.66
INTEGRATED CHROME CORPORATION (A)	-13.28
SANITARY WARES MANUFACTURING CORPORATION	-13.16
1993	
DIZON COPPER-SILVER MINES, INC.	-81.43
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION (B)	-38.46
PHILTREAD TIRE AND RUBBER CORPORATION (B)	-34.44
INTEGRATED CHROME CORPORATION (B)	-25.95
PHILTREAD TIRE AND RUBBER CORPORATION (A)	-22.91
UNIOIL AND GAS DEVELOPMENT CO., INC.	-22.75
ATLAS CONSOLIDATED MINING AND DEVELOPMENT CORPORATION (A)	-22.73
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	-13.94
JR GARMENTS CORPORATION	-13.04
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	-12.78
1994	
JR GARMENTS CORPORATION	-67.50
SM DEVELOPMENT CORPORATION (B)	-65.81
ALCORN PETROLEUM AND MINERALS CORPORATION (B)	-64.47
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	-61.54
UNIOIL AND GAS DEVELOPMENT CO., INC.	-52.78
EEI CORPORATION	-51.56
SEAFRONT RESOURCES CORPORATION (B)	-51.43
PHILTREAD TIRE AND RUBBER CORPORATION (A)	-50.94
SM DEVELOPMENT CORPORATION (A)	-49.09
UNITED PARAGON MINING CORPORATION	-45.36
1995	
MANILA MINING CORPORATION (B)	-78.39
ORIENTAL PETROLEUM & MINERAL CORPORATION (B)	-66.48
MANILA MINING CORPORATION (A)	-62.77
ORIENTAL PETROLEUM & MINERAL CORPORATION (A)	-61.54
PICOP RESOURCES, INC. (A)	-60.62
SIME DARBY PILIPINAS, INC.	-59.47
DHARMALA PHILIPPINES, INC. (B)	-40.04
UNITED PARAGON MINING CORPORATION	-40.00
VULCAN INDUSTRIAL AND MINING CORPORATION	-37.93
ALCORN PETROLEUM AND MINERALS CORPORATION (A)	-36.84