

Intrinsic Value Weekly

Volume 3, No. 11

Published Weekly by Intrinsic Value Associates, LLC

March 13, 2000

"The Seventies in Miniature?"

The stories of skyrocketing gasoline prices, an Attorney General's cover-up, and strange market gyrations have strong echoes of the nineteen-seventies for us old portfolio managers. The run-up of a select group of stocks to astronomical prices happened then too: the "Nifty-Fifty", companies that were considered immune from the toxic forces ruining the market prices of the rest of the market. The ultimate outcome is history and not in dispute. The valuations of those darlings was whacked by up to 90% over a period of about 9 months. Pundits described the effect as "PE ratio compression". Which just means that all valuations fell and those that fell the hardest had been the highest at the beginning of that bear market. That's why old fogies now argue that this current valuation disparity now on full display is likely to end badly. The under-pricing of the Intrinsic Value Portfolio now averages 36%. Nothing about that number tells us whether it might get larger in the short run. But owning stocks that have a large under-pricing right now seems the more prudent choice. Further, add the strong likelihood that the rising relative price of oil is not a sign of inflationary monetary policy, and we see the outcome of this episode as a broad reversal of the trends now in force: Under-priced groups and stocks in a strong uptrend, the current fads unwinding rapidly and the market indices becoming more balanced, but with volatility confined to sharp sell-offs limited to disappointments and over-priced technology and bio-tech stocks.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 3/10/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 36.938	\$48.58	(24.0%)	6.6	(1.7%)
HON	Honeywell Int'l Inc.	4/29/1999	\$ 45.375	\$64.60	(29.8%)	2.0	(0.3%)
BGP	Borders Group, Inc.	3/6/2000	\$ 14.250	\$33.81	(57.9%)	1.1	(4.6%)
BGG	Briggs & Stratton	3/6/2000	\$ 31.313	\$106.86	(70.7%)	1.3	(7.2%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 33.313	\$50.51	(34.0%)	1.6	(5.3%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 47.813	\$66.30	(27.9%)	0.9	1.9%
G	Gillette Company	3/2/2000	\$ 30.125	\$50.55	(40.4%)	3.9	(12.7%)
LOW	Lowe's Companies	3/6/2000	\$ 45.000	\$63.82	(29.5%)	3.0	(4.3%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 20.625	\$46.28	(55.4%)	2.3	(0.3%)
NYT	New York Times Co.	2/10/2000	\$ 41.688	\$49.37	(15.6%)	2.9	(1.8%)
NUE	Nucor Corporation	3/6/2000	\$ 48.063	\$59.99	(19.9%)	1.7	(4.8%)
PFE	Pfizer, Inc.	6/23/1999	\$ 35.000	\$44.97	(22.2%)	9.4	7.3%
WEN	Wendy's International	3/6/2000	\$ 16.063	\$24.49	(34.4%)	1.3	2.0%

Average: (36.5%) Average: (2.4%)
S&P 500 (1.0%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales		EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap (\$billions)
		Growth Last 12M	Return On Capital								
AC	1.4	41.2%	27.7%	38.6%	67.7%	6.7%	17.3	14.8	3.4	6.4	
HON	1.2	0.7%	13.8%	14.0%	(1.0%)	1.7%	17.7	4.4	1.6	38.3	
BGP	0.9	15.6%	6.4%	8.8%	15.6%	0.0%	10.9	1.3	0.4	1.0	
BGG	2.2	14.4%	12.0%	26.4%	17.3%	3.8%	5.4	2.1	0.4	0.8	
CTL	0.3	6.3%	30.4%	10.9%	2.8%	0.5%	19.5	3.0	2.7	4.7	
DAL	0.7	4.5%	12.7%	10.4%	7.7%	0.2%	4.9	1.4	0.4	6.1	
G	0.9	(1.6%)	23.1%	17.1%	(4.4%)	2.0%	30.4	8.2	3.4	37.8	
LOW	2.5	21.6%	7.4%	18.2%	30.0%	0.3%	27.2	5.4	1.1	18.3	
MLHR	2.0	(1.3%)	12.7%	18.4%	(0.2%)	0.7%	12.1	7.8	0.9	1.6	
NYT	1.0	6.6%	17.5%	11.8%	12.8%	1.0%	23.9	5.0	2.4	7.3	
NUE	1.6	(3.4%)	9.9%	12.6%	25.0%	1.1%	17.7	2.1	1.0	4.3	
PFE	1.0	19.6%	27.0%	20.2%	16.6%	1.0%	37.8	14.2	8.4	124.4	
WEN	0.8	6.4%	12.6%	9.2%	11.8%	1.5%	11.5	1.8	1.0	1.9	

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	2.7%	(35.5%)	(16.7%)
CONSUMER CYCLICALS	(24.4%)	(33.0%)	(22.3%)
CONSUMER STAPLES	(22.0%)	(19.5%)	(13.5%)
HEALTH	(37.3%)	2.4%	38.2%
ENERGY	(0.0%)	73.5%	30.1%
FINANCIAL	(27.1%)	(46.3%)	(35.1%)
CAPITAL GOODS	7.3%	18.4%	2.3%
TECHNOLOGY	48.0%	71.6%	127.9%
COMMUNICATIONS	3.5%	63.3% *	206.3% *
UTILITY	(22.1%)	(21.6%)	(23.0%)
TRANSPORTATION	(38.1%)	(37.8%)	(25.9%)
Weighted Total:	6.8%	19.8%	42.7%

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 3/10/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.3%	(3.7%)	3.8%	(2.0%)	3.3%	(1.9%)
CONSUMER CYCLICALS	7.7%	(3.9%)	10.9%	(3.2%)	13.9%	(0.7%)
CONSUMER STAPLES	9.5%	(8.4%)	7.3%	(2.9%)	6.6%	(1.4%)
HEALTH	9.1%	1.5%	10.0%	(5.5%)	13.4%	(5.2%)
ENERGY	5.6%	3.4%	5.2%	(2.7%)	3.1%	5.3%
FINANCIAL	11.2%	(4.2%)	7.9%	(3.5%)	8.6%	(1.5%)
CAPITAL GOODS	7.7%	(4.5%)	8.0%	1.7%	11.9%	0.1%
TECHNOLOGY	35.4%	2.0%	35.6%	3.4%	33.3%	1.3%
COMMUNICATIONS	8.7%	0.1%	1.6%	(2.5%) *	1.2%	7.5% *
UTILITY	2.3%	(3.5%)	8.9%	5.0%	2.6%	(0.6%)
TRANSPORTATION	0.6%	(2.6%)	0.9%	(1.1%)	2.2%	(2.9%)
Index Total:		(1.0%)		1.0%		(0.9%)

* Sector contains only 3 companies

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

Sector Comments Large Health stocks began the long road of recovery last week. The average large Health stock is 37% under-priced now and ripe for bargain hunters. So are Mid and Small Cap Utilities and Basic Industry stocks. Transportation stocks are cheap across the board. And the Consumer Stocks are now uniformly hated. In fact, ex the Tech, Capital Goods, Communications and Small and Mid Cap Energy stocks, we've been in quite a bear market this year. It occurs to us that the preoccupation of day-traders with momentum and technical market strategies may account for some of the extra width of disparities in valuation between the cheapest and most expensive groups. Perhaps that's what pundits are trying to explain by the inane "new economy/old economy" distinction. The ultimate tuition for new market entrants and short-term traders may get paid in quick, sharp losses when these silly trends get broken and reversed. The accelerating exodus of money from "value" managers is also a sign that these trends are close to exhaustion and ready to change. Just remember: it is compositionally impossible for all investors to be "over-weighted" in Technology stocks.

On Page 3 this week, we look at the fundamental data for MidCap Basic Industry stocks. The earnings trend for this group is quite good and the valuation is cheap. Focus on the leaders, those that have already begun to report increases in quarterly revenue trends.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
\$	11,759,442	89.4%	\$975,508	7.4%	\$ 419,710
					3.2%

Intrinsic Value Weekly

Here's the Place to Find Economic Recovery Stocks

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	Return on Capital	Dividend Yield
AIRGAS INC	ARG	\$472	-2.9%	6.8	2.94	6.7	10.5	1.0	3.4	5.71	0.0%
AK STEEL HOLDING CORP	AKS	\$1,044	7.3%	9.4	0.00	0.0	13.4	0.5	3.6	-	5.3%
ALBEMARLE CORP	ALB	\$750	9.4%	16.0	17.94	10.8	8.0	1.6	4.7	9.01	2.5%
BOWATER INC	BOW	\$2,277	-17.9%	44.1	(11.78)	5.5	34.4	1.5	6.0	2.59	1.8%
CABOT CORP	CBT	\$1,813	20.5%	27.1	23.24	9.2	14.2	2.2	8.4	8.72	1.6%
CARPENTER TECHNOLOGY	CRS	\$494	0.8%	22.5	16.88	6.6	14.3	0.8	4.8	4.09	5.9%
CHESAPEAKE CORP	CSK	\$403	3.9%	22.2	14.19	6.2	1.8	1.1	4.9	5.80	4.0%
CK WITCO CORP	CNW	\$1,174	95.7%	9.9	28.81	10.6	(5.6)	11.0	2.8	15.85	1.0%
CLEVELAND-CLIFFS INC	CLF	\$259	12.5%	23.4	125.46	20.9	58.0	0.6	4.0	16.15	6.4%
CONSOLIDATED PAPERS INC	CDP	\$3,066	0.2%	33.8	8.62	10.4	51.5	2.5	12.0	5.28	2.6%
CYTEC INDUSTRIES INC	CYT	\$1,113	0.5%	26.8	49.35	13.5	8.6	2.4	5.5	11.22	0.0%
DEXTER CORP	DEX	\$988	-12.6%	42.9	19.61	7.0	9.8	2.8	14.2	7.46	2.4%
ETHYL CORP	EY	\$256	-1.0%	3.1	3.48	6.5	4.8	1.4	2.1	6.84	8.2%
FERRO CORP	FOE	\$655	2.7%	18.6	50.12	10.1	9.6	2.9	5.9	20.49	3.1%
FULLER (H. B.) CO	FULL	\$723	-1.1%	51.5	82.11	7.7	19.2	2.3	8.3	11.26	1.6%
GEORGIA GULF CORP	GGC	\$634	52.5%	20.3	23.76	12.0	16.4	24.3	6.8	11.12	1.6%
GEORGIA-PACIFIC TIMBER CO	TGP	\$1,861	-15.0%	22.6	52.95	68.2	4.6	(22.6)	8.9	31.02	4.4%
GLATFELTER (P H) CO	GLT	\$486	10.3%	11.5	16.70	11.2	12.5	1.5	5.8	9.02	6.1%
HANNA (M A) CO	MAH	\$507	5.8%	10.4	17.79	4.2	14.5	1.1	5.7	7.52	4.8%
IMC GLOBAL INC	IGL	\$1,481	-26.4%	12.9	19.33	16.0	(2.5)	0.8	4.8	6.29	2.5%
LONGVIEW FIBRE CO	LFB	\$694	25.8%	13.4	5.16	7.8	26.2	1.7	6.7	5.14	3.6%
LUBRIZOL CORP	LZ	\$1,345	6.3%	24.6	15.91	6.7	11.0	1.8	8.5	6.73	4.2%
LYONDELL CHEMICAL CO	LYO	\$1,286	14.4%	10.9	(27.34)	21.9	(11.1)	1.1	5.0	6.03	8.2%
MARTIN MARIETTA MATERIALS	MLM	\$1,857	19.3%	39.8	24.39	12.7	13.1	2.5	8.6	9.74	1.3%
MAXXAM INC	MXM	\$189	2.1%	27.0	(313.13)	4.2	2.8	(3.6)	2.3	2.55	0.0%
MINERALS TECHNOLOGIES INC	MTX	\$821	9.7%	38.8	57.71	15.2	14.0	1.8	7.7	13.91	0.3%
OLIN CORP	OLN	\$735	1.7%	16.3	7.09	4.0	43.1	0.9	7.6	4.48	4.9%
OREGON STEEL MILLS INC	OS	\$102	1.2%	3.9	19.57	7.3	5.4	0.3	1.9	7.40	2.0%
RAYONIER INC	RYN	\$1,020	9.5%	37.0	24.69	10.0	16.0	1.7	6.2	5.88	3.9%
RPM INC-OHIO	RPM	\$1,121	20.4%	10.4	8.56	6.9	15.8	1.5	7.2	7.42	4.7%
SCHULMAN (A.) INC	SHLM	\$401	5.8%	13.0	18.67	4.9	8.9	1.2	5.9	9.36	4.2%
SOLUTIA INC	SOI	\$1,301	10.3%	11.9	28.71	12.6	7.4	(222.8)	3.6	13.99	1.3%
SONOCO PRODUCTS CO	SON	\$1,867	17.9%	18.3	18.50	7.4	10.1	2.3	5.5	9.03	4.2%
SOUTHDOWN INC	SDW	\$1,849	10.1%	51.5	0.00	0.0	8.7	2.4	6.4	-	1.2%
UCAR INTERNATIONAL INC	UCR	\$693	-6.3%	15.4	37.15	20.2	16.2	(2.4)	8.0	20.04	0.0%
UNIVERSAL CORP/VA	UVV	\$435	-20.4%	14.4	113.05	6.5	4.6	1.0	2.6	16.57	8.6%
WAUSAU-MOSINEE PAPER CO	WMO	\$685	6.7%	13.3	18.07	9.2	16.1	1.8	7.9	12.60	2.4%

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 March 13, 2000. 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

Red - Warning

Bold Blue - Favorable Drivers

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