



SID MITTRA, PH.D.

There are five faces to investment risk

Editor's note: This is the fourth of a seven-part series on investment planning. Next week's column will discuss the yearly cycle of risk.

At a recent seminar on investment planning I presented, an elderly lady (who I later discovered had a sizable portfolio) asked an embarrassing question: "Why is it that business professors can't explain to us, in simpler terms, what risk is?" I promised her that some day I would publish a column on this topic.

In recent weeks I have published several columns on risk. In this column I will share my personal reflections on risk.

Short- and long-term risks

Suppose you invest in a fund that returns 20 percent a year for four years, so your average return is 20 percent. If, during the fifth year, your portfolio drops 20 percent, your average return for five years will be a mere 10.65 percent. And, even if the portfolio goes up by 20 percent in Year 6, the average will barely cross 12 percent:

Year	Return	Avg. Anl. Return
1	+20%	20.00%
2	+20%	20.00%
3	+20%	20.00%
4	+20%	20.00%
5	-20%	10.65%
6	+20%	12.16%

This illustration demonstrates that outstanding short-term results can quickly turn into average long-term results. Carrying this one step further, we can easily see that the larger the initial drop, the harder it becomes to recoup that loss:

% Lost	Gain Needed To Get Even
20%	25%
30%	43%
40%	66%
50%	100%
60%	150%
70%	233%
80%	400%
90%	900%

All that glitters

Unless viewed in proper perspective, a glamorous return may not be so glamorous after all. Let us compare the results of a five-year, \$100,000 investment in a high-flying XYZ mutual fund versus an investment in an 8% corporate bond (taxes not taken into account).

\$100,000 Deposit

Year	XYZ Fund	Corporate Bond
1	+20%	+8%
2	+21%	+8%
3	+10%	+8%
4	+16%	+8%
5	+10%	+8%
	\$147,000	\$147,000

The bond investment had no surprises. At the end of five years, the value of this investment was \$147,000. However, the story of XYZ fund was quite revealing. Four out of five years it beat the 8% return and, for two years, the returns were 2 1/2 times the bond return. And yet, even with such a spectacular performance it could not beat the bond investment. The reason is that a poor performance during one year (fourth year) wiped out its comparative advantage.

See MITTRA, F7

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Oakland Leadership ready for new group



BY BARB PERT TEMPLETON
SPECIAL WRITER

For those trying to keep pace with the fast track demands of business today there's often little time for learning what's happening in the community.

There are still a couple of days to get your application to the Oakland Leadership program that will begin this fall. Applications are due July 8 for the program.

Keeping those business leaders in mind, the Oakland Leadership Council, Inc. created an education program designed to introduce business leaders to economic and social challenges and issues of Oakland County.

Applications for participation in

the eighth annual Oakland Leadership program, set for this fall, will be accepted through July 8. The popular program, which boasts alumni from metro-Detroit firms such as Henry Ford Health Systems, William Beaumont Hospital, Oakland University, Detroit Edison and A.J. Etkin Construction, will be comprised of 10 workshop sessions held between September and June. The council selects 50 participants from public, private and non-profit organizations. Tuition is \$1,800.

"We have more applicants than spots, but we try to make it as diverse as possible," Lucia Solewsky, executive director of Leadership Oakland said. "We give everyone an opportunity, even if they're not from corporate America. We have all types, too, including everyone from a CEO to a pastor of a little church in Pontiac."

The upcoming program will be kicked off with a three-day, overnight orientation session. The

See LEADERSHIP, F62

Internet pizza

White Lake man sends pizza around the world

BY BARB PERT TEMPLETON
SPECIAL WRITER

Everybody loves a good slice of pizza and if you didn't have to worry about keeping it warm or refrigerating the leftovers, well hey all the better.

Wait, you say this pie can also be delivered right to your door regardless of the climate, customs or culture in your homeland? Sounds unbelievable.

Actually the no-bake, ready to eat pizza slices created for world wide distribution by Pizza Maker, Inc., owner Mark O'Brien may sound too good to be true, but that's nothing new for this entrepreneur. O'Brien was the first person in the country to come up with reduced calorie pizza. That invention got him named Entrepreneur of the Year by Entrepreneur Magazine in 1987.

Delving into an Internet Pizza site, that includes a web page created by O'Brien at www.pizzamaker.com, was just the next logical step in the pizza revolution.

"I like to say we're always on the cutting edge of the pizza industry," O'Brien said. "And now, this is a pizza that people can get delivered to them all over the world."

Sharing his latest creation with the masses on the world wide web is a fresh approach, but typical of O'Brien's style. As the owner of the Pizza Maker, Inc. in White Lake Township, he has acted as a consultant and idea man for food industry sources for 15 years.

"We've done a lot of technical assistance programs and much of my business has been in consulting," O'Brien said. "I have a contract with Little Caesars Enterprises."

See PIZZA, F7



Pizza man: White Lake Township businessman Mark O'Brien is shipping no-bake pizza all over the world through his Internet site.

Business lobbies for high school testing

Expressing concern that Michigan's public education system is not equipping all high school graduates to win in the new global workplace, the Michigan Business Leaders for Education Excellence (MBLEE), comprised of 10 major Michigan-based companies employing over 600,000 people in the state—reaffirmed its strong endorsement for rigorous academic standards and lent its full weight behind continued use of the High School Proficiency Test.

"Educators, business leaders, parents and policy makers must join forces to take all necessary actions to assure that Michigan's young people are being prepared by our public schools for the growing demands of the changing international economy," said David

Whitman, chief executive officer of Whirlpool Corporation and MBLEE's chairman. "The bar is constantly rising. What worked 10 years ago in our schools is likely inadequate today. If our youth are unable to clear the bar, they may not succeed, and we all will suffer for the consequences of losing our leadership in the world economy."

MBLEE commended

the legislature and Governor John Engler for their leadership in making several positive changes to improve public K-12 education, including innovative measuring programs like the Michigan School Report and the High School Proficiency Test. However, the organization believes far more is needed to close the gap

See TESTING, F7

Comerica Index: Michigan stocks bounce back in second quarter

Michigan-based stocks rose 12.1 percent during the first six months of 1997 but continued to under-perform the broader market indexes, according to the Michigan Allshares Index compiled by Comerica Bank. The S&P 500 and the Dow Jones Industrial Average rose 19.5 percent and 19.0 percent, respectively, in the first half of the year.

After dropping 1.4 percent in the first quarter, Michigan stocks rose 13.0 percent in the second quarter, bouncing back on signs of strong earnings and low inflation.

Over the last 12 months, Michigan stocks have risen 17.7 percent, compared to 32.0 percent for the S&P 500 and 35.7 percent for the Dow Jones Industrial Average.

The Michigan Allshares Index is a market-weighted average of every publicly-traded company whose primary business activity is in Michigan.

See CREDIT, F7

Know what to do with unwanted credit cards

Nowadays, credit is a way of life, even though we have had a form of "credit" for hundreds of years before we came so dependent on pieces of plastic. Credit cards bring us things we want, items we need. They help us make reservations for transportation and hotel space. They let us order merchandise over the phone or Internet. They let us buy now and pay later.

But most families with incomes from \$10,000 to \$100,000 or more a year are deluged with letters and actual cards for approval every day from the 6,000 credit-granting institutions in the country. Carol Kurth, education coordinator for Oakland

County-based Credit Counseling Centers, points out that there are proper ways to dispose of these mostly unwanted marketing plays.

Federal law, through the Truth in Lending Act, prohibits the sending of unsolicited credit cards by card issuers. You may say, "But I get them all the time!" What you are really getting is a request to activate a new account by filling out an application form that came with the card or by calling an "800"-type number to indicate interest or approval.

Non-requested, "pre-approved" credit card applications flood the market and consumers, especially college students, working women, and

other young customers, are the recipients. A "pre-approved" application, according to the Federal Trade Commission, which oversees consumer protection laws, means you only have to sign an "OK" to receive the offered credit. No other information is required.

Keep in mind that if the application requests income or other information on the form, it is not a "pre-approved" credit card application and it is illegal to claim it as such.

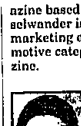
You should always return unwanted credit or charge cards you receive after cutting them up — don't just

BUSINESS MILESTONES



Gounell managing health care, university, housing and public utility projects.

Designers as a senior project manager for health care and higher education projects. Prior to joining GLA, Gounell worked as an independent consultant director of automotive marketing for McGraw-Hill Publishing Company's "Business Week" magazine based in Southfield. Hasselwander is responsible for the marketing of the domestic automotive category for the magazine.



Jernigan

April Jernigan of Southfield was named senior account executive at Southfield-based Caponigro Public Relations, Inc. Before joining Caponigro, Jernigan was manager of public relations, assistant vice president for Michigan National Bank and representative financial centers.

Michael Oxman of Birmingham



Oxman

ham joined D'Arcy Masius Benton & Bowles/Detroit as senior vice president, account director on Cadillac Catera. Oxman joined the agency from W. B. Doner & Co., where he was senior vice president, management supervisor for the Stroh Brewery beer brands account.



Malone

Daniel Malone of Bloomfield Village was elected president of the Detroit Chapter of the Federal Bar Association for 1997-98. Malone is a shareholder of Butzel Long in Detroit, where he focuses his practice on product liability

and personal injury litigation. Kirk Smith of Berkley was promoted to media supervisor from senior media planner on the Jeep/Engle Dender Advertising Association account at the Detroit office of Boxell Worldwide. Smith oversees the planning and placement of broadcast and print advertising for the account's central region.

David Sherbin was appointed associate general counsel for Southfield-based Federal-Mogul Corp. Sherbin works in the areas of mergers and acquisitions, financing and securities.

Albert Tack of Troy was appointed general auditor of Detroit Edison. Tack has served in positions of increasing responsibility in the financial area since joining the Detroit-

See MILESTONES, F8

This column highlights promotions, transfers, hirings and other key personnel moves within the Oakland County business community. Send a brief biographical summary — including the towns of residency and employment and a photo, if desired, to: Business Milestones, Observer & Eccentric Newspapers, 805 E. Maple, Birmingham, MI 48009. Our fax number is (810) 644-1314.



Antil

Pamela Weaver Antil of Troy joined the Southfield office of Grant Thornton, LLP as management consulting manager. Antil's focus is on executive recruiting, human resource consulting, operations reviews and business planning services.

Laura Barlow, CFRE, of Grosse Pointe Farms was appointed director of major and planned gifts at the American Heart Association, Michigan Affiliate, Inc. in Southfield. Barlow formerly was a development officer with the St. John Health System Foundation.

Christopher Crowley of Lincoln Park was appointed operations director at Southfield-based PPOM. Crowley is responsible for overseeing claims processing, customer service, human resources and census.

Ellen Foley, C.P.A., of Farmington Hills was promoted to manager of Southfield-based Parker, Wittus and Co., P. L. C.

Mohsen Gounell, R.A., of West Bloomfield joined Detroit-based Gunn Levine Associates, Architects, Planners, Interior