

Intrinsic Value Weekly

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Large Capitalization Technology was the star last week, rocketing 9.8%, driven by already over-priced stocks. In a weekly, such observation can get boring since such trends can go on for many weeks before sanity sets in. Energy stocks continued to lose share of market, leading us to recall when they had been 20% of the market nearly twenty years ago. Sectors' share of market is often related to valuation as well as fundamental success.

One note of caution about the valuations of sectors. Not all stocks in a sector are equally successful. Retailing is a current example. Discounters continue to grow rapidly, traditional department stores and chains have lost market share. When companies in this industry are aggregated, as we do, the sector is valued on the total industry growth: less than the discounters and more than the department stores. This produces an interesting effect, one I like to call the "K-Mart" effect. As the losers in the sector become a smaller part of the total market value, they have less effect on the aggregate. So the sector overall may look too expensive, but new management or some other special factor may produce an under-priced gem.

ECONOMIC SECTOR VALUATION

| SECTORS | S&P 500 | S&P MIDCAP | S&P SMALL CAP |
|------------------------|--------------|----------------|---------------|
| BASIC INDUSTRY | (4.3%) | (25.0%) | (20.3%) |
| CONSUMER CYCLICALS | 0.7% | (17.0%) | 10.6% |
| CONSUMER STAPLES | 27.7% | (9.9%) | (10.6%) |
| HEALTH | 3.4% | (13.7%) | (21.1%) |
| ENERGY | (11.4%) | (34.4%) | (44.8%) |
| FINANCIAL | (3.0%) | (3.7%) | (15.8%) |
| CAPITAL GOODS | 20.2% | (12.3%) | (12.1%) |
| TECHNOLOGY | 40.6% | 1.8% | 12.2% |
| COMMUNICATIONS | 23.1% | (4.2%) | (16.4%) |
| UTILITY | (19.6%) | (31.7%) | (10.2%) |
| TRANSPORTATION | (14.8%) | 22.0% | (11.4%) |
| Weighted Total: | 14.8% | (12.0%) | (5.9%) |

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 1/22/99 | % of Total | % Change | % of Total | % Change | % of Total | % Change |
| BASIC INDUSTRY | 3.0% | (0.1%) | 5.5% | (2.5%) | 4.5% | 2.5% |
| CONSUMER CYCLICALS | 9.4% | 2.9% | 17.0% | (0.2%) | 19.3% | (0.3%) |
| CONSUMER STAPLES | 14.8% | 3.8% | 8.0% | (0.7%) | 9.2% | (0.0%) |
| HEALTH | 12.0% | 7.5% | 10.1% | 1.8% | 10.7% | 1.9% |
| ENERGY | 5.2% | (4.3%) | 3.1% | (10.1%) | 2.1% | (9.2%) |
| FINANCIAL | 14.4% | 2.8% | 13.8% | 1.3% | 16.2% | 3.5% |
| CAPITAL GOODS | 8.0% | 4.7% | 9.0% | 0.8% | 12.3% | (0.8%) |
| TECHNOLOGY | 20.8% | 9.8% | 18.3% | 4.1% | 17.5% | 1.7% |
| COMMUNICATIONS | 8.8% | 0.3% | 2.0% | 3.5% | 0.3% | (3.7%) * |
| UTILITY | 2.8% | (2.3%) | 11.3% | (3.7%) | 4.4% | (1.6%) |
| TRANSPORTATION | 0.9% | 3.5% | 2.0% | 4.1% | 3.4% | 1.0% |

* Sector contains only 2 companies

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

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Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

| Symbol | Name | Price 1/29/99 | Intrinsic Value | +/- % | Q Ratio | Weekly Price Change |
|-----------------|------------------------|------------------|--------------------|-------|---------|---------------------------|
| ALD | AlliedSignal Inc. | \$ 39.000 | \$48.89 | (20%) | 2.2 | (1.6%) |
| CTL | Century Telephone Ent. | \$ 68.000 | \$62.64 | 9% | 2.1 | 4.5% |
| DAL | Delta Air Lines, Inc. | \$ 54.563 | \$74.44 | (27%) | 1.0 | 11.4% |
| G | Gillette Company | \$ 58.500 | \$48.20 | 21% | 5.9 | 12.8% |
| HD | Home Depot | \$ 60.500 | \$54.30 | 11% | 7.4 | 8.2% |
| INTC | Intel Corporation | \$140.938 | \$112.11 | 26% | 8.6 | 9.4% |
| LOW | Lowe's Companies | \$ 58.313 | \$43.76 | 33% | 4.3 | 10.4% |
| NYT | New York Times Co. | \$ 34.313 | \$47.61 | (28%) | 2.4 | 4.8% |
| NUE | Nucor Corporation | \$ 49.000 | \$68.82 | (29%) | 1.6 | 8.1% |
| SLB | Schlumberger Limited | \$ 47.625 | \$55.18 | (14%) | 2.5 | (7.5%) |
| WEN | Wendy's International | \$ 23.813 | \$30.05 | (21%) | 1.7 | 5.5% |
| Average: | | | | | | 6.0% |

Value Drivers

Standard Market Statistics

| | Sales Growth | EBIT Margin % | Leverage at | | Yield | PE | PB | PS |
|------|-----------------|------------------|-------------|-------|-------|------|------|-----|
| | Last 12M | ROC | Market | | | | | |
| ALD | 4.5% | 11.4% | 11.8% | 20.6% | 1.5% | 18.7 | 5.6 | 1.7 |
| CTL | 74.9% | 29.7% | 9.1% | 30.1% | 0.4% | 27.0 | 4.8 | 3.9 |
| DAL | 3.2% | 12.0% | 14.2% | 62.2% | 0.2% | 7.2 | 1.9 | 0.5 |
| G | -1.7% | 23.1% | 20.2% | 5.5% | 0.9% | 49.8 | 10.4 | 5.3 |
| HD | 22.7% | 8.3% | 11.8% | 6.0% | 0.2% | 60.0 | 12.6 | 3.1 |
| INTC | 4.8% | 39.4% | 33.5% | 0.4% | 0.1% | 32.6 | 9.0 | 7.4 |
| LOW | 19.9% | 6.2% | 10.4% | 8.3% | 0.2% | 40.1 | 6.9 | 1.5 |
| NYT | 3.7% | 16.5% | 10.5% | 16.4% | 1.1% | 23.6 | 3.9 | 2.3 |
| NUE | 6.0% | 11.0% | 21.1% | 5.4% | 1.0% | 13.6 | 2.0 | 0.9 |
| SLB | 4.6% | 15.5% | 14.6% | 13.1% | 1.6% | 24.8 | 3.4 | 1.9 |
| WEN | -1.5% | 14.9% | 11.9% | 24.8% | 1.0% | 26.0 | 2.1 | 1.4 |

Notes on Intrinsic Value Portfolio

The portfolio outdid even large cap stocks last week, but with only Intel as our technology representative, an average 6% up is still breathtaking. Energy stocks sank again last week providing yet another opportunity for at least a trading profit. Schlumberger has traded from 20% below intrinsic value to fairly priced three times since August 1998. A fourth trip may be in store.

The other opportunity now unfolding is AlliedSignal. The company's failed bid for AMP should not dampen management's enthusiastic program for building shareholder wealth. The 1998 performance is masked somewhat by divestitures. Ex those, the company's sales grew at 14%, better than our assumed 8%. We tend to get excited when stocks are on sale 20% below fair value, so ALD excites us. The same is true for DAL, NYT, NUE and WEN.

This week on Page 3 we offer a look at the large capitalization Utilities, a sector which is now just shy of 20% under-priced.

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Utility - S&P 500 Index

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| Company Name | Ticker | Market Value - Equity | Last 12MM Sales Growth | ROE | NOPAT Margin | PE Ratio | Price/ Book Ratio | Price/ Cash Flow | Return on Capital | Dividend Yield |
|-----------------------------|------------|--------------------------|---------------------------------|-------------|-----------------|--------------|-------------------------|------------------------|-------------------------|-------------------|
| AES CORP | AES | \$ 6,063.8 | 96.1% | 12.7 | 25.6 | 31.0 | 5.6 | 17.8 | 6.1 | 0.00% |
| AMEREN CORP | AEE | \$ 5,385.7 | 9.8% | 12.8 | 24.5 | 14.4 | 1.9 | 6.2 | 11.0 | 6.47% |
| AMERICAN ELECTRIC POWER | AEP | \$ 8,383.0 | 78.2% | 13.3 | 22.1 | 16.7 | 1.9 | 8.0 | 8.9 | 5.48% |
| BALTIMORE GAS & ELECTRIC | BGE | \$ 4,052.1 | 1.5% | 8.9 | 22.0 | 15.0 | 1.6 | 6.7 | 9.0 | 6.17% |
| CAROLINA POWER & LIGHT | CPL | \$ 6,299.2 | 3.5% | 13.6 | 26.9 | 17.1 | 2.5 | 8.0 | 10.6 | 4.66% |
| CENTRAL & SOUTH WEST CORP | CSR | \$ 5,612.8 | 3.8% | 9.3 | 16.8 | 13.3 | 1.6 | 6.0 | 7.3 | 6.58% |
| CINERGY CORP | CIN | \$ 4,964.6 | 34.3% | 14.3 | 19.5 | 20.8 | 2.1 | 9.2 | 10.3 | 5.75% |
| COASTAL CORP | CGP | \$ 6,378.6 | -24.1% | 11.4 | 7.2 | 15.7 | 2.4 | 8.1 | 6.8 | 0.83% |
| COLUMBIA ENERGY GROUP | CG | \$ 4,318.5 | 42.7% | 15.3 | 10.5 | @NA | 2.7 | 9.8 | 10.7 | 1.55% |
| CONSOLIDATED EDISON INC | ED | \$ 11,414.5 | -1.1% | 11.7 | 20.2 | 17.4 | 2.1 | 9.8 | 11.0 | 4.29% |
| CONSOLIDATED NATURAL GAS CO | CNG | \$ 4,939.6 | 9.7% | 12.9 | 9.6 | 18.3 | 2.2 | 8.4 | 10.1 | 3.77% |
| DOMINION RESOURCES INC | D | \$ 8,742.5 | 13.6% | 7.9 | 18.6 | 17.0 | 1.7 | 6.7 | 8.8 | 5.77% |
| DTE ENERGY CO | DTE | \$ 5,884.7 | 12.1% | 11.7 | 26.6 | 14.1 | 1.8 | 5.7 | 9.4 | 5.08% |
| DUKE ENERGY CORP | DUK | \$ 22,357.8 | 8.0% | 12.0 | 11.9 | 18.7 | 3.1 | 10.7 | 11.6 | 3.56% |
| EASTERN ENTERPRISES | EFU | \$ 905.5 | -4.1% | 11.6 | 9.5 | 19.5 | 2.0 | 7.5 | 6.5 | 4.17% |
| EDISON INTERNATIONAL | EIX | \$ 9,809.9 | 10.5% | 12.7 | 23.0 | 15.0 | 1.9 | 4.3 | 9.3 | 3.74% |
| ENRON CORP | ENE | \$ 21,828.0 | 59.5% | 1.6 | 3.5 | 26.3 | 3.2 | 12.9 | 4.2 | 1.52% |
| ENERGY CORP | ETR | \$ 7,257.7 | 39.0% | 3.7 | 19.4 | 18.5 | 1.1 | 5.2 | 8.0 | 4.08% |
| FIRSTENERGY CORP | FE | \$ 7,364.1 | 79.2% | 7.4 | 26.2 | 16.7 | 1.8 | 7.0 | 5.8 | 4.83% |
| FPL GROUP INC | FPL | \$ 9,926.0 | 4.6% | 12.8 | 19.3 | 16.0 | 2.3 | 6.0 | 10.2 | 3.64% |
| GPU INC | GPU | \$ 5,454.5 | 1.4% | 10.8 | 20.3 | 14.6 | 1.7 | 6.2 | 7.6 | 4.83% |
| HOUSTON INDUSTRIES INC | HOU | \$ 8,602.2 | 67.3% | 8.6 | 16.4 | (64.1) | 1.9 | 12.8 | 8.3 | 4.96% |
| NEW CENTURY ENERGIES INC | NCE | \$ 4,916.2 | 9.0% | 11.1 | 19.8 | 15.9 | 2.3 | 9.0 | 12.0 | 5.27% |
| NIAGARA MOHAWK POWER | NMK | \$ 2,869.1 | -3.5% | 5.4 | 14.1 | (17.0) | 0.9 | 11.6 | 5.8 | 0.00% |
| NICOR INC | GAS | \$ 1,836.7 | -26.5% | 17.1 | 11.7 | 17.4 | 2.7 | 8.0 | 10.7 | 3.84% |
| NORTHERN STATES POWER/MN | NSP | \$ 4,101.1 | 3.1% | 9.5 | 19.2 | 15.1 | 1.7 | 6.8 | 8.2 | 5.31% |
| ONEOK INC | OKE | \$ 922.4 | 55.5% | 6.4 | 11.1 | 16.9 | 1.0 | 5.2 | 12.0 | 4.24% |
| PACIFICORP | PPW | \$ 6,113.0 | 49.9% | 4.7 | 12.8 | 81.0 | 1.4 | 10.8 | 5.7 | 5.25% |
| PECO ENERGY CO | PE | \$ 8,555.9 | 12.8% | 11.7 | 21.8 | 17.9 | 3.4 | 8.1 | 7.2 | 2.62% |
| PEOPLES ENERGY CORP | PGL | \$ 1,214.7 | -16.2% | 10.7 | 14.3 | 21.0 | 1.9 | 9.8 | 10.1 | 5.60% |
| PG&E CORP | PCG | \$ 12,216.8 | 29.5% | 8.0 | 11.7 | 16.8 | 1.5 | 4.1 | 6.8 | 3.76% |
| PP&L RESOURCES INC | PPL | \$ 4,194.4 | 23.0% | 10.5 | 26.0 | 12.2 | 1.6 | 6.0 | 8.7 | 3.75% |
| PUBLIC SERVICE ENTRP | PEG | \$ 9,083.9 | -4.4% | 10.7 | 22.9 | 14.3 | 1.8 | 7.0 | 8.8 | 5.46% |
| SEMPRA ENERGY | SRE | \$ 5,520.3 | 24.9% | 13.0 | 14.8 | 20.5 | 2.2 | 4.9 | 8.0 | 6.78% |
| SONAT INC | SNT | \$ 2,833.3 | -14.1% | 10.8 | 9.1 | (5.6) | 1.4 | (17.5) | 12.0 | 4.19% |
| SOUTHERN CO | SO | \$ 18,795.7 | 2.7% | 10.1 | 22.1 | 16.5 | 2.1 | 7.4 | 9.2 | 4.97% |
| TEXAS UTILITIES CO | TXU | \$ 12,430.0 | 86.6% | 9.7 | 24.0 | 19.9 | 1.7 | 8.1 | 8.9 | 5.23% |
| UNICOM CORP | UCM | @NA | 1.0% | (4.9) | 16.9 | 16.4 | 1.7 | 0.0 | 5.4 | 4.49% |
| WILLIAMS COS INC | WMB | \$ 14,114.1 | -21.3% | 9.9 | 18.2 | 89.1 | 2.9 | 17.5 | 7.4 | 1.82% |