

Winston-Salem Chronicle Minority Business Development Report

NEW MINORITY MEMBERS SECTION

Highlighting the new members of Minority Businesses in Winston-Salem

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ECONOMIC VIEWS

In Pursuit of Portfolio Diversification with Managed Futures

(Michael J. Robinson, associate vice president, Investments Dean Witter Reynolds, Inc.)
Part Two of Three Part Series

Potential Reward With Commensurate Risk

Investors should note that while the futures market can offer potential reward, with commensurate risk, they are also very leveraged markets that often have extreme price volatility. However, for those qualified investors who seek to position their portfolios in a diversified, disciplined manner, inclusion of a managed futures component as part of a total portfolio approach may be appropriate. Academic studies have concluded that, historically, an allocation to managed futures investments can lower the volatility of a traditional portfolio and potentially smooth its total return, with commensurate risk. The following table illustrates returns over the last twelve years of recognized indices in traditional investment categories as well as a managed futures index. The strongest performing category has been asterisked for each year. Performance results for U.S. stocks, U.S. bonds, international stocks and international bonds are from CDA



Mike Robinson

Investment Technologies, Rockville, MD. U.S. stocks represented by the S&P 500 Index; U.S. bonds are represented by the Salomon Corporate Bond Index; international stocks are represented by the Morgan Stanley EAFE Index; international bonds are represented by the Salomon Non-U.S. Bond Index. Managed Futures are represented by the Barclay CTA Index, New York, N.Y. While these sources are considered reliable, Dean Wetter cannot guarantee their accuracy.

Asset Class	1981	1982	1983	1984	1985	1986	1987
Percent Return (January 1 through December 31)							
U.S. Stocks	15.0	21.6	22.5	2.1	33.7	18.6	8.2
U.S. Bonds	13.1	42.5*	6.4	16.9*	30.1	19.8	10.3
Intl. Stocks	(1.0)	(10.8)	23.6*	7.9	56.7*	69.9*	24.9
Intl. Bonds	(4.6)	11.9	4.3	2.0	17.2	33.9	16.2
Managed Futures	24.1*	16.7	23.9	9.5	25.4	4.7	57.1*

Asset Class	1988	1989	1990	1991	1992	1993
Percent Return (January 1 through December 31)						
U.S. Stocks	16.3	31.6*	(3.1)	30.4*	7.6	10.0
U.S. Bonds	10.7	16.2	6.8	19.4	9.2*	13.2
International Stocks	28.6*	10.8	(23.2)	12.4	(11.9)	32.0*
International Bonds	2.9	(4.5)	14.4	17.8	6.3	21.9
Managed Futures	20.1	2.1	21.8*	4.0	(10.9)	10.3

Diversification Is The Key
For investors who are considering managed futures, diversification is the key element to think about. As illustrated in the accompanying table, each asset class, including U.S. stocks and bonds, international stocks and bonds, and managed futures, has experienced both difficult and positive performance. The only certainty is that one can predict which asset class or investment will prove to be profitable in any given year. For qualified investors, managed futures investments can help fill the need to diversify and add a potentially non-correlated component to a traditional portfolio of stocks and bonds as shown in the table.

How And Why Managed Futures Investments Work In A Portfolio
A good illustration of how managed futures investments can work in a portfolio was provided during the Persian Gulf War. When Iraq invaded Kuwait in August of 1990, conventional investments (stocks and bonds) declined. At the same time, foreign currencies moved substantially higher, and the price of oil almost doubled overnight. Managed futures investments can participate in, and potentially profit from, rising or declining moves in the currency and energy markets, as well as trends in the agricultural, precious and industrial metals, and stock index markets.

Recommend Asset Allocation
All allocation of no more than 5 - 10 percent investor's portfolio to managed futures investments has the potential to "informally hedge" a traditional portfolio against the "air pockets" that can affect stock and bond investments. While the approach can provide qualified investors with additional diversification, investors should be aware that managed futures investments are volatile and can move quickly between highs and lows. Some qualified investors have limited tolerance for the volatility that this asset class often experiences. The answer for an investor, after carefully considering suitability and potential risks and rewards, may be to allocate a small portion (5% - 10%) of portfolio assets typically set aside for aggressive growth vehicles to a managed futures investment.

BUSINESS PROFILE

Mundy Realty Becomes A Family Affair

At an age when most young people want to distance themselves from their parents, L. Tannon Hardy has come home to join the family business.

The 23-year-old is the newest agent for Mundy Realty where his mother, Carolyn Hardy, is the chief executive officer.

"Actually, I was waffling between real estate and engineering," said Hardy, who graduated from N.C. State University with a degree in mechanical engineering. "But this job has more independence and responsibility than any other entry-level position you could find."

Located at 2001 New Walkertown Road, Mundy Realty has served the Winston-Salem metropolitan area for 19 years.

"We know just as much as the big companies," he said. "We have the same technology and resources, just with more personalized services, and we're willing to go that extra mile."

Carolyn Hardy got her start in a class for prospective home buyers. Several classes later, she was showing houses part time when neighbors asked her to sell their house. She has been in business for herself ever since.

Daughter Leslie joined the company as a clerical assistant this month.

Both mother and son say that balance and hard



Carolyn, Leslie and Tannon Hardy

work are keys to a successful family business. The two more agents, and eventually expand their Hardys are hoping to expand their services by hiring facilities.

CHAMBER BUSINESS NEWS

It's Happening Here In 1994

* **Siecor Corporation**, the world's leading manufacturer of fiber optic cables for land-based applications, is constructing a new state-of-art fiber optic cable manufacturing plant in the Centre 311 Industrial Park in Winston-Salem. Manufacturing operations at the new 215,000 square foot facility are expected to be underway in August. The plant initially will have 75 employees. Siecor, which is headquartered in Hickory, is a joint venture company, owned equally by

Corning Incorporated and Siemens Corporation.

* **Standard Commercial Tobacco** will be the first company to locate a facility in the newly opened 100 acre Big Oaks Industrial Park; the company has leased a 100,000 square foot building in the park, investing \$7 million in its tobacco processing operation and creating 60 new jobs.

* A \$7.5 million shopping center - **Stratford Place** - will open next year near the intersection of Stratford

Road and Business 40.

* A \$3.7 million shopping center - **Towers** - is scheduled to open this summer on South Stratford Road across from Thurway Shopping Center in Rural Hall. The new 100,000 square foot facility, scheduled to open next spring, represents an investment of \$2 million.

* Construction began in May on **Twin City Warehouses'** new warehousing and packaging facility near the Forum 53 shopping center in Rural

Hall. The new 100,000 square foot facility, scheduled to open next spring, represents an investment of \$2 million.

* **USAir** has added 142 part-time employees in Winston-Salem to help handle the heavy workload in its frequent-flyer program.

* **Wachovia** began construction on its new 28-story, 600,000 square-foot North Carolina corporate headquarters building in downtown Winston-Salem.

Ernest Pitt Elected New Chairman/CEO of API

At its annual meeting in April, the board of directors of Amalgamated Publishers, Inc., elected Ernest H. Pitt chairman and chief executive officer. Pitt, publisher of the *Winston-Salem Chronicle* and *Black College Sports Review*, replaces retiring Chairman Garth C. Reeves Sr., publisher-emeritus of the *Miami Times*.

API is the nation's premier advertising rep firm for black newspapers, representing more than 150 African-American newspapers throughout the country. "We intend to make our presence felt in this industry," Pitt said. "I believe corporate advertisers and advertising agencies want greater credibility and accountability from African-American newspapers and part of our corporate strategy is to make sure that they get what they pay us for."

Pitt, a 1974 journalism graduate of the University of North Carolina at Chapel Hill, said he will use his 20-plus years experience as a journalist and publisher to try to bring the black press to the forefront of American's black movement by reestablishing the links between major civil rights organizations and the black press. Pitt said it is also important for black newspapers to understand that they can no longer demand advertising without producing results for clients. "I will be meeting with corporate heads and agency people to try to get their support for this effort. The bottom line should be business for those who produce rather than on a first come first serve basis."

API was founded 33 years ago by John H. Sen-

gstacke, publisher of the *Chicago Daily Defender*, and has had only two chairmen prior to Pitt assuming his duties on April 31. With corporate headquarters in New York, headed by Michael A. House, sales offices in Chicago and Los Angeles. API is by far the largest firm representing African-American newspapers in the United States for national advertising. It boasts gross revenues of close to \$10 million per year, placing ads for such corporate giants as Ford, GM, Philip Morris, AT&T, and USAir through major advertising agencies such as Burrell Advertising, The Mingo Group, UniWorld, BBDO, and Leo Burnett Advertising.



Ernest H. Pitt



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