

# **RELATIVE TOTAL RETURN PLANS POSE SERIOUS PROBLEMS**

**by Graef Crystal**

**August 2008**

For years, academic economists have inveighed against stock options and free share plans, because rewards under such plans are based on absolute company stock prices. That the stock price rises but rises less than that of peer companies is annoying to these economists, who believe devoutly in the principle that you should only be rewarded for outperforming a relevant peer group.

I might have been the first compensation consultant to design a long-term incentive plan based on relative performance against a group of peers, the company in this case being the San Francisco utility giant PG&E Corp. and the time being in the late 1970s or early 1980s.

## **The PG&E Plan**

The Edgar proxy disclosure system first reported an electronic proxy for PG&E on March 4, 1994. A review of that proxy and every succeeding proxy showed that PG&E made relative performance grants in each year from 1993 through 2007, except for 2003 and 2004.

PG&E's latest plan rendition goes as follows:

- An executive is contingently granted a number of performance shares.
- The company has set up a 12-company performance comparator group. A scan of the 12 companies reveals nothing unremarkable. Or to put it more positively, each company seemed to me to be a relevant comparator.
- Total return (share price appreciation and reinvested dividends) is measured over a three-year performance period, with vesting, if any, occurring at the end of the period.
- If PG&E's total return falls below the 25<sup>th</sup> percentile of its peer group, none of the performance shares will vest.
- If PG&E's total return is exactly at the 25<sup>th</sup> percentile, then 25 percent of the shares will vest.
- If performance is at the 75<sup>th</sup> percentile, then the payout will be 100 percent.
- And if the company surpasses all 12 comparators, the payout will be 200 percent.

When I designed that sort of plan for PG&E, I back-tested it over some 20 years, measuring the company's relative total return against its peer group in overlapping three-year cycles all the way to the then current time.

I was startled to find no clear cut pattern to PG&E's rankings among the peer group companies. In one cycle, it could be the top company, while in another cycle, it could be near the bottom. And so forth.

That apparent randomness notwithstanding, the plan was adopted because it was deemed fair, and because academic economists thought the underlying premise was cool.

### **Two More Examples**

Some years later, I tried to design a similar plan for Houston-headquartered Lyondell Chemical Corp. When I backtested it, I found even more randomness. And this time, I recommended that such a plan not be adopted.

Earlier this year, I came across a similar plan that had been adopted by Camden, New Jersey-headquartered Campbell Soup Co. And I found the very same pattern. In backtesting it, I found that for some time Campbell ranked last or nearly last among its comparator group companies. Then it began to improve, rising to second place in the three-year performance period ended July 31, 2005.

Perhaps that rising performance record was what motivated Campbell to adopt the new plan. And at first, the decision seemed prescient. For the performance period ended July 31, 2006, Campbell ranked first among its peers. But for the performance period ended July 31, 2007, its ranking plummeted to 10<sup>th</sup> place out of 12 comparator companies. And for the performance period ended July 31, 2008, it ranked in sixth place.

### **A Study of 382 Companies**

All of this perturbation prompted me recently to study the performance of 381 companies, all with market caps of \$3 billion or more at the time the study was performed. To facilitate comparisons, every company selected had a December 31 fiscal year.

Here's what I did:

- I started with the three-year performance period ended Dec. 31, 1998 and calculated the total return for each company. I then transformed those raw figures into percentile ranks.
- I moved my period up one year – for the three-year performance period ended Dec. 31, 1999 and did the same thing.

- I kept moving up one more year at a time, until I reached the three-year performance period ended Dec. 31, 2007
- That gave me 10 overlapping three-year performance periods.
- Next I calculated the average percentile rank for the 10 periods for each company.
- And I also calculated the standard deviation of the 10 percentile ranks.

## Conclusions

Several key facts emerged from this lengthy analysis:

- The most consistently high-performing company through the 10 overlapping three-year performance cycles was San Francisco Bay Area-headquartered Gilead Sciences Inc. But the average of its 10 different percentile ranks was not 100. No, it was 80.
- The most consistently poor-performing company through the 10 overlapping three-year performance cycles was Rochester, New York-headquartered Eastman Kodak Co. But the average of its 10 different percentile ranks was not 0. No, it was 18.
- The average standard deviation for the 10 cycles for all companies was 24 percentile points. For an example here, if a company's average percentile rank was right in the middle at 50, then there was the likelihood that 84 percent of its 10 different percentile ranks would fall within the range of 26 to 74 percentile points. And there was the likelihood that 98 percent of the cases would fall in the range of 2 to 98 percentile points.
- In other words, the variability of outcome was enormous.
- One final conclusion: Bad news for the risk and reward theorists. In case you were thinking that there was a significant and positive relationship between the average standard deviation for the 10 performance cycles and the average percentile performance rank for the 10 cycles, think again. There was no correlation whatsoever.

So the lesson here, I think, is to approach relative total return plans with considerable caution. The operations of the financial markets tend, over long periods of time, to normalize total returns. Or put it this way: If total returns are random, as so many economists believe, then there will be regression to the mean. So if a company is outperforming its peers, it is likely to continue outperforming them in the near future but by a lesser margin. Similarly, if a company is underperforming its peers, it may continue underperforming them in the near future but by a lesser margin. Ultimately, everyone may end up approaching the mean.

If I'm an executive, I might very well think like this: "I can understand having a stock option. If the stock goes up 50 percent, I make money. And the shareholders make money. But I say 'So What?' if our competitors' stocks go up 75 percent? In contrast, with a relative performance

plan, our stock can go up 50 percent in one period, and I get nothing because we way underperformed our peers. And in the next period, I get a maximum award, because even though our total return was negative, it was still a lot better than the really bad performance of our peers. And in that case, we will probably have a near-riot on the part of our shareholders, who for the most part, cannot begin to comprehend how we can cart out a lot of money when performance was so poor in absolute terms.”

Remember that shareholders eat absolute stock price appreciation and absolute dividends. They do not eat relative stock price appreciation and relative dividends.

### **A Final Case**

One last case history: Back in the late 1970s, I designed a relative performance plan for Columbus, Indiana-headquartered Cummins Inc.

In that plan, long-term performance was based on Cummin’s average multi-year return on equity compared to the same stat for a number of companies in the automotive industry.

To determine the percent of the award that would be earned, Cummins return on equity (ROE) was divided by the average ROE of the comparator group. Then that ratio was looked up in a pre-established table to determine how much the payout would be.

One day I got a call from Cummins. It was at the end of a performance cycle. I was told that Cummins’ average ROE was negative 4 percent during the performance period. I responded: “Sorry to hear that. Of course, there will be no payout.”

“Wrong”, said my interlocutor. “According to your stupid plan, the payout will be 200 percent of norm.”

“How can that be?”, I asked. His reply: “The average comparator group company had a negative 2 percent return on equity. If you divide negative two percent into negative 4 percent, you get a ratio of positive 2 and a payout that is 200 percent of normal.”

Chalk that up to great moments in long-term incentive plan design.

The table that follows shows for each company its average percentile rank for the 10 different overlapping three-year performance periods, as well as the average standard deviation of the 10 percentile ranks. It is arrayed in descending order of percentile rank.

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
GILD	GILEAD SCIENCES INC	80	18
CELG	CELGENE CORP	79	28
NVR	NVR INC	79	32
XTO	XTO ENERGY INC	79	31
FTO	FRONTIER OIL CORP	78	26
ESRX	EXPRESS SCRIPTS INC	78	15
EXPD	EXPEDITORS INTL WASH INC	77	12
PENN	PENN NATIONAL GAMING INC	76	32
STN	STATION CASINOS INC	74	28
PCAR	PACCAR INC	71	16
EGN	ENERGEN CORP	70	14
UNH	UNITEDHEALTH GROUP INC	69	29
MGM	MGM MIRAGE	68	20
CVH	COVENTRY HEALTH CARE INC	68	34
TEX	TEREX CORP	68	39
GGP	GENERAL GROWTH PROPERTIES	67	23
EQT	EQUITABLE RESOURCES INC	67	20
SNDK	SANDISK CORP	67	35
EXC	EXELON CORP	66	16
SWN	SOUTHWESTERN ENERGY CO	66	40
CHK	CHESAPEAKE ENERGY CORP	66	38
EOG	EOG RESOURCES INC	66	34
BRL	BARR PHARMACEUTICALS INC	66	28
ORLY	O'REILLY AUTOMOTIVE INC	66	15
OXY	OCCIDENTAL PETROLEUM CORP	66	28
BCR	BARD (C.R.) INC	66	10
RS	RELIANCE STEEL & ALUMINUM	65	17
CBH	COMMERCE BANCORP INC/NJ	65	19
MUR	MURPHY OIL CORP	65	20
KIM	KIMCO REALTY CORP	65	14
STR	QUESTAR CORP	65	22
SYK	STRYKER CORP	65	22
VNO	VORNADO REALTY TRUST	65	17
PHM	PULTE HOMES INC	64	29
LUK	LEUCADIA NATIONAL CORP	64	15
APA	APACHE CORP	64	23
SEIC	SEI INVESTMENTS COMPANY	64	34
ESI	ITT EDUCATIONAL SERVICES INC	64	30
SUN	SUNOCO INC	64	25
IFIN	INVESTORS FINANCIAL SVCS CP	64	32
DHR	DANAHER CORP	63	15
FRT	FEDERAL REALTY INVS TRUST	63	26
SPG	SIMON PROPERTY GROUP INC	63	25
DNR	DENBURY RESOURCES INC	63	41
MAC	MACERICH CO/THE	63	25

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
MTW	MANITOWOC COMPANY INC	63	25
AVB	AVALONBAY COMMUNITIES INC	63	17
REG	REGENCY CENTERS CORP	63	21
TROW	T ROWE PRICE GROUP INC	63	17
AGN	ALLERGAN INC	62	23
AMLN	AMYLIN PHARMACEUTICALS INC	62	34
BLL	BALL CORP	62	23
NFX	NEWFIELD EXPLORATION CO	62	17
CDWC	CDW CORP	62	26
CERN	CERNER CORP	61	24
WFT	WEATHERFORD INTL LTD	61	22
ASN	ARCHSTONE-SMITH TRUST	61	15
SII	SMITH INTERNATIONAL INC	61	22
ROP	ROPER INDUSTRIES INC	61	20
DDR	DEVELOPERS DIVERSIFIED RLTY	61	28
STU	STUDENT LOAN CORP	61	28
BER	WR BERKLEY CORP	61	28
PSA	PUBLIC STORAGE	61	22
DVN	DEVON ENERGY CORPORATION	61	23
WTM	WHITE MOUNTAINS INSURANCE GP	61	26
LH	LABORATORY CRP OF AMER HLDGS	60	32
RHD	R.H. DONNELLEY CORP	60	22
NYB	NEW YORK COMMUNITY BANCORP	60	33
SLM	SLM CORP	60	27
NE	NOBLE CORP	60	19
JBHT	HUNT (JB) TRANSPRT SVCS INC	60	28
KMI	KNIGHT INC	60	21
MDU	MDU RESOURCES GROUP INC	60	7
ECL	ECOLAB INC	60	13
PPL	PPL CORPORATION	60	16
PLD	PROLOGIS	60	18
VTR	VENTAS INC	60	41
ITT	ITT CORP	60	13
AFL	AFLAC INC	60	20
BYD	BOYD GAMING CORP	59	43
RRC	RANGE RESOURCES CORP	59	43
WAT	WATERS CORP	59	31
PTEN	PATTERSON-UTI ENERGY INC	59	25
ETR	ENTERGY CORP	59	17
UTX	UNITED TECHNOLOGIES CORP	59	14
MHP	MCGRAW-HILL COMPANIES INC	59	16
MRO	MARATHON OIL CORP	59	25
GD	GENERAL DYNAMICS CORP	59	12
MLM	MARTIN MARIETTA MATERIALS	59	24
HET	HARRAH'S ENTERTAINMENT INC	59	23

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
NUE	NUCOR CORP	58	31
GENZ	GENZYME CORP	58	24
CAT	CATERPILLAR INC	58	15
PEG	PUBLIC SERVICE ENTERPRISE GP	58	11
HOG	HARLEY-DAVIDSON INC	58	30
COF	CAPITAL ONE FINANCIAL CORP	58	34
DVA	DAVITA INC	58	35
CFC	COUNTRYWIDE FINANCIAL CORP	57	32
COP	CONOCOPHILLIPS	57	19
CMI	CUMMINS INC	57	31
STJ	ST JUDE MEDICAL INC	57	34
MKL	MARKEL CORP	57	15
VMC	VULCAN MATERIALS CO	57	13
TSO	TESORO CORP	56	36
MHK	MOHAWK INDUSTRIES INC	56	29
MO	ALTRIA GROUP INC	56	20
BWA	BORGWARNER INC	56	22
FAF	FIRST AMERICAN CORPORATION	56	27
SEPR	SEPRACOR INC	56	44
CBSS	COMPASS BANCSHARES INC	56	15
DISH	DISH NETWORK CORP-A	56	35
CI	CIGNA CORP	56	30
JOE	THE ST JOE COMPANY	56	25
XRAY	DENTSPLY INTERNATIONAL INC	56	22
XOM	EXXON MOBIL CORP	56	12
FAST	FASTENAL CO	55	19
HCP	HCP INC	55	23
CEG	CONSTELLATION ENERGY GROUP	55	18
PX	PRAXAIR INC	55	19
NBL	NOBLE ENERGY INC	55	28
STT	STATE STREET CORP	55	23
ALB	ALBEMARLE CORP	55	22
ALD	ALLIED CAPITAL CORP	54	16
OKE	ONEOK INC	54	18
APC	ANADARKO PETROLEUM CORP	54	23
HES	HESS CORP	54	27
FCX	FREEPORT-MCMORAN COPPER	54	39
HSC	HARSCO CORP	54	24
SFI	ISTAR FINANCIAL INC	54	36
SO	SOUTHERN CO	54	19
TXU	ENERGY FUTURE HOLDINGS CORP	54	31
FISV	FISERV INC	54	26
X	UNITED STATES STEEL CORP	54	36
DST	DST SYSTEMS INC	54	24
EIX	EDISON INTERNATIONAL	54	31
GLW	CORNING INC	54	39

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
MER	MERRILL LYNCH & CO INC	54	19
AES	AES CORP	54	41
PGR	PROGRESSIVE CORP	54	28
DO	DIAMOND OFFSHORE DRILLING	54	32
BNI	BURLINGTON NORTHERN SANTA FE	54	23
UDR	UDR INC	53	29
BEC	BECKMAN COULTER INC	53	16
SPW	SPX CORP	53	32
USB	US BANCORP	53	23
CVS	CVS CAREMARK CORP	53	28
BIIB	BIOGEN IDEC INC	53	36
SLB	SCHLUMBERGER LTD	53	23
MTB	M & T BANK CORP	53	21
HUM	HUMANA INC	53	38
TAP	MOLSON COORS BREWING CO -B	53	25
CAM	CAMERON INTERNATIONAL CORP	53	23
ETN	EATON CORP	52	17
CVX	CHEVRON CORP	52	11
TPP	TEPPCO PARTNERS LP	52	20
ACE	ACE LTD	52	18
LTR	LOEWS CORP	52	24
HSIC	HENRY SCHEIN INC	52	29
DRE	DUKE REALTY CORP	52	15
D	DOMINION RESOURCES INC/VA	52	14
NBR	NABORS INDUSTRIES LTD	52	21
AXP	AMERICAN EXPRESS CO	51	21
WFC	WELLS FARGO & COMPANY	51	16
HIG	HARTFORD FINANCIAL SVCS GRP	51	12
FPL	FPL GROUP INC	51	16
UB	UNIONBANCAL CORPORATION	51	26
TXT	TEXTRON INC	51	25
IR	INGERSOLL-RAND CO LTD-CL A	51	19
LRY	LIBERTY PROPERTY TRUST	51	19
FO	FORTUNE BRANDS INC	51	23
C	CITIGROUP INC	51	26
ABK	AMBAC FINANCIAL GROUP INC	51	25
OMC	OMNICOM GROUP	51	28
OMC	OMNICOM GROUP	51	28
NTRS	NORTHERN TRUST CORP	51	29
AMGN	AMGEN INC	51	31
AIV	APARTMENT INVT & MGMT CO -A	51	19
RIG	TRANSOCEAN INC	51	31
WMB	WILLIAMS COS INC	50	38
CBE	COOPER INDUSTRIES LTD-CL A	50	18
SCHW	SCHWAB (CHARLES) CORP	50	39
ACGL	ARCH CAPITAL GROUP LTD	50	29

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
PCL	PLUM CREEK TIMBER CO	50	10
TXN	TEXAS INSTRUMENTS INC	50	37
HPT	HOSPITALITY PROPERTIES TRUST	50	29
HOT	STARWOOD HOTELS & RESORTS	50	26
HAL	HALLIBURTON CO	50	35
BHI	BAKER HUGHES INC	49	29
RHI	ROBERT HALF INTL INC	49	18
SHW	SHERWIN-WILLIAMS CO/THE	49	17
AVP	AVON PRODUCTS INC	49	24
FDC	FIRST DATA CORP	49	26
LXK	LEXMARK INTERNATIONAL INC-A	49	39
SIAL	SIGMA-ALDRICH	49	19
AYE	ALLEGHENY ENERGY INC	49	39
TEG	INTEGRYS ENERGY GROUP INC	49	16
CL	COLGATE-PALMOLIVE CO	49	26
VRTX	VERTEX PHARMACEUTICALS INC	49	37
BAC	BANK OF AMERICA CORP	49	19
SSP	EW SCRIPPS CO-CL A	48	21
BUD	ANHEUSER-BUSCH COS INC.	48	25
BDK	BLACK & DECKER CORP	48	22
UST	UST INC	48	18
BAX	BAXTER INTERNATIONAL INC	48	23
CVC	CABLEVISION SYSTEMS-NY GRP-A	48	39
NSC	NORFOLK SOUTHERN CORP	48	29
AT	ALLTEL CORP	48	22
LNC	LINCOLN NATIONAL CORP	48	10
HNT	HEALTH NET INC	48	29
JNJ	JOHNSON & JOHNSON	48	18
BPOP	POPULAR INC	48	32
EFX	EQUIFAX INC	48	17
VFC	VF CORP	48	17
USM	US CELLULAR CORP	48	30
DYN	DYNEGY INC-CL A	48	41
CEPH	CEPHALON INC	48	35
ZION	ZIONS BANCORPORATION	48	23
ESV	ENSCO INTERNATIONAL INC	48	23
MCD	MCDONALD'S CORP	47	24
TMK	TORCHMARK CORP	47	10
LYO	LYONDELL CHEMICAL COMPANY	47	26
MI	MARSHALL & ILSLEY CORP	47	19
HSY	HERSHEY CO/THE	47	17
USG	USG CORP	47	41
WFR	MEMC ELECTRONIC MATERIALS	47	43
IACI	IAC/INTERACTIVECORP	47	29
EMC	EMC CORP/MASS	47	42
MMM	3M CO	47	21

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
PEP	PEPSICO INC	46	11
TIN	TEMPLE-INLAND INC	46	10
ITW	ILLINOIS TOOL WORKS	46	15
EP	EL PASO CORP	46	33
HST	HOST HOTELS & RESORTS INC	46	22
BA	BOEING CO	46	23
MEL	MELLON FINANCIAL CORP	46	22
WEC	WISCONSIN ENERGY CORP	46	19
PCG	P G & E CORP	46	22
MDR	MCDERMOTT INTL INC	46	41
ASBC	ASSOCIATED BANC-CORP	46	18
WWY	WRIGLEY WM JR CO	46	14
ORI	OLD REPUBLIC INTL CORP	46	20
IBM	INTL BUSINESS MACHINES CORP	46	29
BK	BANK OF NEW YORK MELLON CORP	46	28
LMT	LOCKHEED MARTIN CORP	46	29
WM	WASHINGTON MUTUAL INC	46	24
LUV	SOUTHWEST AIRLINES CO	46	33
GE	GENERAL ELECTRIC CO	46	28
ROH	ROHM AND HAAS CO	45	9
BBT	BB&T CORP	45	22
ALL	ALLSTATE CORP	45	16
AA	ALCOA INC	45	28
OI	OWENS-ILLINOIS INC	45	33
ED	CONSOLIDATED EDISON INC	45	16
CB	CHUBB CORP	45	10
MIL	MILLIPORE CORP	45	24
PNC	PNC FINANCIAL SERVICES GROUP	45	9
LZ	LUBRIZOL CORP	45	17
WPO	WASHINGTON POST -CL B	45	24
GWW	WW GRAINGER INC	44	12
NU	NORTHEAST UTILITIES	44	21
SNV	SYNOVUS FINANCIAL CORP	44	18
JPM	JPMORGAN CHASE & CO	44	18
ABT	ABBOTT LABORATORIES	44	19
CTL	CENTURYTEL INC	44	27
ODP	OFFICE DEPOT INC	44	30
SCG	SCANA CORP	44	13
ALTR	ALTERA CORPORATION	44	31
LNT	ALLIANT ENERGY CORP	44	11
TRH	TRANSATLANTIC HOLDINGS INC	44	22
SCI	SERVICE CORP INTERNATIONAL	44	37
GPC	GENUINE PARTS CO	44	14
UNP	UNION PACIFIC CORP	44	21
DUK	DUKE ENERGY CORP	44	20
AIG	AMERICAN INTERNATIONAL GROUP	43	30

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
CSX	CSX CORP	43	25
FRE	FREDDIE MAC	43	26
DTE	DTE ENERGY COMPANY	43	16
AMD	ADVANCED MICRO DEVICES	43	27
DOW	DOW CHEMICAL	43	17
SOV	SOVEREIGN BANCORP INC	43	33
SAF	SAFECO CORP	43	20
PDE	PRIDE INTERNATIONAL INC	43	24
MMC	MARSH & MCLENNAN COS	43	35
GR	GOODRICH CORP	43	22
RDC	ROWAN COMPANIES INC	43	18
MAN	MANPOWER INC	43	12
INTC	INTEL CORP	43	31
CINF	CINCINNATI FINANCIAL CORP	43	13
DTV	DIRECTV GROUP INC/THE	43	25
TRV	TRAVELERS COS INC/THE	42	14
AVY	AVERY DENNISON CORP	42	19
FITB	FIFTH THIRD BANCORP	42	34
WB	WACHOVIA CORP	42	26
WHR	WHIRLPOOL CORP	42	16
NOC	NORTHROP GRUMMAN CORP	42	22
SWK	STANLEY WORKS/THE	42	18
FHN	FIRST HORIZON NATIONAL CORP	42	27
WY	WEYERHAEUSER CO	42	12
CZN	CITIZENS COMMUNICATIONS CO	42	15
HON	HONEYWELL INTERNATIONAL INC	42	20
PGN	PROGRESS ENERGY INC	42	16
DOV	DOVER CORP	41	14
AOC	AON CORP	41	22
PMI	PMI GROUP INC/THE	41	23
PNW	PINNACLE WEST CAPITAL	41	9
TMO	THERMO FISHER SCIENTIFIC INC	41	28
AFG	AMERICAN FINANCIAL GROUP INC	41	20
AFG	AMERICAN FINANCIAL GROUP INC	41	20
CCK	CROWN HOLDINGS INC	41	40
TWX	TIME WARNER INC	41	42
TRB	TRIBUNE CO	41	28
KEY	KEYCORP	41	17
AMR	AMR CORP	40	33
XL	XL CAPITAL LTD -CLASS A	40	27
SWY	SAFeway INC	40	34
NCC	NATIONAL CITY CORP	40	21
MBI	MBIA INC	40	18
WYE	WYETH	40	21
TSS	TOTAL SYSTEM SERVICES INC	40	19
STI	SUNTRUST BANKS INC	40	15

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
SON	SONOCO PRODUCTS CO	40	12
PBI	PITNEY BOWES INC	40	23
CMA	COMERICA INC	40	18
CNP	CENTERPOINT ENERGY INC	40	26
MOT	MOTOROLA INC	40	27
HAS	HASBRO INC	40	22
NEM	NEWMONT MINING CORP	40	33
MAS	MASCO CORP	40	17
K	KELLOGG CO	39	20
KMB	KIMBERLY-CLARK CORP	39	11
PFE	PFIZER INC	39	32
CBS	CBS CORP-CLASS B	39	29
T	AT&T INC	39	26
OCR	OMNICARE INC	39	32
AEP	AMERICAN ELECTRIC POWER	38	12
RSH	RADIOSHACK CORP	38	35
MRK	MERCK & CO. INC.	38	31
GCI	GANNETT CO	38	27
SGP	SCHERING-PLOUGH CORP	38	35
RF	REGIONS FINANCIAL CORP	38	20
LEG	LEGGETT & PLATT INC	37	18
CCU	CLEAR CHANNEL COMMUNICATIONS	37	35
PPG	PPG INDUSTRIES INC	37	15
EMN	EASTMAN CHEMICAL COMPANY	37	14
XEL	XCEL ENERGY INC	37	15
RTN	RAYTHEON COMPANY	37	22
BSX	BOSTON SCIENTIFIC CORP	37	39
HBAN	HUNTINGTON BANCSHARES INC	37	21
S	SPRINT NEXTEL CORP	37	32
XRX	XEROX CORP	37	33
LLY	ELI LILLY & CO	36	27
NI	NISOURCE INC	36	16
VZ	VERIZON COMMUNICATIONS INC	36	19
ARW	ARROW ELECTRONICS INC	36	20
SVM	SERVICEMASTER COMPANY	36	20
RRD	RR DONNELLEY & SONS CO	35	13
CCE	COCA-COLA ENTERPRISES	35	28
AN	AUTONATION INC	35	31
MTG	MGIC INVESTMENT CORP	35	19
IFF	INTL FLAVORS & FRAGRANCES	35	23
WMI	WASTE MANAGEMENT INC	34	22
TLAB	TELLABS INC	34	38
DD	DU PONT (E.I.) DE NEMOURS	33	13
NT	NORTEL NETWORKS CORP	33	41
KO	COCA-COLA CO/THE	31	18

TICKER	NAME	10-CYCLE AVERAGE PERCENTILE RANK	10-CYCLE AVERAGE STANDARD DEVIATION
NWL	NEWELL RUBBERMAID INC	31	17
LSI	LSI CORP	31	33
GT	GOODYEAR TIRE & RUBBER CO	30	36
F	FORD MOTOR CO	30	34
CMS	CMS ENERGY CORP	30	26
IP	INTERNATIONAL PAPER CO	30	15
CNA	CNA FINANCIAL CORP	29	13
AW	ALLIED WASTE INDUSTRIES INC	29	27
CDNS	CADENCE DESIGN SYS INC	28	19
GM	GENERAL MOTORS CORP	28	22
MAT	MATTEL INC	28	23
IPG	INTERPUBLIC GROUP OF COS INC	28	37
EDS	ELECTRONIC DATA SYSTEMS CORP	27	22
UNM	UNUM GROUP	27	20
FWLT	FOSTER WHEELER LTD	23	40
EK	EASTMAN KODAK CO	18	11