

Intrinsic Value Weekly

Volume 3, No. 21

Published Weekly by Intrinsic Value Associates, LLC

May 22, 2000

"Valuation Counts Most When Prices Decline"

Periods of rising fear, rising interest rates, rising inflation are periods of falling stock prices. That is when owning stocks that are priced well below intrinsic value counts the most. Investors have low expectations about them. New investors in them are not momentum-driven speculators so most of their investors are intimately familiar with these companies' problems and opportunities. Money flow measures show many of these stocks with positive readings. Those which don't: **CTL, G, HON, LOW, NUE** and **NYT**; are suffering from recent disappointments. Yet, much of their price reduction has already occurred and their implicit risk premiums are now at well-above-average levels. This is the essence of true value investing, taking advantage of the over-reactions of panicked sellers to acquire stocks at discounts to intrinsic value. Buying low PE or low Price/Book Value stocks doesn't address the issue of valuation. Buying stocks in fast growing high PE stocks without addressing valuation can ruin the performance of a growth investor too. So, whichever approach you use to selecting stocks, if you ignore their intrinsic values, your investment performance will suffer in periods when prices are dropping fast and fear is rampant.

We expect to learn today whether **Gillette's** near-term will be more of the same or evidence of revenue and cash flow improvement. Recent management changes should help and the attention paid now to improved management of working capital will improve the return on capital. Our valuation of **G** is premised upon some improvement in sales growth and is conservative on profit margins. Good news would be welcome, but the discount to intrinsic value provides a good cushion if the turnaround is delayed.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 5/19/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 44.563	\$48.58	(8.3%)	6.3	0.8%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 54.250	\$64.60	(16.0%)	2.3	2.0%
BGP	Borders Group, Inc.	3/6/2000	\$ 15.625	\$33.81	(53.8%)	1.1	(4.2%)
BGG	Briggs & Stratton	3/6/2000	\$ 39.563	\$106.86	(63.0%)	1.4	(1.6%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 27.938	\$50.51	(44.7%)	1.3	2.8%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 53.250	\$66.30	(19.7%)	0.9	(4.5%)
G	Gillette Company	3/2/2000	\$ 38.938	\$50.55	(23.0%)	4.0	4.4%
LOW	Lowe's Companies	3/6/2000	\$ 48.125	\$63.82	(24.6%)	2.7	0.3%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 27.625	\$46.28	(40.3%)	2.8	(3.7%)
NYT	New York Times Co.	2/10/2000	\$ 37.188	\$49.37	(24.7%)	2.8	(7.9%)
NUE	Nucor Corporation	3/6/2000	\$ 41.688	\$59.99	(30.5%)	1.3	(1.0%)
WEN	Wendy's International	3/6/2000	\$ 21.250	\$24.49	(13.2%)	1.6	(2.9%)

Average: (30.1%) Average: (1.3%)

S&P 500 (1.0%)

Bold - Outperformed the S&P 500 for the 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 Capital						
AC	1.6	39.9%	29.5%	41.1%	30.7%	5.6%	15.0	13.9	3.8	7.6	
HON	1.2	0.7%	13.8%	14.0%	(1.0%)	1.4%	17.7	5.2	1.6	44.7	
BGP	1.0	15.6%	5.7%	10.9%	15.6%	0.0%	13.7	1.5	0.4	1.2	
BGG	2.2	13.3%	12.0%	26.4%	(1.6%)	3.0%	6.1	2.4	0.6	0.9	
CTL	0.4	3.4%	30.3%	11.1%	(0.3%)	0.7%	15.1	1.9	2.3	3.4	
DAL	0.7	6.8%	12.7%	10.4%	13.0%	0.2%	5.5	1.6	0.5	7.0	
G	0.9	0.3%	21.3%	14.5%	5.5%	1.7%	31.9	11.8	4.1	38.6	
LOW	2.2	19.0%	7.4%	11.1%	18.4%	0.3%	28.1	4.0	1.1	18.9	
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.5%	15.8	10.4	1.2	2.2	
NYT	1.1	9.5%	18.7%	13.1%	14.1%	1.1%	21.6	4.9	2.0	7.1	
NUE	1.4	10.5%	9.3%	14.4%	34.2%	1.4%	12.6	1.7	0.8	3.7	
WEN	0.9	7.4%	13.8%	10.2%	9.1%	1.1%	15.8	2.5	1.2	2.6	

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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	10.1%	(26.1%)	(15.9%)
CONSUMER CYCLICALS	(16.6%)	(22.0%)	(16.5%)
CONSUMER STAPLES	(11.4%)	(9.1%)	(10.1%)
HEALTH	(25.5%)	1.7%	(2.5%)
ENERGY	14.6%	105.2%	62.0%
FINANCIAL	(14.9%)	(38.9%)	(29.5%)
CAPITAL GOODS	(16.0%)	11.3%	9.2%
TECHNOLOGY	8.0%	0.1%	36.2%
COMMUNICATIONS	(13.7%)	43.4%	(41.3%) *
UTILITY	(6.7%)	(16.6%)	(25.0%)
TRANSPORTATION	(34.3%)	(28.5%)	(16.5%)
Weighted Total:	(6.7%)	(1.2%)	3.6%

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 5/19/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.4%	(0.2%)	4.9%	(1.0%)	3.8%	(0.0%)
CONSUMER CYCLICALS	8.3%	(1.0%)	14.1%	(2.9%)	17.5%	(1.7%)
CONSUMER STAPLES	10.2%	(1.2%)	8.9%	(2.8%)	7.5%	(1.6%)
HEALTH	10.6%	3.3%	11.5%	(2.8%)	11.0%	(1.9%)
ENERGY	5.9%	0.3%	7.6%	0.4%	5.0%	2.2%
FINANCIAL	14.5%	0.8%	10.4%	(0.3%)	11.2%	(0.5%)
CAPITAL GOODS	8.6%	(1.0%)	9.4%	(1.6%)	14.9%	(1.2%)
TECHNOLOGY	29.3%	(2.9%)	19.3%	(14.3%)	22.9%	(5.6%)
COMMUNICATIONS	7.0%	(4.6%)	1.9%	(14.5%)	0.2%	(2.3%) *
UTILITY	2.7%	0.6%	10.7%	(1.7%)	3.0%	(2.6%)
TRANSPORTATION	0.6%	(2.0%)	1.2%	(7.1%)	2.9%	(6.4%)
Index Total:		(1.0%)		(1.7%)		(1.8%)

* Sector contains only 2 companies

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

Sector Comments Technology stocks continue their descent as investors tack on risk premiums willy-nilly.

The spectacular rise of the large cap Tech's last year to more than 30% of the S&P 500 Index is only sustainable if their intrinsic value had risen by comparable rates. Our measures don't support that even though Tech's did rise faster than any other sector. Usually, investors will overdo on both the upside and the downside. So, we expect to see discounts to intrinsic value developing before this current trend is finally exhausted. Stay tuned.

Now that Financial stocks have begun to perform better, we'd expect that their substantial under-pricing will help. With most Financial stocks, the value of their assets minus liabilities is vulnerable to rising interest rates. But the yield curve has flattened, with short rates up and long and medium term rates flat to down. As this Fed cycle runs its course, investors are becoming more confident that inflation fighting is the principal concern of the Fed. Whatever one might think about the current Fed policy, the concentration on maintaining stable purchasing power is ultimately good for financial assets and thus good for Financial stocks. And as the number of future rate rises becomes fewer after each hike, the prospect of future decreases gets nearer. Timing is not in our toolbox, but the argument that undervaluation combined with increasingly likely rate drops is a powerful motive for being prepared to increase investment in the most successful and best managed Financial companies. See Page 3 for details on value drivers.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
\$	12,087,620	90.8%	\$863,866	6.5%	\$ 362,315
					2.7%

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Financials Are Ripening

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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
AFLAC INC	AFL	\$12,878	17.1%	48.6	(77.93)	9.2	24.4	3.4	21.4	2.46	0.6%
ALLSTATE CORP	ALL	\$20,089	7.0%	26.8	(45.41)	12.1	8.3	1.1	7.3	3.36	2.5%
AMERICAN EXPRESS	AXP	\$201,353	14.7%	50.3	(39.48)	15.3	26.1	6.6	@CF	3.01	0.6%
AMERICAN GENERAL CORP	AGC	\$14,829	4.5%	59.6	(237.31)	25.6	12.4	2.2	@CF	2.51	3.0%
AMERICAN INTERNATIONAL Gf AIG		\$179,378	10.5%	116.4	(65.27)	18.4	32.6	5.1	29.4	3.02	0.2%
AMSOUTH BANCORPORATION	ASO	\$6,497	@AF	16.6	(59.63)	22.3	16.5	1.9	13.5	7.62	4.8%
AON CORP	AOC	\$8,443	6.5%	33.0	(3.59)	14.9	16.6	2.3	12.4	8.64	2.7%
ASSOC FST CAPITAL CP -CL A	AFS	\$19,392	3.8%	26.6	82.16	51.8	11.1	1.6	9.7	8.36	1.0%
BANK OF AMERICA CORP	BAC	\$82,473	4.6%	49.8	(161.58)	24.5	10.2	1.9	8.5	4.63	4.0%
BANK OF NEW YORK CO INC	BK	\$32,496	19.4%	44.0	(51.74)	32.0	17.4	5.9	16.7	10.26	1.5%
BANK ONE CORP	ONE	\$35,280	1.9%	30.6	(113.20)	20.2	11.8	1.8	8.4	4.99	5.5%
BB&T CORP	BBT	\$9,278	32.7%	26.6	(55.98)	24.8	13.9	2.8	11.5	6.98	3.0%
BEAR STEARNS COMPANIES IN	BSC	\$4,559	56.0%	40.5	(119.71)	39.1	8.9	1.3	6.3	2.92	1.4%
CAPITAL ONE FINL CORP	COF	\$8,667	33.4%	44.0	3.34	16.3	22.3	5.7	16.2	7.35	0.2%
CHASE MANHATTAN CORP	CMB	\$59,752	17.6%	72.5	(236.70)	24.9	10.7	2.6	8.8	5.26	2.6%
CHUBB CORP	CB	\$11,892	8.5%	68.0	(42.45)	10.6	18.4	1.8	17.3	5.75	1.9%
CIGNA CORP	CI	\$14,107	8.4%	86.6	(456.12)	4.5	19.6	2.2	15.9	0.86	1.4%
CINCINNATI FINANCIAL CORP	CINF	\$6,220	6.4%	38.7	(2.27)	16.7	24.3	1.2	23.2	3.16	2.0%
CITIGROUP INC	C	\$205,400	15.5%	60.9	38.62	49.5	18.2	4.2	17.5	9.05	1.1%
COMERICA INC	CMA	\$6,901	20.9%	44.1	(106.81)	30.5	9.8	2.1	9.0	7.47	3.6%
CONSECO INC	CNC	\$1,565	11.0%	4.8	(60.37)	20.5	4.9	0.4	1.1	3.57	4.2%
COUNTRYWIDE CREDIT IND IN	CCR	\$3,659	-18.0%	32.3	92.98	32.4	7.6	1.2	3.7	10.07	1.2%
FANNIE MAE	FNM	\$61,929	14.8%	60.8	219.76	97.5	15.5	3.8	15.8	6.87	1.8%
FED HOME LOAN MTG CO	FRE	\$32,018	23.2%	46.1	212.42	93.6	14.9	3.8	14.4	6.67	1.5%
FIFTH THIRD BANCORP	FITB	\$20,975	42.1%	65.7	(38.96)	30.7	26.1	4.8	26.3	8.65	1.5%
FIRST UNION CORP (N C)	FTU	\$32,047	11.5%	32.6	(106.67)	23.7	9.2	1.9	7.3	5.06	5.9%
FIRSTAR CORP	FSR	\$23,038	90.4%	23.8	(29.85)	29.3	26.5	3.8	19.8	12.34	2.7%
FLEETBOSTON FINANCIAL COF	FBF	\$32,048	@AF	35.0	(101.30)	21.2	14.3	2.2	11.2	7.65	3.4%
FRANKLIN RESOURCES INC	BEN	\$7,276	10.6%	29.9	36.43	28.0	15.0	3.0	14.1	20.78	0.8%
GOLDEN WEST FINANCIAL COI	GDW	\$5,928	13.1%	37.4	(162.71)	25.5	11.5	1.7	11.9	5.57	0.6%
HARTFORD FINL SVCS GRP IN	HIG	\$12,246	6.1%	56.4	(646.88)	10.1	13.4	2.1	13.3	0.97	1.7%
HOUSEHOLD INTERNATIONAL	HI	\$19,594	22.3%	41.4	41.26	39.6	12.9	3.0	10.9	6.87	1.6%
HUNTINGTON BANCSHARES	HBAN	\$3,843	5.9%	17.3	(67.40)	24.2	9.7	1.9	7.4	6.77	4.6%
JEFFERSON-PILOT CORP	JP	\$6,534	22.4%	63.4	(101.10)	31.3	14.4	2.5	11.6	3.25	2.1%
KEYCORP	KEY	\$8,232	6.6%	18.8	(90.78)	20.4	7.0	1.3	5.6	4.03	6.0%
LEHMAN BROTHERS HOLDING	LEH	\$9,818	-52.0%	81.9	1,135.70	54.8	7.6	1.8	8.0	6.61	0.5%
LINCOLN NATIONAL CORP	LNC	\$6,519	-0.3%	34.0	(458.08)	9.2	14.1	1.6	9.7	0.64	3.4%
LOEWS CORP	LTR	\$5,968	-16.2%	60.3	(273.62)	10.0	11.8	0.6	6.9	2.97	1.7%
MARSH & MCLENNAN COS	MMC	\$28,085	13.4%	104.4	47.57	15.6	33.4	6.3	24.8	9.62	1.7%
MBIA INC	MBI	\$5,115	7.1%	51.8	21.23	72.5	11.1	1.4	15.2	5.82	1.6%
MBNA CORP	KRB	\$21,047	23.0%	26.3	(0.10)	25.6	20.1	5.1	14.5	14.68	1.2%
MELLON FINANCIAL CORP	MEL	\$16,947	-5.6%	34.5	(33.37)	27.0	17.0	4.0	12.8	10.48	2.6%
MERRILL LYNCH & CO	MER	\$38,502	28.7%	103.6	83.10	34.8	12.7	3.1	10.8	4.87	1.0%
MGIC INVESTMENT CORP/WI	MTG	\$4,915	6.1%	46.5	63.03	52.4	10.3	2.8	10.2	16.67	0.2%
MORGAN (J P) & CO	JPM	\$21,014	11.4%	129.3	(792.18)	17.2	11.1	2.0	@CF	1.48	3.1%
MORGAN STANLEY DEAN WITI	MWD	\$76,703	-11.2%	69.4	57.93	40.2	17.7	5.2	14.4	5.37	1.2%

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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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Financials Are Ripening

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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
NATIONAL CITY CORP	NCC	\$11,139	6.1%	18.4	(55.77)	25.7	7.6	1.8	6.4	6.30	6.2%
NORTHERN TRUST CORP	NTRS	\$14,686	21.6%	66.1	(70.34)	22.0	33.9	6.9	27.9	7.25	0.8%
OLD KENT FINANCIAL CORP	OK	\$3,754	14.4%	30.9	(79.91)	24.3	14.6	2.9	11.7	10.48	2.9%
PAINE WEBBER GROUP	PWJ	\$6,182	25.1%	43.3	72.44	29.9	11.1	2.2	8.7	5.25	1.1%
PNC FINANCIAL SVCS GROUP	PNC	\$12,822	17.0%	44.1	(107.47)	25.2	10.5	2.3	8.1	6.24	4.1%
PRICE (T. ROWE) ASSOCIATES	TROW	\$4,519	28.7%	37.4	48.80	38.1	17.7	5.9	16.5	50.96	1.4%
PROGRESSIVE CORP-OHIO	PGR	\$6,049	19.8%	82.8	11.15	7.9	16.2	1.7	16.5	5.74	0.3%
PROVIDIAN FINANCIAL CORP	PVN	\$12,750	76.3%	89.5	8.98	22.7	20.4	9.4	21.7	28.84	0.2%
REGIONS FINL CORP	RGBK	\$4,656	8.7%	21.1	(90.24)	23.1	8.3	1.5	8.0	7.40	5.1%
SAFECO CORP	SAFC	\$2,911	7.8%	22.8	(148.42)	5.9	17.8	0.7	7.3	1.26	6.5%
SCHWAB (CHARLES) CORP	SCH	\$35,142	63.3%	41.9	(15.41)	20.6	49.4	16.1	46.2	26.45	0.1%
SLM HLDG CORP	SLM	\$4,718	37.9%	30.1	242.50	87.6	9.3	7.3	9.5	7.01	2.1%
SOUTHTRUST CORP	SOTR	\$4,286	18.8%	25.5	(135.63)	19.7	8.8	1.4	7.7	4.57	3.9%
ST PAUL COS	SPC	\$7,712	14.1%	36.4	(75.34)	15.0	8.6	1.2	9.0	2.84	3.0%
STATE STREET CORP	STT	\$18,151	28.2%	113.1	(164.30)	15.6	24.0	5.8	@CF	3.21	0.6%
SUMMIT BANCORP	SUB	\$4,614	13.3%	26.1	(117.74)	24.9	9.8	1.6	8.7	6.32	5.1%
SUNTRUST BANKS INC	STI	\$16,193	8.5%	53.6	(138.55)	22.8	13.7	2.1	11.7	5.03	2.8%
SYNOVUS FINANCIAL CP	SNV	\$5,293	25.0%	18.8	(16.88)	21.2	22.1	4.3	17.8	13.55	2.3%
TORCHMARK CORP	TMK	\$3,204	9.1%	25.0	(37.96)	13.8	12.5	1.7	11.8	2.63	1.4%
U S BANCORP/DE	USB	\$18,351	18.7%	24.5	(45.44)	28.7	9.7	2.0	10.2	8.64	3.5%
UNION PLANTERS CORP	UPC	\$3,938	7.0%	29.1	(113.10)	21.8	9.6	1.4	7.2	7.34	6.9%
UNUMPROVIDENT CORP	UNM	\$4,855	5.5%	20.2	(115.02)	3.3	(28.8)	0.8	(1,213.0)	1.15	2.9%
WACHOVIA CORP	WB	\$12,793	17.2%	63.2	(136.22)	24.8	12.6	2.2	10.1	6.41	3.4%
WASHINGTON MUTUAL INC	WM	\$14,645	16.2%	26.5	(175.73)	22.0	7.9	1.6	6.8	3.21	4.2%
WELLS FARGO & CO	WFC	\$70,237	12.6%	43.1	(47.00)	27.3	17.5	3.1	12.4	7.87	2.0%

Note: Free Cash Flow Annuity numbers are not applicable to Financial stocks

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

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