

Intrinsic Value Weekly®

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The gradual reversal of the panic conditions in the credit markets was again reflected in the price changes of the past week. Some sectors were more affected in the sell-off and thus had more to make up. The large and midcap consumer cyclicals remain undervalued as do most midcaps and small cap sectors. Large transports and utilities are also worth a look. The bounce in midcap consumer staples is an anomaly deriving from changing composition. The small cap communications sector contains only two companies and is volatile at that. We expect that further movement in valuations will bring small and midcap prices more in line with their intrinsic values over the next few weeks. Both large consumer staples and technology stocks are continuing to be vulnerable to any disappointment as their valuation seem sensible at much lower prices.

ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF JUNE, 1998

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	10.9%	(11.5%)	(5.5%)
CONSUMER CYCLICALS	(12.2%)	(30.0%)	(2.0%)
CONSUMER STAPLES	59.1%	(13.7%)	4.7%
HEALTH	6.5%	(21.4%)	(4.9%)
ENERGY	(1.3%)	(0.7%)	(18.1%)
FINANCIAL	(2.9%)	(3.1%)	(21.2%)
CAPITAL GOODS	12.8%	(14.0%)	(19.6%)
TECHNOLOGY	30.5%	(5.7%)	(11.0%)
COMMUNICATIONS	14.2%	2.4%	(37.8%)
UTILITY	(7.1%)	(21.9%)	(5.8%)
TRANSPORTATION	(10.2%)	0.5%	(5.2%)

Black - Overvalued

Red - (Undervalued)

Week's Price Change

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
prices as of 10/30/98			
BASIC INDUSTRY	1.69%	(0.08%)	2.23%
CONSUMER CYCLICALS	2.38%	2.70%	(0.10%)
CONSUMER STAPLES	0.67%	11.71%	2.98%
HEALTH	2.40%	7.23%	1.32%
ENERGY	1.95%	7.05%	0.62%
FINANCIAL	2.97%	5.37%	2.40%
CAPITAL GOODS	2.66%	4.40%	3.21%
TECHNOLOGY	4.69%	9.00%	6.08%
COMMUNICATIONS	3.59%	7.54%	15.69% *
UTILITY	0.24%	0.54%	(0.65%)
TRANSPORTATION	3.05%	4.99%	16.33%

* Sector contains only 2 companies

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name	Price 10/30/98	Intrinsic Value	+/- %	Price Chg. vs 10/23/98	Q Ratio
ALD AlliedSignal Inc.	\$ 38.938	\$48.89	(20.4%)	3.7%	1.81
CTL Century Telephone Enterprises	\$ 56.813	\$54.16	4.9%	16.5%	1.63
DAL Delta Air Lines, Inc.	\$105.625	\$148.87	(29.1%)	7.4%	0.95
G Gillette Company	\$ 45.063	\$48.20	(6.5%)	1.3%	4.84
INTC Intel Corporation	\$ 89.188	\$100.81	(11.5%)	2.2%	6.35
NUE Nucor Corporation	\$ 45.313	\$68.82	(34.2%)	3.1%	1.51
PNM Public Service Co. New Mexico	\$ 22.063	\$28.66	(23.0%)	7.0%	0.82
SLB Schlumberger Limited	\$ 52.500	\$55.18	(4.8%)	2.4%	2.53
WEN Wendy's International	\$ 21.000	\$25.43	(17.4%)	(9.4%)	1.56

Value Drivers

Standard Market Statistics

	Sales Growth 12M	EBIT Margin %	ROC	Leverage at Market	Yield	PE	PB	PS
ALD	7.9%	11.4%	11.8%	20.6%	1.5%	15.38	4.50	1.32
CTL	74.6%	29.7%	9.1%	33.9%	0.5%	15.66	3.33	2.96
DAL	4.9%	12.0%	14.2%	61.9%	0.2%	6.83	1.82	0.50
G	2.4%	23.1%	20.2%	6.9%	1.1%	38.64	8.29	4.26
INTC	0.7%	39.4%	33.5%	0.7%	0.1%	24.71	6.54	5.57
NUE	6.0%	11.0%	21.1%	5.8%	1.1%	12.82	1.91	0.83
PNM	20.3%	14.3%	7.0%	49.8%	3.6%	12.26	1.15	0.73
SLB	12.1%	15.5%	14.6%	13.0%	1.4%	24.11	3.78	2.19
WEN	1.5%	14.9%	11.9%	29.4%	1.1%	24.65	2.17	1.44

Notes on Intrinsic Value Portfolio

The portfolio did very well this past week as concerns about recession faded and investors began to lengthen their growth horizons. Century Telephone moved sharply higher this week after reporting better-than-expected revenues and earnings. Our intrinsic value may be low as a result. We will issue an update later this week.

Wendy's International incurred just the opposite result, with revenues and operating income lower than expected. Wendy's is changing the mix of company-owned vs. franchised units toward more of the latter, and while that produces a much higher return on capital, it reduces revenue growth drastically. System-wide, however, the company's 3% growth was not up to par. Our assumptions regarding revenue growth are over 7% for the long term, so this performance could revise lower our valuation if it is likely to continue.