

Intrinsic Value Weekly

Volume 2, No. 44

Published Weekly by Intrinsic Value Associates, LLC

November 1, 1999

"Value in Adversity"

Notes on Intrinsic Value Portfolio The spectacular rise in financial stocks last week was nearly matched by the rise in Transportation stocks, specifically DAL, up 10%. You may recall our emphasis on Transports in last week's issue. NUE also rose sharply, up 12.9%. The overall performance of the IVP was muted by weakness in MLHR and PFE. We are entering the period when some tax-related selling may begin to affect the price of stocks which have exhibited weakness earlier. With fundamentals intact and even improving, these drops ought to be regarded as gifts to investors with sensible investing time horizons.

Articles have begun to appear in the business press about how managements of formerly glittering high-PE companies have lost their touch and are really no more adept than the also-ran middling companies of modest valuation. Since no company does everything right all the time, it remains to judge a company on how effective it handles adversity. In the past, companies like G and KO and even GE have had rocky times and come roaring back to sell at truly magnificent heights of valuation. Now, G and KO are going through tough periods again and the criticism is rising. In the case of G, we expect that long-overdue paring of under-performing divisions, combined with tightening of its discipline in using working capital will propel shareholder returns to much higher levels. Our current valuation does not include much improvement and we await some evidence of the improvement before raising our target.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 10/29/1999	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgmt LP	9/24/1999	\$ 27.438	\$44.68	(38.6%)	6.6	4.5%
ALD	AlliedSignal Inc.	4/29/1999	\$ 56.938	\$64.60	(11.9%)	2.5	2.4%
BGG	Briggs & Stratton	9/20/1999	\$ 58.438	\$117.62	(50.3%)	2.1	5.1%
CTL	Century Telephone Ent.	3/1/1999	\$ 40.438	\$42.51	(4.9%)	1.8	2.4%
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 54.438	\$66.79	(18.5%)	0.9	10.1%
G	Gillette Company	6/23/1999	\$ 36.250	\$48.52	(25.3%)	4.1	0.7%
HD	Home Depot	9/27/1999	\$ 75.750	\$58.33	29.9%	7.0	4.8%
LOW	Lowes Companies	9/27/1999	\$ 55.375	\$61.77	(10.3%)	3.7	4.2%
MLHR	Herman Miller, Inc.	7/5/1999	\$ 21.688	\$46.47	(53.3%)	3.3	(1.1%)
NYT	New York Times Co.	3/1/1999	\$ 40.250	\$48.21	(16.5%)	2.6	2.4%
NUE	Nucor Corporation	3/1/1999	\$ 51.875	\$57.99	(10.5%)	1.6	12.9%
PFE	Pfizer, Inc.	6/23/1999	\$ 39.688	\$42.73	(7.1%)	10.8	(4.7%)
WEN	Wendy's International	3/1/1999	\$ 23.875	\$29.86	(20.0%)	2.0	1.3%

Average: (16.6%) Average: 3.5%

Bold - Outperformed the S&P 500 for the week

S&P 500 4.7%

Value Drivers

Standard Market Statistics

Symbol	Sales		EBIT Margin %	Quarterly ROC	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Sales
	Growth Last 12M	%							
AC	30.1%	27.7%	52.7%	36.2%	6.9%	12.6	10.9	2.9	
ALD	(0.3%)	13.0%	11.6%	2.6%	1.2%	22.5	6.3	2.2	
BGG	14.2%	12.0%	26.4%	33.5%	2.1%	10.6	3.7	0.9	
CTL	16.0%	30.4%	10.9%	4.3%	0.4%	24.3	3.7	3.3	
DAL	2.8%	12.7%	10.9%	2.0%	0.2%	6.1	1.5	0.5	
G	(0.0%)	23.1%	18.5%	(0.9%)	1.6%	27.6	7.9	3.8	
HD	26.2%	8.8%	13.0%	28.1%	0.2%	51.2	11.6	2.9	
LOW	19.6%	6.8%	11.0%	18.8%	0.2%	31.3	5.5	1.2	
MLHR	1.5%	12.7%	23.8%	5.7%	0.7%	13.7	9.1	1.1	
NYT	3.7%	17.5%	11.9%	6.9%	1.0%	23.1	4.4	2.3	
NUE	(12.2%)	9.9%	12.6%	1.6%	1.0%	20.0	2.0	1.1	
PFE	22.1%	27.0%	20.8%	19.8%	0.8%	52.8	15.8	8.7	
WEN	(2.8%)	12.6%	9.7%	(0.3%)	1.0%	24.3	3.1	1.7	

Intrinsic Value Weekly

ECONOMIC SECTOR VALUATION

<u>SECTORS</u>	<u>S&P 500</u>	<u>S&P MIDCAP</u>	<u>S&P SMALL CAP</u>
BASIC INDUSTRY	20.1%	(29.1%)	(12.1%)
CONSUMER CYCLICALS	(10.2%)	(21.4%)	(15.8%)
CONSUMER STAPLES	(5.3%)	(11.4%)	(13.0%)
HEALTH	(26.5%)	(21.0%)	(33.1%)
ENERGY	8.3%	31.9%	2.4%
FINANCIAL	(3.9%)	(21.0%)	(25.7%)
CAPITAL GOODS	17.1%	(1.9%)	(11.0%)
TECHNOLOGY	9.4%	13.2%	32.0%
COMMUNICATIONS	16.6%	40.3% *	58.7% *
UTILITY	(16.2%)	(21.7%)	(2.3%)
TRANSPORTATION	(22.1%)	(31.4%)	(18.6%)
Weighted Total:	0.5%	(7.8%)	(5.6%)

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 10/29/1999	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.0%	0.9%	4.4%	2.3%	4.0%	(0.3%)
CONSUMER CYCLICALS	9.1%	2.6%	15.2%	2.9%	18.9%	0.6%
CONSUMER STAPLES	12.1%	4.1%	8.7%	1.5%	8.1%	(0.1%)
HEALTH	10.9%	0.6%	9.0%	2.9%	8.9%	(2.6%)
ENERGY	5.9%	(2.8%)	4.2%	(4.5%)	3.1%	(3.3%)
FINANCIAL	14.8%	9.7%	12.6%	6.1%	14.2%	5.2%
CAPITAL GOODS	8.5%	3.9%	8.4%	3.9%	12.3%	1.2%
TECHNOLOGY	23.8%	5.9%	24.4%	9.6%	22.2%	5.3%
COMMUNICATIONS	8.4%	8.1%	1.3%	1.1%	0.7%	4.1% *
UTILITY	2.7%	4.0%	10.3%	3.2%	4.4%	0.4%
TRANSPORTATION	0.8%	9.8%	1.4%	1.8%	3.2%	4.8%
Index Total:		4.7%		4.4%		1.9%

* Sector contains only 3 companies

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

Sector Comments The resurgence of large capitalization stocks in the past two weeks has been quite spectacular. Financial stocks reflect the further realization of the extent to which cost will come rushing out of our compartmentalized financial industry. A large portion of those costs are in acquiring, sorting and exploiting the use of information, so the sharing of information among formerly shielded insurance, brokerage, and banking activities will provide great benefit both to shareholders of financial companies like Citigroup (C - NYSE) and American International Group (AIG - NYSE), and to their customers in the form of lower costs and more convenience. Add to this change the undervaluation and the rise is likely to have yet some way to go.

Our comments on Transportation and Energy stocks seemed timely, too. Large Cap Transports have risen 13% in the past two weeks. Large Cap Energy stocks have risen 3.4%. We expect this gap to continue to widen.

The move of 20 basis points in the U.S. Treasury 30-year bond yield also was reflected in a rapid rise in Large Cap Utility stocks and was helped as well by continued merger consolidation in the industry. Some uncertainty still remains regarding the pending Federal "deregulation" of the Electric Industry.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
\$	11,120,648	\$846,097	\$ 328,672
	90.4%	6.9%	2.7%

Intrinsic Value Weekly

Large Cap Consumer Cyclical Have Good Fundamentals

Page 3

Company Name	Ticker	Market Value - Equity	Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow per sh.	Return on Capital	Dividend Yield
AMERICAN GREETINGS -CL A	AM	\$1,669	-0.4%	25.9	23.83	10.5	15.5	1.3	7.2	9.50	3.1%
ARMSTRONG WORLD INDS INC	ACK	\$1,497	10.0%	37.4	61.00	11.8	93.6	2.5	11.2	10.77	5.1%
AUTOZONE INC	AZO	\$3,834	14.4%	26.6	15.89	9.4	17.1	@NA	10.4	12.60	0.0%
BED BATH & BEYOND INC	BBBY	\$4,658	32.7%	33.3	58.70	11.6	43.7	11.8	38.5	43.94	0.0%
BEST BUY CO INC	BBY	\$11,444	23.2%	55.8	108.05	3.6	46.6	11.9	61.1	23.87	0.0%
BLACK & DECKER CORP	BDK	\$3,740	0.3%	43.0	54.41	8.6	14.4	7.0	(6.3)	9.50	1.1%
BLOCK H & R INC	HRB	\$4,161	72.2%	42.6	505.77	1.6	18.6	4.0	13.3	1.42	2.6%
BRUNSWICK CORP	BC	\$2,078	5.0%	22.6	19.46	8.2	12.1	1.7	6.1	12.63	2.2%
CARNIVAL CORP	CCL	\$27,310	10.1%	44.5	95.32	28.7	26.5	6.0	25.6	15.16	0.8%
CENDANT CORP	CD	\$12,690	-3.3%	16.5	31.55	24.2	14.1	3.1	29.9	8.44	0.0%
CENTEX CORP	CTX	\$1,595	15.0%	26.8	42.29	9.8	7.0	1.5	5.9	17.44	0.6%
CIRCUIT CITY STR CRCT CTY C	CC	\$8,639	14.4%	42.5	86.24	4.3	38.9	4.7	30.8	9.81	0.2%
CONSOLIDATED STORES CORP	CNS	\$2,017	12.9%	18.3	30.26	5.7	25.4	2.0	10.4	8.75	0.0%
COOPER TIRE & RUBBER	CTB	\$1,275	10.7%	16.8	18.78	6.6	9.4	1.5	5.6	8.30	2.5%
COSTCO WHOLESALE CORP	COST	\$17,728	14.3%	80.3	188.68	2.2	30.6	5.3	26.6	11.12	0.0%
DANA CORP	DCN	\$4,900	4.9%	29.6	25.30	10.1	9.5	2.1	4.8	15.07	4.2%
DAYTON HUDSON CORP	DH	\$28,480	9.9%	64.6	113.30	4.2	25.7	5.3	16.4	11.52	0.6%
DELLPHI AUTOMOTIVE SYS CO	DPH	\$9,222	12.9%	16.4	@NA	2.2	9.6	@NA	@NA	-	1.7%
DILLARDS INC -CL A	DDS	\$2,018	26.2%	18.9	58.72	2.9	17.1	0.8	5.4	3.55	0.8%
DOLLAR GENERAL	DG	\$7,015	23.5%	26.4	46.38	9.5	35.6	9.4	24.9	32.06	0.5%
DOW JONES & CO INC	DJ	\$5,587	5.9%	61.5	155.53	8.2	23.0	9.6	37.5	10.71	1.6%
DUN & BRADSTREET CORP	DNB	\$4,726	3.1%	29.4	42.78	15.7	17.5	(13.3)	14.6	22.52	2.5%
FEDERATED DEPT STORES	FD	\$8,962	16.7%	42.7	49.30	6.9	12.3	1.6	6.8	10.77	0.0%
FLEETWOOD ENTERPRISES	FLE	\$727	13.9%	21.8	10.00	5.9	6.7	1.2	5.5	22.28	3.5%
FORD MOTOR CO	F	\$67,057	16.3%	54.9	220.40	9.6	9.4	2.6	1.8	5.99	3.4%
GANNETT CO	GCI	\$21,573	10.8%	77.1	146.38	16.0	21.0	4.9	16.4	12.92	1.1%
GAP INC	GPS	\$31,888	28.8%	37.1	96.50	10.8	28.7	17.4	28.2	21.82	0.2%
GENERAL MOTORS CORP	GM	\$45,433	15.3%	70.4	894.06	4.6	6.7	3.3	3.1	3.20	2.8%
GENUINE PARTS CO	GPC	\$4,666	18.3%	26.1	26.70	6.6	12.8	2.3	11.0	13.56	4.0%
GOODYEAR TIRE & RUBBER CO	GT	\$6,457	3.0%	41.3	63.93	6.2	24.2	2.0	5.3	7.98	2.9%
HARCOURT GENERAL INC	H	\$2,738	12.3%	38.5	63.25	6.2	18.6	3.2	6.1	13.78	2.1%
HARRAHS ENTERTAINMENT IN	HET	\$3,713	38.9%	28.9	67.87	10.5	19.5	3.3	11.7	8.30	0.0%
HASBRO INC	HAS	\$4,018	16.1%	20.6	33.52	6.3	16.0	2.2	10.8	8.36	1.2%
HILTON HOTELS CORP	HLT	\$2,375	@SF	9.3	8.28	26.9	13.3	13.8	7.8	8.77	0.9%
HOME DEPOT INC	HD	\$112,328	28.1%	75.8	310.82	6.1	51.2	11.6	56.2	12.97	0.2%
IMS HEALTH INC	RX	\$9,072	22.8%	29.0	79.65	18.6	26.8	8.8	33.6	17.78	0.3%
INTERPUBLIC GROUP OF COS	IPG	\$11,438	14.7%	40.6	123.50	7.9	32.0	9.1	24.2	10.01	0.8%
JOSTENS INC	JOS	\$719	-3.4%	21.1	12.61	12.3	16.1	11.5	11.4	69.66	4.2%
K MART CORP	KM	\$4,976	7.9%	10.1	14.60	3.9	9.7	1.0	4.2	7.82	0.0%
KAUFMAN & BROAD HOME CO	KBH	\$957	60.4%	20.1	25.56	7.6	7.3	1.7	7.2	12.81	1.5%
KNIGHT-RIDDER INC	KRI	\$5,080	4.2%	63.5	150.76	7.3	14.7	2.6	10.1	5.77	1.4%
KOHL'S CORP	KSS	\$12,196	23.8%	74.9	187.77	9.7	48.6	9.0	45.2	16.29	0.0%
LAIDLAW INC	LDW	\$2,023	236.0%	6.1	5.14	11.8	13.5	0.7	3.1	8.12	3.1%
LIMITED INC	LTD	\$8,803	8.9%	41.0	78.12	6.9	23.0	3.9	4.0	8.53	1.5%
LIZ CLAIBORNE INC	LIZ	\$2,521	16.6%	40.0	21.94	11.2	11.4	2.0	11.4	28.41	1.1%
LOWES COS	LOW	\$21,149	18.8%	55.4	159.08	4.7	31.3	5.5	25.9	11.04	0.2%
MARRIOTT INTL INC	MAR	\$8,258	10.6%	33.7	70.45	6.5	19.0	3.1	15.5	8.25	0.7%

FOR INFORMATIONAL PURPOSES ONLY The information contained in this publication has been obtained from a variety of sources. We cannot vouch for their reliability. However, through our analysis we attempt to provide reliable information. We do not guarantee accuracy or completeness. Intrinsic Value Weekly is published solely for informational purposes and should not be construed as a solicitation to buy or sell any security. All opinions and estimates included in this report represent our judgment as of this date and are subject to change without notice. Delivery of this publication shall not, under any circumstances, create any implication that there has been no change in the information provided herein from the date of this report which is November 1, 1999. Intrinsic Value Associates, LLC or its affiliates may maintain ownership positions in any of the companies mentioned in this report

@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat PC Plus®, Intrinsic Value Associates, LLC

Intrinsic Value Weekly

Large Cap Consumer Cyclical Have Good Fundamentals

Page 5

Company Name	Ticker	Market Value - Equity	Quarterly Sales Growth	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Price/	Return on Capital	Dividend Yield
MASCO CORP	MAS	\$10,273	17.0%	30.5	29.81	17.9	20.1	3.9	16.9	16.18	1.4%
MATTEL INC	MAT	\$5,505	9.2%	13.4	17.31	10.5	633.3	3.2	7.0	14.61	2.7%
MAY DEPARTMENT STORES C	MAY	\$11,507	8.6%	34.7	33.11	8.7	14.2	3.2	9.0	13.17	2.6%
MAYTAG CORP	MYG	\$3,492	3.3%	40.1	47.90	8.4	9.0	5.9	8.5	13.37	1.8%
MCGRAW-HILL COMPANIES	MHP	\$11,734	9.3%	59.6	141.41	9.6	25.1	6.1	24.9	11.94	1.4%
MEREDITH CORP	MDP	\$1,795	5.9%	35.7	62.27	10.1	21.2	4.4	13.4	10.98	0.8%
MIRAGE RESORTS INC	MIR	\$2,895	82.3%	14.6	37.83	10.2	46.7	1.6	13.8	4.09	0.0%
NEW YORK TIMES CO -CL A	NYT	\$7,008	6.9%	40.3	63.94	11.9	23.1	4.4	17.3	11.92	1.0%
NIKE INC -CL B	NKE	\$15,686	-0.1%	56.0	101.77	6.9	33.1	4.8	23.6	12.71	0.9%
NORDSTROM INC	JWN	\$3,455	-0.6%	24.9	34.78	5.0	18.4	2.9	9.2	9.39	1.3%
OFFICE DEPOT INC	ODP	\$4,236	15.4%	12.5	14.68	4.9	16.0	1.9	12.4	11.54	0.0%
OMNICOM GROUP	OMC	\$15,617	23.4%	88.0	279.02	9.3	40.4	12.3	35.5	14.80	0.7%
OWENS CORNING	OWC	\$1,124	0.7%	20.5	76.82	8.6	(1.8)	(1.0)	(2.4)	9.19	1.5%
PENNEY (J C) CO	JCP	\$6,598	8.1%	25.4	86.62	3.8	15.7	1.3	5.2	4.93	8.6%
PEP BOYS-MANNY MOE & JACI	PBY	\$630	0.0%	12.5	27.59	3.6	64.7	1.1	7.6	4.11	2.2%
PULTE CORP	PHM	\$870	28.2%	20.1	24.89	7.8	6.5	1.0	@CF	14.46	0.8%
REEBOK INTERNATIONAL LTD	RBK	\$551	-9.6%	9.8	13.83	3.6	32.4	1.1	8.1	7.60	0.0%
RUSSELL CORP	RML	\$512	-8.6%	15.2	15.43	5.8	177.3	0.8	8.4	5.89	3.7%
SEARS ROEBUCK & CO	S	\$10,720	-0.8%	28.2	48.85	6.8	9.6	2.0	5.7	8.37	3.3%
SERVICE CORP INTERNATIONAL	SRV	\$2,602	9.0%	9.6	53.97	16.5	13.5	0.9	4.9	3.98	3.8%
SHERWIN-WILLIAMS CO	SHW	\$3,793	0.3%	22.4	22.94	9.0	12.0	2.1	9.1	11.75	2.1%
SNAP-ON INC	SNA	\$1,776	5.3%	30.4	45.27	7.0	16.9	2.5	46.3	8.05	3.0%
SPRINGS INDUSTRIES -CL A	SMI	\$708	-2.7%	39.8	42.32	4.2	10.1	0.8	5.9	6.45	3.3%
STANLEY WORKS	SWK	\$2,467	0.3%	27.8	27.69	9.7	17.1	3.3	11.8	15.35	3.2%
STAPLES INC	SPLS	\$10,265	24.7%	22.2	34.58	5.8	40.4	6.1	35.9	23.74	0.0%
TANDY CORP	TAN	\$12,192	-14.9%	63.0	196.41	6.1	45.9	12.9	76.6	11.27	0.3%
TIMES MIRROR COMPANY -SE	TMC	\$5,184	1.4%	72.1	136.49	12.6	24.6	7.5	22.0	33.60	1.1%
TJX COMPANIES INC	TJX	\$8,571	12.6%	27.1	57.58	5.6	17.9	7.4	15.3	9.90	0.5%
TOYS R US INC	TOY	\$3,457	9.1%	14.1	46.01	3.3	(30.0)	1.0	28.8	3.98	0.0%
TRIBUNE CO	TRB	\$14,222	10.5%	60.0	144.03	16.1	8.2	5.3	23.4	10.18	0.6%
TRW INC	TRW	\$5,198	57.3%	42.9	95.67	3.6	16.5	2.8	4.4	7.69	3.1%
VF CORP	VFC	\$3,583	0.4%	30.1	22.53	8.8	10.1	1.8	6.5	15.41	2.8%
WAL-MART STORES	WMT	\$252,190	14.8%	56.7	305.50	2.3	43.0	10.0	40.0	8.33	0.4%
WHIRLPOOL CORP	WHR	\$5,255	7.1%	69.7	188.66	3.1	15.6	2.5	7.1	4.98	2.0%

FOR INFORMATIONAL PURPOSES ONLY The information contained in this publication has been obtained from a variety of sources. We cannot vouch for their reliability. However, through our analysis we attempt to provide reliable information. We do not guarantee accuracy or completeness. Intrinsic Value Weekly is published solely for informational purposes and should not be construed as a solicitation to buy or sell any security. All opinions and estimates included in this report represent our judgment as of this date and are subject to change without notice. Delivery of this publication shall not, under any circumstances, create any implication that there has been no change in the information provided herein from the date of this report which is November 1, 1999. Intrinsic Value Associates, LLC or its affiliates may maintain ownership positions in any of the companies mentioned in this report

@AF - Annual Figure @NA - Not available @CF - Combined Figure @SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

Source: Standard & Poors Corporation Compustat PC Plus®, Intrinsic Value Associates, LLC