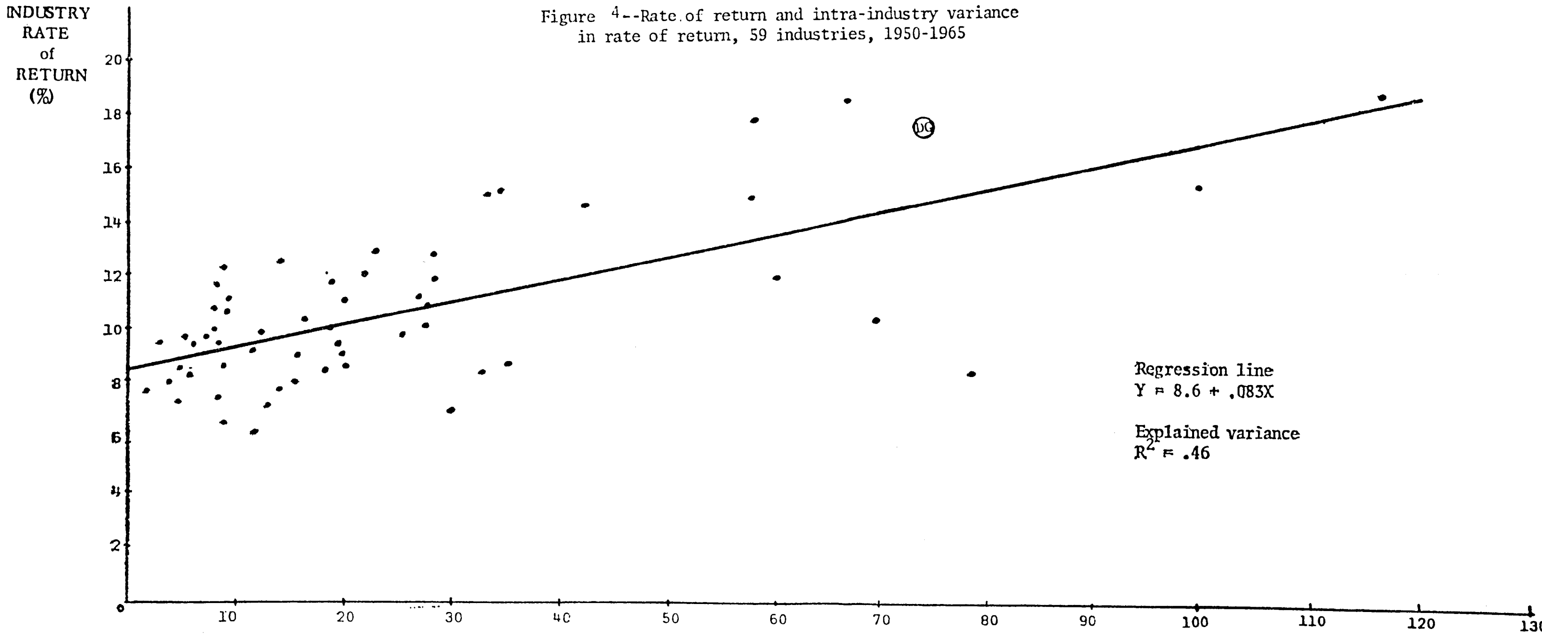
Figure 4--Rate of return and intra-industry variance in rate of return, 59 industries, 1950-1965



Industry rate of return = (net income + fixed charges)/total capitalization

Intra-industry variance is the 16-year simple average of the variances of company profit rates about their industry views in each of the years.

DG represents position of pharmaceutical industry.

Source: Gordon R. Conrad and Irving H. Plotkin, Risk and Return in American Industry, Figure 1, p. 1. The plotted observations appear in Appendix Table 1 of this statement.