

Intrinsic Value Weekly

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"The Perfect Investment Storm" *

Last week's volatility was an unwelcome Christmas present for most investors. Even in the Intrinsic Value Portfolio, the average absolute percentage change was nearly seven percent. But a powerful rebound in **Herman Miller (MLHR - NASDAQ)** saved the portfolio's performance. Much of the volatility is related to tax-loss selling, done to offset taxable short-term gains taken earlier in the year. This kind of volatility will end this week.

Our major theme is anticipating the coming rebound in economic activity. We assert that the present slowdown is first, not a precursor to a recession, and, second, a result of three forces coming together at the same moment. Like the movie, "**The Perfect Storm**" **, these forces act together to intensify the current slowdown. However, each of these forces is likely to ebb fairly quickly. First, we observe that much of the capital spending boom of 1999-2000 was related to Y2K, a flood of internet venture capital and the build-out of the internet infrastructure. Such a huge quantity of activity cannot be sustained at that pace. Second, now that interest rates are coming down, capital spending tends to get deferred until borrowing costs stabilize at lower levels. The bump up in corporate borrowing spreads for lower-quality credits also crunches capital programs for the least well capitalized. And third, to the extent that taxpayers anticipate that 2001 will be a year when income will be taxed at a lower rate, they will find ways of deferring income into 2001. This tends to lower measured economic activity more than one might expect and the main effect shows up right now, in the fourth quarter of 2000. We expect that much of the dampening effect of these forces will be spent by the second or third quarter of 2001. And certainly by the fourth quarter of 2001 comparisons should be fairly easy. If the tax rate cut gets phased in, then we'll get more deferral effects. But, if as we expect, the cessation of these three forces comes at mostly the same time, then the rebound could look quite dramatic and pundits will be puzzled once again.

This week we have updated our work on **Nucor Corporation (NUE - NYSE)** with a new Intrinsic Value Report. As a major beneficiary of the effects of lower future interest rates and the coming recovery in economic growth, **NUE** is currently priced to bring investment returns well above those we expect for the market as a whole. The report is available on our website:

<http://www.intrinsicvalue.com/currentreports/NUEreport.pdf>

* with apologies to the filmmakers.

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Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	12/22/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
BGP	Borders Group, Inc.	9/22/2000	\$ 11.750	\$29.31	(59.9%)	1.0	(6.9%)
BGG	Briggs & Stratton	9/22/2000	\$ 41.063	\$98.87	(58.5%)	1.3	5.8%
CTL	CenturyTel, Inc.	9/22/2000	\$ 34.188	\$40.74	(16.1%)	1.6	(6.8%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 48.063	\$66.30	(27.5%)	0.9	(0.1%)
LOW	Lowes Companies	9/22/2000	\$ 41.500	\$56.04	(25.9%)	2.2	1.1%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 26.813	\$46.28	(42.1%)	2.4	17.5%
NYT	New York Times Co.	9/22/2000	\$ 38.938	\$46.26	(15.8%)	2.3	(4.0%)
NUE	Nucor Corporation	9/22/2000	\$ 38.250	\$60.65	(36.9%)	1.0	1.5%
WEN	Wendy's International	9/22/2000	\$ 26.500	\$28.69	(7.6%)	1.8	2.7%
Average:					(32.3%)	Average:	1.2%
						S&P 500	(6.2%)

Bold - Outperformed the S&P 500 for the week

* Company is being dropped from the portfolio this week.

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales				Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Market Cap Sales (\$billions)	Market Cap (\$billions)
		Growth Last 12M	EBIT Margin %	Return On Capital	Return On Sales						
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	11.0	1.2	0.3	0.9	
BGG	2.2	(6.6%)	12.9%	30.5%	(39.5%)	3.0%	8.1	2.0	0.6	0.9	
CTL	0.4	4.8%	30.3%	11.1%	15.1%	0.6%	21.1	2.7	2.7	4.8	
DAL	0.6	11.0%	11.6%	11.9%	13.5%	0.2%	4.8	1.2	0.4	5.9	
LOW	2.2	17.9%	7.4%	11.1%	15.2%	0.3%	18.7	3.3	0.9	15.9	
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.5%	13.3	6.3	1.0	2.1	
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.2%	16.5	4.2	2.0	6.4	
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.6%	8.9	1.3	0.7	3.0	
WEN	0.9	9.2%	13.8%	10.2%	8.5%	0.9%	17.7	3.0	1.4	3.0	

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ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	(2.7%)	(31.8%)	(14.1%)
CONSUMER CYCLICALS	(32.6%)	(17.5%)	(21.1%)
CONSUMER STAPLES	(7.0%)	(16.1%)	(0.4%)
HEALTH	(17.9%)	19.1%	4.4%
ENERGY	15.6%	110.8%	67.9%
FINANCIAL	(8.1%)	(13.9%)	(26.0%)
CAPITAL GOODS	(16.7%)	(11.8%)	(15.9%)
TECHNOLOGY	(38.7%)	(22.2%)	(15.9%)
COMMUNICATIONS	(42.4%)	14.7%	(26.1%) *
UTILITY	12.0%	(18.0%)	(12.5%)
TRANSPORTATION	(31.2%)	(17.0%)	(18.8%)
Weighted Total:	(18.7%)	(3.7%)	(8.3%)

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

<u>SECTORS</u>	<u>S&P 500</u>		<u>S&P MIDCAP</u>		<u>S&P SMALL CAP</u>	
	Weight	Price	Weight	Price	Weight	Price
prices as of 12/22/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.4%	13.1%	3.8%	6.5%	4.2%	4.6%
CONSUMER CYCLICALS	7.4%	2.2%	14.0%	7.6%	17.7%	(1.9%)
CONSUMER STAPLES	11.0%	(0.5%)	7.8%	1.5%	10.1%	1.9%
HEALTH	13.8%	1.8%	12.7%	(1.5%)	11.0%	(1.0%)
ENERGY	6.4%	4.4%	7.1%	8.5%	7.0%	6.7%
FINANCIAL	17.0%	4.3%	15.5%	8.3%	12.9%	0.3%
CAPITAL GOODS	8.9%	0.7%	6.7%	(3.4%)	12.4%	(4.6%)
TECHNOLOGY	23.3%	(4.9%)	21.0%	(7.1%)	17.0%	(13.6%)
COMMUNICATIONS	5.4%	(14.0%)	1.6%	(10.0%)	0.3%	n.a. *
UTILITY	3.7%	3.6%	7.9%	(4.8%)	4.4%	4.7%
TRANSPORTATION	0.7%	5.4%	1.9%	15.0%	3.0%	(12.4%)
Index Total:		(6.2%)		6.9%		1.5%

* Sector contains only 3 companies

Weekly price changes may not match prior issues due to changes in composition of sectors.

Sector Comments: When investors decide to exit a sector, we all rediscover the truism that everything has to be owned by someone. The only question is the price. The urge to purge gets going and undervaluation is the result. No one, repeat no one, knows where this stops. But we presume somewhere short of zero. And an investor with a longer term investment horizon (defined as the ability to buy and hold an investment for a period of time longer than 12 months) could presumably expect a very high rate of return from buying technology stocks, especially those with a strong business position and a good balance sheet. The psychology of doing that is tricky. Right now, the old maxim, "Buy on dips, take quick losses", is in full effect. And nobody likes to look stupid. But as our valuation work above suggests, the odds of winning big in the future with technology stocks are greatly improved with each passing week's decline.

Much of the relative price change this week is being influenced by tax-loss selling and flight to safety thinking. We expect that the wild price swings will abate somewhat by the end of this week.

This week we present the Large Cap Consumer Cyclical's value drivers on Page 3. Much of the slowdown in their business has been related to temporary factors as outlined on Page 1. This too shall pass.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>	
\$	11,472,858	90.6%	\$857,457	6.8%	\$ 328,855	2.6%

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Consumer Cyclical Could Star in 2001

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Company Name	Ticker	Market Value - Equity	12 Mo. Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
AMERICAN GREETINGS -CL A	AM	\$541	22.9%	8.5	32.15	10.4	5.6	0.5	3.6	7.97	9.9%
AUTOZONE INC	AZO	\$3,101	5.7%	27.3	56.20	14.0	12.8	3.2	8.6	16.26	0.0%
BED BATH & BEYOND INC	BBBY	\$6,581	25.3%	23.3	11.75	11.5	39.6	10.5	40.1	42.75	0.0%
BEST BUY CO INC	BBY	\$5,423	20.1%	26.1	43.15	4.5	13.5	4.7	@CF	47.17	0.0%
BLACK & DECKER CORP	BDK	\$3,083	2.0%	37.4	58.25	10.4	9.0	3.9	7.1	12.96	1.3%
BLOCK H & R INC	HRB	\$3,566	60.7%	39.1	57.37	19.3	15.3	2.8	9.7	18.70	3.1%
BRUNSWICK CORP	BC	\$1,436	9.0%	16.4	34.68	6.8	34.4	1.2	7.4	10.78	3.0%
CARNIVAL CORP	CCL	\$15,708	7.5%	26.9	23.72	29.1	13.4	2.4	13.0	14.75	1.6%
CENDANT CORP	CD	\$6,832	-9.5%	9.4	9.82	28.4	(6.4)	2.9	46.6	9.67	0.0%
CENTEX CORP	CTX	\$2,163	12.0%	36.6	115.27	9.3	8.7	1.5	7.0	18.02	0.4%
CIRCUIT CITY STR CRCT CTY (CC	\$2,067	-7.0%	10.1	39.12	7.7	7.9	1.3	4.5	12.56	0.7%
CONSOLIDATED STORES CORP	CNS	\$1,129	-26.6%	10.1	16.79	5.7	6.3	0.7	5.7	7.32	0.0%
CONVERGYS CORP	CVG	\$6,844	20.9%	44.5	15.70	12.7	37.2	6.9	30.4	11.66	0.0%
COOPER TIRE & RUBBER	CTB	\$766	58.6%	10.6	29.75	10.7	5.6	0.7	3.1	11.67	4.0%
COSTCO WHOLESALE CORP	COST	\$16,718	10.0%	37.4	33.34	3.5	23.1	3.4	18.9	16.63	0.0%
DANA CORP	DCN	\$2,052	-8.5%	13.9	64.19	7.7	6.1	0.9	2.2	10.46	8.9%
DELPHI AUTOMOTIVE SYS COF	DPH	\$6,298	-2.1%	11.3	32.79	6.3	6.8	2.4	3.3	14.64	2.5%
DILLARDS INC -CL A	DDS	\$957	-4.0%	10.9	25.11	5.6	14.5	0.4	2.4	6.17	1.5%
DOLLAR GENERAL CORP	DG	\$5,806	15.1%	17.6	16.46	9.3	21.0	5.1	20.5	36.22	0.7%
DOW JONES & CO INC	DJ	\$4,873	6.5%	55.7	31.63	15.5	23.2	9.2	13.3	12.89	1.8%
FEDERATED DEPT STORES	FD	\$6,186	1.4%	31.1	57.76	7.5	(78.2)	1.0	4.3	10.74	0.0%
FORD MOTOR CO	F	\$43,259	7.5%	22.8	32.33	10.0	5.6	2.1	2.2	7.04	5.3%
GANNETT CO	GCI	\$16,398	23.6%	62.2	38.05	18.4	15.1	3.2	14.4	12.46	1.4%
GAP INC	GPS	\$20,502	12.1%	24.1	10.99	14.4	20.8	9.5	13.3	7.74	0.4%
GENERAL MOTORS CORP	GM	\$28,304	1.9%	50.1	(44.25)	6.2	5.3	1.5	1.8	4.31	4.0%
GENUINE PARTS CO	GPC	\$4,284	3.7%	24.8	25.82	5.7	8.7	1.6	9.4	9.15	4.4%
GOODYEAR TIRE & RUBBER CO	GT	\$3,322	5.9%	21.1	(19.64)	2.6	16.8	0.7	4.0	2.76	5.7%
HARCOURT GENERAL INC	H	\$4,161	5.9%	56.9	28.27	14.2	22.0	6.2	16.9	12.04	1.5%
HARLEY-DAVIDSON INC	HDI	\$11,250	14.7%	37.1	21.64	17.5	41.9	11.8	29.5	26.52	0.3%
HARRAHS ENTERTAINMENT IN	HET	\$2,875	17.1%	24.6	17.72	11.3	16.1	2.3	7.2	8.77	0.0%
HASBRO INC	HAS	\$1,691	-2.3%	9.8	23.47	8.6	23.1	1.2	4.4	10.44	2.4%
HILTON HOTELS CORP	HLT	\$3,710	74.1%	10.1	(10.20)	14.2	14.2	2.4	10.2	4.49	0.8%
HOME DEPOT INC	HD	\$96,489	16.9%	41.6	14.19	7.0	33.8	7.3	34.5	13.65	0.4%
IMS HEALTH INC	RX	\$8,039	2.1%	27.4	14.66	24.1	51.9	17.1	23.6	21.07	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$12,529	14.7%	40.8	12.77	11.2	36.2	6.9	22.9	9.36	0.9%
K MART CORP	KM	\$2,521	3.0%	5.3	19.31	4.0	(27.5)	0.4	1.8	7.17	0.0%
KAUFMAN & BROAD HOME COI	KBH	\$1,267	-7.2%	32.2	56.21	7.6	6.6	2.1	7.7	14.64	0.9%
KNIGHT-RIDDER INC	KRI	\$4,004	3.6%	54.3	48.68	12.1	9.1	2.3	8.2	9.84	1.7%
KOHL'S CORP	KSS	\$19,072	31.4%	57.5	13.18	9.4	55.8	10.4	54.1	12.33	0.0%
LEGGETT & PLATT INC	LEG	\$3,322	14.0%	16.9	19.55	8.7	11.1	2.0	7.6	12.21	2.6%
LIMITED INC	LTD	\$6,891	5.1%	16.2	14.70	8.0	16.5	3.9	9.5	8.84	1.9%
LIZ CLAIBORNE INC	LIZ	\$2,179	7.1%	41.1	78.78	10.7	11.1	2.5	8.9	28.74	1.1%
LOWES COS	LOW	\$15,889	15.2%	41.5	23.07	5.1	18.7	3.3	15.7	11.09	0.3%
MARRIOTT INTL INC	MAR	\$9,524	15.4%	39.7	21.40	7.8	23.8	3.5	17.4	7.62	0.6%
MASCO CORP	MAS	\$10,795	11.1%	24.2	28.72	15.8	11.7	2.7	14.3	17.08	2.1%
MATTEL INC	MAT	\$5,618	-0.2%	13.2	5.73	4.9	114.8	2.7	26.7	6.48	2.7%

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Red - Warning

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat Research Insight®, Intrinsic Value Associates, LLC

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Consumer Cyclicals Could Star in 2001

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Company Name	Ticker	Market Value - Equity	12 Mo. Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
MAY DEPARTMENT STORES C	MAY	\$8,981	4.7%	30.2	43.78	8.8	11.0	2.2	7.0	13.53	3.1%
MAYTAG CORP	MYG	\$2,327	-1.2%	30.3	54.06	9.0	8.0	5.5	5.2	14.81	2.4%
MCGRAW-HILL COMPANIES	MHP	\$10,955	5.5%	56.1	29.54	12.6	20.5	6.1	19.5	13.39	1.7%
MEREDITH CORP	MDP	\$1,500	-4.0%	29.9	44.79	17.8	22.6	3.6	11.9	16.14	1.1%
NEW YORK TIMES CO -CL A	NYT	\$6,420	7.9%	38.9	25.15	12.2	16.5	4.2	13.3	13.13	1.2%
NIKE INC -CL B	NKE	\$13,826	6.8%	51.2	34.32	9.1	19.6	3.7	17.6	12.32	0.9%
NORDSTROM INC	JWN	\$2,236	13.5%	16.7	18.89	5.4	14.9	1.8	5.6	8.91	2.2%
OFFICE DEPOT INC	ODP	\$1,887	9.4%	6.3	8.42	6.2	7.0	1.1	4.9	7.58	0.0%
OMNICOM GROUP	OMC	\$14,430	20.0%	81.5	28.84	11.6	28.8	9.0	27.3	11.88	0.9%
PENNEY (J C) CO	JCP	\$2,407	-1.2%	9.2	(10.34)	2.9	(14.8)	0.4	2.3	3.48	5.4%
PULTE CORP	PHM	\$1,671	8.3%	41.1	96.43	9.3	8.0	1.5	@CF	20.55	0.4%
RADIOSHACK CORP	RSH	\$8,024	18.8%	43.1	29.50	12.6	26.5	11.2	21.2	15.79	0.5%
REEBOK INTERNATIONAL LTD	RBK	\$1,321	-0.8%	23.2	14.81	4.0	20.1	2.3	23.9	6.71	0.0%
SEARS ROEBUCK & CO	S	\$11,088	4.7%	32.9	68.18	7.4	7.1	1.8	5.3	8.77	2.8%
SHERWIN-WILLIAMS CO	SHW	\$3,829	4.9%	23.8	28.71	9.2	11.1	2.1	8.6	10.56	2.3%
SNAP-ON INC	SNA	\$1,564	11.8%	26.9	37.06	11.4	11.5	1.8	8.6	11.21	3.6%
STANLEY WORKS	SWK	\$2,600	-1.1%	30.3	42.51	10.7	12.4	3.3	11.9	15.78	3.0%
STAPLES INC	SPLS	\$5,194	17.0%	11.1	15.84	6.0	19.4	3.2	11.0	24.58	0.0%
STARWOOD HOTELS&RESORT	HOT	\$6,525	16.5%	33.8	(0.54)	16.8	17.1	1.6	(39.4)	4.73	2.0%
TARGET CORP	TGT	\$27,488	8.3%	30.7	21.00	5.0	21.9	4.7	13.7	13.16	0.7%
TIFFANY & CO	TIF	\$4,668	14.6%	32.0	14.92	14.2	26.0	6.5	24.8	10.90	0.5%
TJX COMPANIES INC	TJX	\$7,169	9.1%	25.6	(14.43)	8.6	14.2	6.9	11.2	2.35	0.6%
TOYS R US INC	TOY	\$3,096	-9.9%	15.7	6.74	5.0	11.3	1.2	6.7	5.49	0.0%
TRIBUNE CO	TRB	\$12,224	89.5%	40.4	13.60	17.1	24.7	4.0	5.6	7.80	1.0%
TRW INC	TRW	\$4,501	-9.2%	36.1	54.38	6.3	6.1	1.3	3.0	9.01	3.9%
VF CORP	VFC	\$3,990	8.4%	35.1	44.11	7.6	8.7	1.4	7.6	11.14	2.5%
VISTEON CORP	VC	\$1,466	-4.3%	11.2	@NA	6.6	4.3	@NA	@NA	17.55	2.1%
WAL-MART STORES	WMT	\$234,500	13.0%	52.5	12.28	3.1	37.5	9.0	29.4	10.69	0.5%
WHIRLPOOL CORP	WHR	\$3,073	-5.5%	46.2	93.70	6.0	6.8	1.6	4.5	10.36	2.9%

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