February 1998

Investors' News

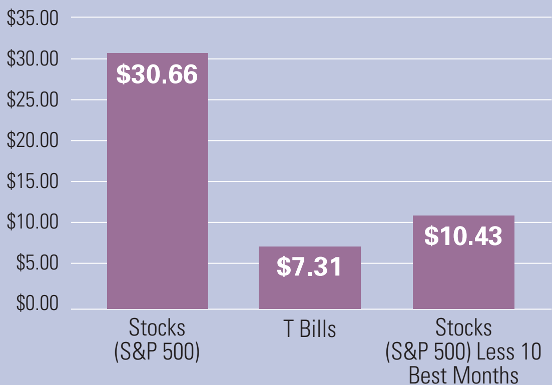
A Quarterly Investment Digest for STP/CRISP Participants

Hang in There

Market Timing Can Be Bad Timing

"Buy! Sell! This is the next hot one… Avoid this one…"

Mixed messages about what investments to choose constantly bombard us. The temptation to market time — or jump in and out of different investments — can be hard to resist. But the wisdom conveyed by financial experts continues to be the best strategy: stick with an investment strategy that reflects your long-term objectives.



STP/CRISP welcomes our new participants at MEGTEC Systems in DePere, Wisconsin and C.I.P. in Canton, Ohio.

The impulse to time the market can be triggered by events like the 554 point drop in the Dow Jones Industrial Average on October 27, 1997. Or even a slight hiccup in the market can send some investors scurrying to dump their stocks. Then there are those who regularly jump in and out of different markets — small company this month, large company next month, and maybe bonds the following month — whatever seems to be the market *du jour*.

"It Can't Hurt To Try"

While the potential gain from a successful timing strategy may be large, market timers fail to consistently hold the right investments at the right time. In other words, trying *can* be painful to your account balance.

If you try to time the market, you risk missing its best days. Major gains and opportunities come and go unexpectedly. And you have to be right *twice:* once when you sell and once when you buy. Being correct the first time is a challenge, but twice in a row is nearly impossible. The stock market is like life, you may not be able to predict what will happen tomorrow. Look at the October 1997 market movements. No one could have guessed that the Dow would post its greatest one-day point gain (337) the day after posting its largest one-day point loss (554).

It's especially important to sit tight if the market falls; it's usually too late to sell anyway. In fact, to sell during or after a decline could be the worst thing to do, because you'd be selling low, the very opposite of what you set out to do in the beginning. Getting back into the market after a drop is difficult to time because upward movements happen in accelerated bursts, which are easy to miss if you're not already invested.

The same wisdom holds true for bailing *into* a market. It's true that when the market drops, you can buy at bargain prices. But, don't dump an extraordinary amount of money into one type of investment. That investment could continue spiraling downward for a sustained period of time.

Studies Show Market Timing is Often Bad Timing

Numerous studies have been made to determine if investors can reasonably expect to gain anything by timing the market. Results show the answer is an emphatic *no*.

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Time for a Checkup?

Rebalance for a Healthy

Have you given yourself an investment checkup recently? If not, it may be time to do so. All long-term investors should periodically review their investment goals and where they stand in relation to those goals. Take a look at your actual investment mix compared to your target mix of stocks, bonds and other investments.
It may have shifted over time.

Stay on Target

Determining an appropriate mix — or asset allocation — is a critical step in establishing your investment portfolio. However, a portfolio's asset allocation can drift away from its targeted levels when one investment type grows faster or slower than another, so their proportions relative to one another change. For example, let's say your target is 60% stocks and 40% bonds. When reviewing your investments, you may find that the bond portion has decreased so that you are actually holding 35% bonds and 65% stocks.
You may still be making your monthly contributions in the original percentages, but your current account balance differs from these percentages because each fund has performed differently over time.

Good News!

New plan enhancements will enable you to fine-tune your STP/CRISP investment strategy. Effective January 31, 1998, you can make current contributions to any of our investment funds in 5% increments instead of the previous 10%. Additionally, you can transfer your existing account balance among the funds in 5% increments. If you wish to change your investment allocations,

When establishing your initial asset allocation, recognize that your mix will vary slightly over time. Set a "comfort zone." Can you live with a mix that varies by 5% from your target? Or are you more comfortable with a 1% variance?

Need to Change Your Mix? It's Easy With Rebalancing

If you've completed the checkup and realize your allocation has drifted beyond your comfort zone, it's time to rebalance. In short, rebalancing means transferring out of whatever is doing well and shifting into whatever is not. Rebalancing gives you a systematic method to maintain the proper weighting of your various investments.

Rebalancing Can Be Done Two Different Ways:

Immediate — transfer existing investments from one fund to another. For example, move 5% of your total investment from stocks to bonds.

Gradual — change the allocation of new contributions to slowly bring about an overall change in your mix. For example, go from investing 60% into stocks and 40% into bond funds to investing 50% into stocks and 50%
into bonds.

Rebalancing is a proven technique for protecting principle and enhancing earnings. When combined with an appropriate asset allocation strategy, rebalancing can help your portfolio perform better over a lifetime. This doesn't mean you have to rebalance every month or try to "time the market" by guessing what it's going to do. Simply review your account statements with your overall portfolio asset allocation and comfort zone in mind. This should be enough for you to know when to rebalance.

If all your investments are in the Global Balanced Fund, the rebalancing is done automatically for you. This is a premixed — or asset allocated — fund, containing 45% large US company stocks, 5% small US company stocks, 10% non-US stocks and 40% US bonds.

If you haven't already developed a strategic asset allocation for your portfolio, the LifePoints educational program can help.

STP/CRIS

US Government Money Market Fund
Invests in short-term instruments such as Treasury bills and short-maturity US Treasury bonds. These instruments have very low market and credit risk and therefore are expected to provide a lower rate of return than alternative investments.

Interest Accumulation Fund
Designed to protect principal and reduce risk, this fund invests in high-quality insurance company and bank investment contracts. The interest rate of each contract is set by the issuer, while the interest rate for the entire fund fluctuates as contracts are added and maturing contracts are replaced.

Global Balanced Fund
Designed to provide the potential for a moderate rate of return. It is well diversified among 45% large US company stocks, 5% small US company stocks, 40% US bonds, and 10% non-US stocks. Combined with stocks, the bonds help reduce the overall volatility of this fund. Over time, this fund is expected to have higher rates of return and greater volatility than investments with less exposure to the stock market.

S&P 500 Index Fund
Invests in stocks of the 500 largest companies in the US and is designed to track the performance of the Standard & Poor's (S&P) 500 Index.
It is diversified among industrials, utility, transportation, and financial companies.

Bumpy Ride in the

Market Update

During the re
again, to be a
stock market.
Industrial Ave
est ever point
est fall in percentage terms). By e
was back in record territory again
investors had seen in recent years
announcements of a few bellweth
of small cap stocks was short-live
shifted their focus back to large c
ended up 33.4% for the year, whil
benchmark, closed the year at 24.
also affecting other emerging mar
Russia.

SE

SP FUNDS

Equity Fund
Designed to provide the potential for a high rate of return and a convenient way to diversify by combining US and non-US stocks into one fund. It invests in 60% of the 1,000 largest US companies, 20% small US companies with above average growth potential, and 20% major non-US companies. Historically, this fund has fluctuated more than an income fund.

International Index Fund
Composed of large international companies based in the developed countries of Europe and the Pacific Rim. It is designed to track the performance of the MSCI EAFE Index. International stocks are sensitive to additional risks not found in US-based stocks, such as currency fluctuations.

Small Company Stock Fund
Invests in stocks of smaller US companies with above-average growth potential over the long-term. It is designed to provide the potential for high, long term rates of return. The risk of this fund is the possible wide swings in value. However, its diversity of holdings and multiple advisors help moderate these risks. Historically, this fund will fluctuate more than a large US company stock fund.

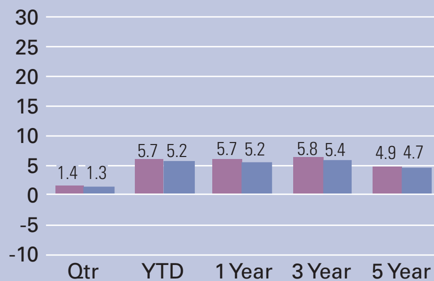
Sequa Common Stock Fund
Composed of shares of Sequa's voting Class "A" Common Stock, this fund gives employees the opportunity to be part owners of Sequa Corporation. This fund has the highest risk profile among the Plan's funds because it invests in a single stock, rather than a diversified mix.

Last Quarter of 1997

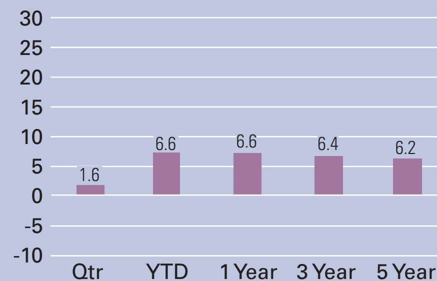
cent quarter, October proved, once treacherous month for the US On October 27, the Dow Jones rage plunged 554 points, its larg- drop (although only the 12th-larg- arly December, the stock market . However, the year-end rally that s was spoiled by poor earnings her stocks. The outperformance d. Flocking for safety, investors ap blue chip stocks. The S&P 500 e the Russell 2500™, a small cap 4%. The turmoil in Asia continued, kets such as Latin America and

Sequa Thrift Plan Funds Performance - *Quarter Ending December 31, 1997**

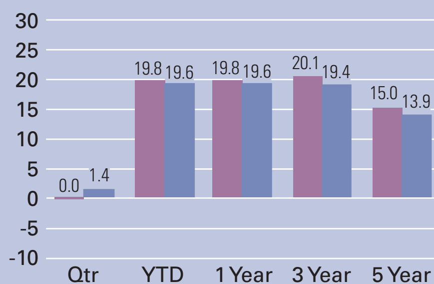
US Gov't Money Market Fund
Salomon Bros. 3-Mth T-Bill



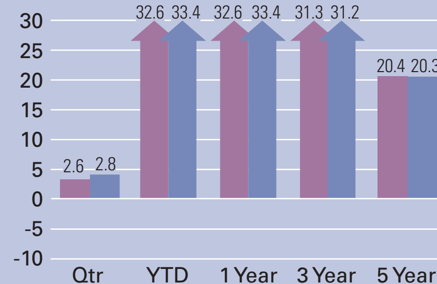
Interest Accumulation Fund
No Benchmark



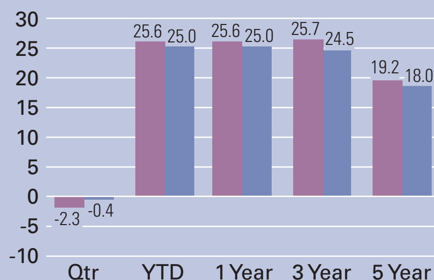
Global Balanced Fund
Global Balanced Benchmark*



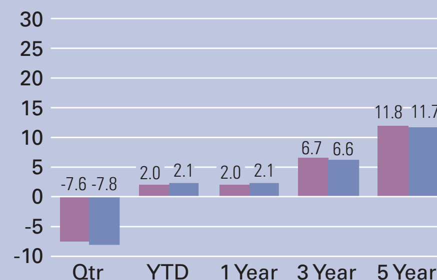
S&P 500 Index Fund
S&P 500 Stock Index



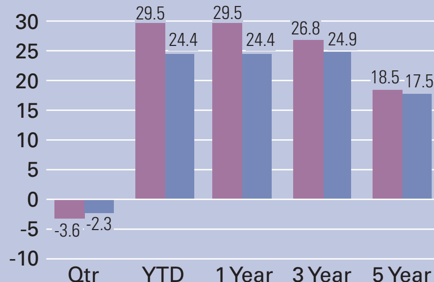
Equity Fund
Equity Composite Benchmark**



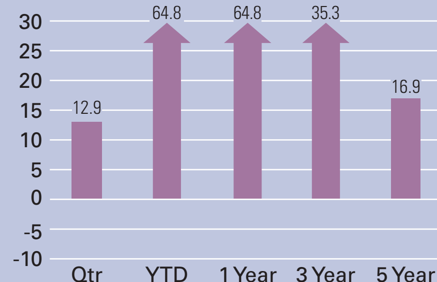
International Index Fund***
MSCI EAFE Index



Small Company Stock Fund***
Russell 2500™ Index



Sequa Common Stock Fund
No Benchmark



Fund

Benchmark

** Performance for the current quarter is shown as reported by the participant recordkeeper. Performance for all other time periods is the actual return of the fund. These figures do not reflect the impact of cash flows during those specific time periods and may differ from actual participant returns.*

***45% S&P 500 Stock Index, 5% Russell 2500™ Index, 10% MSCI EAFE Index, 25% LB Aggregate Bond Index and 15% ML US Treasury 1-3 Years Bond Index*

****60% S&P 500 Stock Index, 20% Russell 2500™ Index, 20% MSCI EAFE Index*

> *History and research have shown again and again the value of sticking with an investment strategy in times of trouble.*

"Dear Investor"

It seems like October is a bad month for the stock market. For example, the October 1929 drop that marked the beginning of the Great Depression, Black Monday in October 1987 and then the most recent correction this past October. What gives?

— Spooked in St. Louis

Dear Spooked:

October is historically a scary month for the stock market. Nine of the largest one-day drops in the Dow Jones Industrial Average occurred in October, according to The Stock Trader's Almanac. Tax-related selling could provide part of the answer to why October is so cursed. Also, mutual fund managers like to offload their losers before year-end to boost performance.

The most recent drop was the twelfth largest in history. It represented only about 7% of the total market's value, compared with 1987's drop that represented nearly 25% of the market's value.

If you were among the faithful who rode out the storm — congratulations. You probably did the right thing. History and research have shown again and again the value of sticking with an investment strategy in times of trouble. Successfully timing the market requires you to predict the future twice. You must know the right time to get out of a particular investment and the proper time to get back in. (See the article on page one for more information on market timing.) Don't let market activity drive your buy and sell decisions. Instead, select an appropriate mix of investments that reflects your risk tolerance, time horizon and needs. Stick with this strategy regardless of the market's activity. It should pay off in the long run.

Call 1-800-MYCRISP (1-800-692-7477) to obtain your account information. Enter your 4-digit PIN (originally established as the last four digits of your Social Security number) and follow the instructions.

Hang in There…

Continued from page 1

For example, one study conducted in 1975 by economist William F. Sharpe, who later won a Nobel prize, found money managers who time the market must be correct *three* out of *four* times just to match the performance of those who remained fully invested.* Over long periods of time, the costs of bailing out are considerable and virtually unavoidable.

Surfing the Internet?

Visit Frank Russell Company at www.russell.com

Interested in learning more about Frank Russell Trust Company, the investment consultant to STP/CRISP? Drop by Frank Russell Company's Homepage on the Internet.

Disciplined Investing Wins the Day

Retirement investing should generally be a long-term, buy-and-hold strategy where time and diversification can work undisturbed. Stick to a strategy representing your long-term objectives. When you invest without interruption, your chances of achieving planned objectives increase significantly.

The STP/CRISP offers an ideal alternative to active market timing. By regularly contributing to your account through payroll deduction, you're practicing a strategy known as dollar-cost averaging. This is a disciplined approach of making systematic investments regardless of stock or bond market conditions or current prices. Your contributions buy more shares when prices

Extra for Experts: Bailing Out is Expensive

The merits of a consistent and disciplined investment program are consistently reinforced by industry studies. Part of one study conducted in 1995 by Ernie Ankrim, Director of Portfolio Research at Frank Russell Company, involved comparing historical returns from a bailing out strategy to those achieved by a rebalancing approach. Following is one simulation explored in the study.

Suppose an investor keeps a diversified portfolio of 60% equities and 40% bonds. This investor rebalances this mix monthly regardless of market environment. But now this investor is considering a strategy to re-mix the portfolio to a 20% stocks/80% bonds portfolio every time bonds outperform stocks by 2% or more. This investor plans to go back to a 60/40 mix only if stocks again outperform bonds by 2% for a two year timespan.

Historically, here's what would have happened to this investor's overall returns according to Ankrim's study.

Simulated Returns Through 1994, Stated in Annual Average Returns

	1928-1994	1946-1994	1960-1994
Current strategy: Hold the 60/40 mix	8.87%	9.32%	9.47%
New strategy: Reallocate to 20/80	7.76%	8.18%	8.26%
Cost of bailing out:	**1.11%**	**1.14%**	**1.21%**

No matter how you measure it, moving out of equities in response to a difficult market environment is a costly proposition. Most professional money managers agree that the time to make asset allocation decisions is during the calm of "normal" market environments, not while facing unexpected declines. The strategy, as indicated in this study, the disciplined approach, is to stick to (and periodically rebalance when *needed*, not necessarily every month as in the above example) the mix representing the investor's long-term objectives.

Investors' News is prepared by Frank Russell Trust Company, investment consultants to the Sequa Thrift Plan. This newsletter is intended to provide helpful information, not investment advice. Visit Frank Russell Company on the internet at: www.russell.com.

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