

Intrinsic Value Weekly

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The market weakness last week is not surprising, at least to us. The weighted valuation measures introduced this week show the S&P 500 Index generally overpriced relative to intrinsic value. While some underpricing still appears in Midcap and Small Cap stocks, we have not added any additional risk premium to the cost of equity capital. Without that risk premium, some portion of under-pricing of smaller stocks may be illusory. Nevertheless, the pricing of those stocks implies an expected investment return that is higher than stocks which are over-priced and should compensate the investor for the additional risk.

We have incorporated some additional growth in revenues for Consumer Staples into their valuation this week. The recent stability of the dollar should reduce currency as a negative revenue influence. Ditto for Technology stocks. This week we think you ought to scan the Small Cap Financial sector. See Page 3 for details.

ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF September, 1998

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	9.4%	(11.2%)	(3.8%)
CONSUMER CYCLICALS	(6.5%)	(21.3%)	3.4%
CONSUMER STAPLES	17.6%	(14.1%)	15.6%
HEALTH	7.0%	(20.4%)	(1.5%)
ENERGY	(6.3%)	(25.1%)	(37.0%)
FINANCIAL	4.7%	2.0%	(17.3%)
CAPITAL GOODS	14.6%	(12.1%)	(13.4%)
TECHNOLOGY	13.8%	8.5%	2.8%
COMMUNICATIONS	22.8%	8.5%	(29.7%)
UTILITY	(4.4%)	(19.2%)	(3.5%)
TRANSPORTATION	(6.4%)	10.0%	(5.7%)
Weighted Total:	8.9%	(8.6%)	(3.7%)

Black - Overvalued

Red - (Undervalued)

WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 12/4/98	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.4%	(5.4%)	5.9%	(1.9%)	5.5%	0.1%
CONSUMER CYCLICALS	9.2%	(3.3%)	14.5%	(2.4%)	18.8%	(2.6%)
CONSUMER STAPLES	15.1%	(1.0%)	8.4%	(3.3%)	9.5%	1.1%
HEALTH	12.1%	(4.4%)	8.9%	(0.5%)	10.4%	(0.4%)
ENERGY	6.5%	(6.2%)	3.1%	(8.4%)	2.5%	(12.7%)
FINANCIAL	15.3%	(2.0%)	14.0%	(1.1%)	17.0%	(0.9%)
CAPITAL GOODS	8.0%	(3.3%)	9.4%	(1.4%)	12.5%	1.1%
TECHNOLOGY	18.4%	1.4%	20.6%	0.1%	16.0%	2.1%
COMMUNICATIONS	8.2%	0.6%	2.4%	0.9%	0.2%	(12.3%) *
UTILITY	3.3%	0.2%	12.0%	0.2%	4.8%	(0.2%)
TRANSPORTATION	0.9%	(0.2%)	1.7%	(4.2%)	3.1%	(0.8%)

* Sector contains only 2 companies

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name		Price 12/4/98	Intrinsic Value	+/- %	Q Ratio
ALD	AlliedSignal Inc.	\$ 43.813	\$48.89	(10%)	2.0
CTL	Century Telephone Enterprises, Inc.	\$ 58.875	\$54.16	9%	1.8
DAL	Delta Air Lines, Inc.	\$ 54.250	\$74.44	(27%)	1.0
G	Gillette Company	\$ 43.625	\$48.20	(9%)	5.6
INTC	Intel Corporation	\$116.313	\$112.11	4%	6.5
NUE	Nucor Corporation	\$ 41.063	\$68.82	(40%)	1.7
PNM	Public Service Company of New Mexico	\$ 18.563	\$28.66	(35%)	0.8
SLB	Schlumberger Limited	\$ 41.250	\$55.18	(25%)	2.8
WEN	Wendy's International	\$ 19.938	\$25.43	(22%)	1.5

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%	18.9%	1.4%	16.9	5.0	1.5
CTL	74.6%	29.7%	9.1%	33.1%	0.4%	18.8	4.0	3.6
DAL	4.9%	12.0%	14.2%	62.3%	0.2%	7.4	2.0	0.5
G	-0.3%	23.1%	20.2%	7.2%	1.2%	45.5	9.8	5.0
INTC	0.7%	39.4%	33.5%	0.5%	0.1%	25.7	6.8	5.8
NUE	6.0%	11.0%	21.1%	6.4%	1.2%	14.3	2.1	0.9
PNM	15.4%	14.3%	7.0%	53.3%	4.3%	11.2	1.1	0.8
SLB	9.6%	15.5%	14.6%	14.8%	1.8%	24.9	3.9	2.2
WEN	-1.5%	14.9%	11.9%	28.2%	1.2%	25.0	2.1	1.4

Notes on Intrinsic Value Portfolio

Buy Schlumberger. The current weakness in crude oil prices has created a significant opportunity to own the premier oil service company in the world at 25% off. Nearly as good as some the Christmas sales at our local mall.

Pay attention to the signals which affect the pricing of all stocks. Gold prices have been a good proxy for inflation expectations. Gold, in dollars, has been stable throughout the turmoil in the markets and so is considered a positive for stock prices. The spread between taxable and tax exempt bonds has been narrowing recently, suggesting a lesser need for tax reduction strategies and thus a lower marginal tax rate next year. We're skeptical, but watchful. Lower tax rates would improve the intrinsic value of companies which deliver investment returns via dividends. Yes, there are still companies like that.

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Financials - S&P Small Cap Index

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Company Name	Ticker	Last 12		ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
		Market Value - Equity	Mo. Sales Gr. %							
AMERICAN BANKERS INS GROUP	ABI	\$ 1,893.1	3.5%	15.4	10.8	67.6	2.6	41.3	5.7	1.00%
AMERICREDIT CORP	ACF	\$ 755.8	60.0%	19.8	56.2	11.0	2.4	10.4	21.6	0.00%
AMRESKO INC	AMMB	\$ 309.9	81.6%	13.8	30.1	5.1	0.6	4.2	6.9	0.00%
ANCHOR BANCORP INC/WI	ABCW	\$ 372.1	5.3%	16.0	21.0	16.6	3.0	14.6	5.6	0.92%
ASTORIA FINL CORP	ASFC	\$ 2,543.3	44.0%	7.5	20.0	13.4	1.4	10.4	3.3	1.71%
BANKNORTH GROUP INC/DE	BKNG	\$ 544.8	6.2%	13.3	18.8	16.7	2.4	12.6	7.2	1.79%
CAPITAL RE CORP	KRE	\$ 670.2	34.5%	12.3	43.2	9.2	1.2		6.8	0.76%
CAROLINA FIRST CORP	CAFC	\$ 474.2	32.0%	7.1	13.7	21.2	2.0	20.7	5.7	1.22%
CASH AMERICA INTL INC	PWN	\$ 415.1	10.7%	9.8	9.4	28.1	2.4	14.9	6.8	0.30%
CCB FINANCIAL CORP	CCB	\$ 2,233.8	7.9%	14.0	27.3	19.1	3.3		17.3	1.91%
CENTURA BANKS INC	CBC	\$ 1,846.3	12.7%	15.4	20.8	19.2	3.3		7.6	1.67%
CMAC INVESTMENT CORP	CMT	\$ 1,089.5	21.4%	16.7	37.0	13.0	2.5	12.6	16.6	0.25%
COMMERCE BANCORP INC/NJ	CBH	\$ 1,088.7	20.2%	16.3	22.8	23.0	4.4	16.0	14.4	1.62%
COMMERCIAL FEDERAL	CFB	\$ 1,396.6	14.8%	10.5	17.7	15.4	1.5		4.1	0.95%
CULLEN/FROST BANKERS INC	CFR	\$ 1,432.1	10.1%	15.5	23.6	19.6	2.9		14.5	2.24%
DAIN RAUSCHER CORP	DRC	\$ 443.7	10.8%	15.4	11.8	15.4	1.4	9.2	11.6	2.47%
DELPHI FINANCIAL GRP -CL A	DFG	\$ 691.6	8.3%	14.7	24.8	10.6	1.8	8.5	4.4	0.00%
DOWNEY FINANCIAL CORP	DSL	\$ 734.9	9.4%	10.5	18.4	12.4	1.7	10.9	8.2	1.22%
E TRADE GROUP INC	EGRP	\$ 1,317.2	66.6%	4.9	28.6	(800.0)	3.3		24.4	0.00%
EATON VANCE CORP	EV	\$ 860.9	24.4%	17.8	14.8	28.6	3.9	26.3	8.7	1.25%
ENHANCE FINANCIAL SVCS GRP	EFS	\$ 1,009.2	32.5%	11.8	59.5	12.2	1.7		9.6	0.89%
EXECUTIVE RISK INC	ER	\$ 605.1	30.0%	13.2	21.7	13.8	2.1	12.6	4.8	0.15%
FIDELITY NATIONAL FINL INC	FNF	\$ 822.1	44.5%	21.1	9.2	8.6	3.0		10.4	0.85%
FIRST AMER FINL CP CA	FAF	\$ 1,743.7	48.5%	15.7	5.7	9.8	3.9	8.0	8.1	0.79%
FIRST BANCORP P R	FBP	\$ 825.1	@NA	@NA	@NA	16.4	@NA		3.9	1.08%
FIRST MIDWEST BANCORP INC	FMBI	\$ 1,130.7	26.5%	11.5	21.4	23.9	2.3		7.7	2.37%
FIRSTMERIT CORP	FMER	\$ 1,967.1	12.3%	16.3	28.2	18.2	3.2	16.7	12.3	2.35%
FREMONT GENERAL CORP	FMT	\$ 1,718.9	22.9%	13.0	30.9	12.1	2.0	10.2	6.0	1.22%
FRONTIER INS GRP INC	FTR	\$ 529.6	45.6%	7.1	9.4	13.4	1.2	9.3	2.5	1.98%
GALLAGHER (ARTHUR J.) & CO	AJG	\$ 778.7	8.4%	32.5	15.3	14.5	4.6	12.2	42.6	3.11%
HILB ROGAL & HAMILTON CO	HRH	\$ 230.6	3.0%	24.9	8.2	16.1	4.7	8.8	12.6	3.39%
HUBCO INC	HUBC	\$ 1,238.6	-9.0%	26.2	34.4	51.8	3.5		12.9	3.39%
JSB FINL INC	JSB	\$ 517.3	5.2%	10.1	55.2	10.5	1.4	10.0	16.0	3.05%
KEYSTONE FINANCIAL INC	KSTN	\$ 1,705.1	5.8%	12.8	24.3	17.0	2.5	14.0	10.1	3.37%
LEGG MASON INC	LM	\$ 1,586.3	30.2%	15.2	15.8	18.2	3.2		19.7	1.82%
LIFE RE CORP	LRE	\$ 1,640.1	34.5%	13.3	13.8	22.9	3.5		2.9	0.63%
MAF BANCORP INC	MAFB	\$ 530.4	12.4%	14.4	24.2	14.3	2.1	12.2	6.1	1.16%
MUTUAL RISK MANAGEMENT LTD	MM	\$ 1,540.0	23.5%	18.4	30.3	25.9	5.7	24.5	3.7	0.52%
NAC RE CORP	NRC	\$ 884.5	0.8%	14.6	19.5	9.3	1.3		5.1	0.75%
ORION CAPITAL CORP	OC	\$ 1,071.5	8.6%	16.0	10.0	8.9	1.5	7.5	4.3	1.85%
PIONEER GROUP INC	PIOG	\$ 403.8	11.2%	15.9	5.7	(44.1)	2.2		4.1	2.52%
PREMIER BANCSHARES INC	PMB	\$ 430.5	17.2%	16.2	26.4	26.6	5.6		18.0	1.43%
QUEENS COUNTY BANCORP INC	QCSB	\$ 661.8	17.3%	13.6	31.6	23.0	3.9	24.5	8.7	2.68%
RAYMOND JAMES FINANCIAL CORP	RJF	\$ 1,135.0	21.1%	23.4	16.0	12.2	2.6		31.5	1.02%
RIGGS NATL CORP WASH D C	RIGS	\$ 651.4	12.0%	8.7	18.7	12.1	1.8	8.6	5.8	0.94%
SEI INVESTMENTS CO	SEIC	\$ 1,673.4	26.1%	57.8	13.5	43.6	36.0		23.7	0.34%

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		Market Value - Equity	Mo. Sales Gr. %							
SELECTIVE INS GROUP INC	SIGI	\$ 593.3	3.2%	0.03	12.3	10.2	9.8	1.1	3.59	2.75%
SILICON VY BANCSHARES	SIVB	\$ 549.6	38.4%	0.38	15.9	27.7	16.9	3.0	27.83	0.00%
ST PAUL BANCORP INC	SPBC	\$ 877.3	0.1%	0.00	11.8	21.7	28.5	1.8	6.51	2.77%
SUSQUEHANNA BANCSHARES INC	SUSQ	\$ 714.6	8.2%	0.08	11.6	21.2	16.4	2.1	9.66	2.84%
TRENWICK GROUP INC	TREN	\$ 379.8	13.9%	0.14	10.1	23.8	11.5	1.1	5.72	3.17%
TRUSTCO BANK CORP/NY	TRST	\$ 790.5	3.6%	0.04	18.0	27.4	22.9	4.4	15.34	3.24%
U S TRUST CORP	USTC	\$ 1,279.3	6.8%	0.07	22.1	35.3	21.6	5.6	11.38	1.06%
UNITED BANKSHARES INC/WV	UBSI	\$ 1,178.1	25.1%	0.25	14.7	30.3	21.5	3.0	11.45	2.76%
UST CORP	USTB	\$ 1,039.1	14.2%	0.14	9.5	12.7	18.7	2.1	5.36	2.29%
WHITNEY HOLDING CORP	WTNY	\$ 904.4	7.3%	0.07	10.9	24.5	16.5	1.7	9.56	3.00%
ZENITH NATIONAL INSURANCE CP	ZNT	\$ 407.2	5.3%	0.05	7.8	6.4	17.6	1.2	3.06	4.19%