

# Intrinsic Value Weekly

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The increase in the cost of equity capital has reduced the under-pricing of Mid- and Small-Cap stocks but opportunities still remain in sectors with plenty of oomph on the profit front. We don't expect much further rise in the cost of equity since the indicators of inflation expectations are quiescent. As Chairman Greenspan opined last week, just the cessation of the decline in commodity prices could bring a boomlet in expectations for measured inflation. That, of course, doesn't mean that inflation will rise. The mix of relative prices in the world economy would shift and cause some uncertainty to rise. We still believe that inflation will remain at today's low levels in the absence of a rise in marginal tax rates or a new sustained decline in the foreign exchange value of the dollar.

Health stocks are attractive across-the-board. Utilities are attractive also. The over-pricing of Communications stocks is a concern which can be alleviated only by price declines or substantial upside surprise on revenue growth or margins. We present the current numbers for the S&P Communications stocks on Page 3.

## ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	3.8%	(22.5%)	(19.9%)
CONSUMER CYCLICALS	(0.6%)	(7.6%)	(14.1%)
CONSUMER STAPLES	9.2%	(9.8%)	(3.9%)
HEALTH	(6.1%)	(20.6%)	(24.7%)
ENERGY	(9.6%)	(24.8%)	(46.5%)
FINANCIAL	1.1%	(14.1%)	(18.4%)
CAPITAL GOODS	5.6%	(10.7%)	(15.1%)
TECHNOLOGY	26.1%	(6.3%)	2.4%
COMMUNICATIONS	24.0%	20.1%	(35.9%)
UTILITY	(16.2%)	(17.0%)	(8.2%)
TRANSPORTATION	(8.5%)	0.4%	(18.1%)
<b>Weighted Total:</b>	<b>7.5%</b>	<b>(11.7%)</b>	<b>(13.1%)</b>

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 2/26/99	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.1%	(2.0%)	5.6%	0.3%	4.5%	(1.0%)
CONSUMER CYCLICALS	9.3%	0.1%	17.4%	0.5%	19.2%	(1.6%)
CONSUMER STAPLES	14.7%	(0.6%)	8.0%	0.3%	9.5%	0.7%
HEALTH	12.3%	1.7%	9.4%	0.2%	10.4%	0.4%
ENERGY	5.2%	(1.0%)	2.9%	(1.3%)	2.1%	1.1%
FINANCIAL	15.0%	0.9%	14.7%	(0.3%)	16.4%	1.1%
CAPITAL GOODS	8.0%	(1.2%)	9.0%	(1.0%)	12.1%	(0.8%)
TECHNOLOGY	19.9%	(4.3%)	17.4%	(4.6%)	17.4%	(1.3%)
COMMUNICATIONS	8.7%	(0.5%)	1.9%	(0.4%)	0.2%	(9.3%)
UTILITY	2.8%	(1.4%)	11.7%	(0.2%)	4.7%	1.2% *
TRANSPORTATION	1.0%	2.0%	2.0%	0.1%	3.5%	(1.1%)
<b>Weighted Total:</b>		<b>(0.87%)</b>		<b>(0.86%)</b>		<b>(0.37%)</b>

\* 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 2/26/99	Intrinsic Value	+/- %	Q Ratio	Weekly Price Change
ALD	AlliedSignal Inc.	\$ 41.375	\$50.08	(17%)	2.0	(2.4%)
CTL	Century Telephone Ent.	\$ 61.750	\$63.77	(3%)	2.1	(0.9%)
DAL	Delta Air Lines, Inc.	\$ 60.813	\$66.79	(9%)	1.0	10.4%
G	Gillette Company	\$ 53.938	\$52.66	2%	7.1	(2.5%)
HD	Home Depot	\$ 59.688	\$53.65	11%	7.3	(1.3%)
INTC	Intel Corporation	\$119.938	\$118.34	1%	10.2	(6.3%)
LOW	Lowe's Companies	\$ 59.313	\$52.28	13%	4.8	3.9%
NYT	New York Times Co.	\$ 31.000	\$48.21	(36%)	2.4	(0.6%)
NUE	Nucor Corporation	\$ 44.563	\$57.99	(23%)	1.8	3.0%
SLB	Schlumberger Limited	\$ 48.563	\$51.09	(5%)	2.6	(1.3%)
WEN	Wendy's International	\$ 23.938	\$29.86	(20%)	1.8	(0.3%)
<b>Average:</b>						<b>0.2%</b>

### Value Drivers

### Standard Market Statistics

	Sales		Leverage at		Yield	PE	PB	PS
	Growth Last 12M	EBIT Margin %	ROC	Market				
ALD	4.5%	11.4%	11.8%	19.7%	1.5%	16.5	5.0	1.5
CTL	74.9%	29.7%	9.1%	32.1%	0.4%	27.2	4.8	3.9
DAL	3.2%	12.0%	14.2%	60.1%	0.2%	7.6	2.0	0.6
G	-1.7%	23.1%	20.2%	5.9%	0.9%	60.9	12.7	6.5
HD	25.1%	8.3%	11.8%	6.0%	0.2%	55.0	12.5	2.9
INTC	4.8%	39.4%	33.5%	0.5%	0.1%	38.7	10.8	8.8
LOW	20.8%	6.2%	10.4%	8.2%	0.2%	42.6	7.9	1.7
NYT	2.5%	16.5%	10.5%	17.8%	1.2%	22.6	3.8	2.3
NUE	-0.8%	11.0%	21.1%	5.9%	1.1%	16.3	2.3	1.0
SLB	2.4%	15.5%	14.6%	12.9%	1.5%	25.5	3.5	2.0
WEN	-4.4%	14.9%	11.9%	24.7%	1.0%	24.8	2.3	1.6

#### Notes on Intrinsic Value Portfolio

Rare is the week that the Intrinsic Value portfolio rises when the market falls (or vice versa), but this week **DAL**, **LOW** and **NUE** all rose sharply. Both **DAL** and **NUE** remain under-priced. We've updated the **LOW** valuation for the reported fiscal year numbers and find it still somewhat over-priced on conservative assumptions. Please call for an updated report.

The portfolio members which are selling at or above their intrinsic value didn't fare as well. With the increase in the cost of capital over the past two weeks, we have updated intrinsic values. A careful reading of the above tables is warranted.

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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
AIRTOUCH COMMUNICATIONS	ATI	\$ 52,188	44.2%	8.8	17.6	88.6	10.9	33.0	7.5	0.00%
ALLTEL CORP	AT	\$ 16,474	14.3%	16.1	23.9	33.8	5.4	0.0	18.2	2.04%
AMERITECH CORP	AIT	\$ 71,844	7.2%	27.6	17.4	19.9	8.6	11.3	11.0	1.94%
AT&T CORP	T	\$ 144,020	3.3%	19.7	9.0	31.0	6.5	16.3	7.3	1.61%
BELL ATLANTIC CORP	BEL	\$ 90,820	3.9%	19.2	17.9	31.4	7.3	10.7	14.0	2.67%
BELLSOUTH CORP	BLS	\$ 90,675	12.1%	21.9	26.6	24.9	@NA	11.0	16.3	1.63%
FRONTIER CORP	FRO	\$ 6,178	9.6%	5.6	9.9	34.7	6.2	15.4	10.4	2.47%
GTE CORP	GTE	\$ 62,553	9.5%	34.8	24.3	26.1	8.0	10.3	13.6	2.90%
MCI WORLDCOM INC	WCOM	\$ 150,966	139.4%	2.6	13.8	(39.5)	5.4	(429.2)	4.9	0.00%
NEXTEL COMMUNICATIONS	NXTL	\$ 8,594	149.9%	(98.5)	(140.4)	(5.3)	5.3	(13.3)	(13.5)	0.00%
SBC COMMUNICATIONS INC	SBC	\$ 103,424	10.5%	14.9	21.8	26.0	10.0	12.0	16.5	1.77%
SPRINT FON GROUP	FON	\$ 36,960	8.1%	10.5	8.9	23.2	4.0	12.1	7.6	1.17%
SPRINT PCS GROUP	PCS	@NA	@NA	(29.1)	(195.1)	(12.1)	@NA	0.0	0.0	0.00%
U S WEST INC	USW	\$ 26,811	7.8%	28.1	21.4	20.2	7.1	8.4	11.2	4.01%