

Intrinsic Value Weekly

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"Another Winner Bites the Dust"

We recalculated the intrinsic value of Alliance Capital based on the latest data and current cost of capital and found the value slipped a bit. Just to be sure. Now that the stock price has met fair value range, we're removing the stock from the Intrinsic Value Portfolio. Nice gain for just under nine months of 77.1%, not counting the \$1.41 from two dividends. Though first quarter revenues grew 31% versus pro-forma 1999, we are not persuaded that AC can grow revenues more than 12% on average over the long term. This strikes as a metaphor for the assumptions being made now about many companies. Currently very high prices for many technology stocks require assumptions about revenue growth over the very long term that are simply unreasonably high. Valuation is about making choices of assumptions about the future. Whatever number one assumes, it will invariably be wrong because the future is uncertain. But assumptions can be based on well-reasoned scenarios and grounded in experience. Thus, we assume that a very successful money manager like Alliance Capital will grow its top line at 12% over the long run, a faster rate than we expect for the total market value of securities. The actual future will be composed of periods when growth is slower than 12% and faster than 12%. Further, we expect some pressure on load funds' distribution system as fund supermarkets like Schwab and Fidelity gain market share. Lastly, AC is no longer that undiscovered, deeply discounted gem we recommended last autumn. Our business is to concentrate on finding the disfavored companies, ones that have the capacity to build shareholder wealth but are priced well below their intrinsic worth. Recent articles about the struggle of dot-coms to build brand names encourages us to emphasize NYT. Revenue growth is still accelerating in a slowing economy and the stock still reflects substantial skepticism. Our assumptions on top line growth are a conservative 7% over the long term versus 15% for the first four months of 2000. And smack in the middle of NYT's 2000 estimate of 6-8%

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 6/9/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	3/6/2000	\$ 48.250	\$47.91	0.7%	3.0	3.1%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 52.063	\$64.60	(19.4%)	2.3	(8.1%)
BGP	Borders Group, Inc.	3/6/2000	\$ 16.688	\$33.81	(50.6%)	1.1	(4.6%)
BGG	Briggs & Stratton	3/6/2000	\$ 41.063	\$106.86	(61.6%)	1.5	(5.1%)
CTL	CenturyTel, Inc.	3/6/2000	\$ 30.938	\$50.51	(38.8%)	1.4	5.3%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 53.938	\$66.30	(18.6%)	0.9	3.9%
G	Gillette Company	3/2/2000	\$ 33.375	\$50.55	(34.0%)	3.7	(6.2%)
LOW	Lowe's Companies	3/6/2000	\$ 43.375	\$63.82	(32.0%)	2.5	(14.5%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 27.750	\$46.28	(40.0%)	2.8	(6.7%)
NYT	New York Times Co.	2/10/2000	\$ 40.063	\$49.37	(18.9%)	2.6	0.0%
NUE	Nucor Corporation	3/6/2000	\$ 37.875	\$59.99	(36.9%)	1.2	(5.5%)
WEN	Wendy's International	3/6/2000	\$ 20.063	\$24.49	(18.1%)	1.5	(0.9%)

Average: (30.7%) Average: (3.3%)

S&P 500 (1.4%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Value Drivers					Standard Market Statistics				
	Capital Turnover	Sales Growth Last 12M	EBIT Margin %	Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Market Cap Sales (\$billions)	Market Cap (\$billions)
AC	1.6	39.9%	29.5%	41.1%	30.7%	5.6%	14.9	14.0	4.2	3.2
HON	1.2	0.7%	13.8%	14.0%	8.3%	1.4%	17.7	5.1	1.6	43.6
BGP	1.0	14.7%	5.7%	10.9%	10.1%	0.0%	11.6	1.4	0.4	1.1
BGG	2.2	13.3%	12.0%	26.4%	(1.6%)	2.9%	6.4	2.5	0.6	0.9
CTL	0.4	3.4%	30.3%	11.1%	(0.3%)	0.6%	16.7	2.1	2.6	3.8
DAL	0.7	6.8%	12.7%	10.4%	13.0%	0.2%	5.4	1.6	0.5	6.3
G	0.9	0.3%	21.3%	14.5%	5.5%	1.9%	28.8	10.6	3.6	34.8
LOW	2.2	19.0%	7.4%	11.1%	18.4%	0.3%	24.3	3.8	1.0	17.8
MLHR	2.0	2.7%	12.7%	18.4%	13.4%	0.5%	15.6	10.3	1.2	2.1
NYT	1.1	9.5%	18.7%	13.1%	14.1%	1.1%	20.2	4.6	2.2	6.6
NUE	1.4	10.5%	9.3%	14.4%	34.2%	1.6%	11.4	1.5	0.8	3.3
WEN	0.9	7.4%	13.8%	10.2%	9.1%	1.2%	13.8	2.2	1.1	2.2

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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	1.3%	(29.7%)	(17.3%)
CONSUMER CYCLICALS	(23.3%)	(22.8%)	(16.1%)
CONSUMER STAPLES	(10.5%)	(5.8%)	(10.8%)
HEALTH	(27.2%)	6.4%	12.1%
ENERGY	11.3%	92.8%	59.4%
FINANCIAL	(12.2%)	(35.6%)	(24.8%)
CAPITAL GOODS	(18.1%)	18.3%	11.7%
TECHNOLOGY	13.8%	16.9%	51.5%
COMMUNICATIONS	(9.5%)	44.8%	(45.7%) *
UTILITY	(8.7%)	(17.1%)	(22.3%)
TRANSPORTATION	(34.3%)	(28.2%)	(18.4%)
Weighted Total:	(4.7%)	2.9%	10.2%

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 6/9/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.1%	(3.4%)	4.4%	(1.7%)	3.5%	(1.1%)
CONSUMER CYCLICALS	7.6%	(6.7%)	13.1%	(3.7%)	16.8%	(1.5%)
CONSUMER STAPLES	10.1%	(0.3%)	8.7%	(1.9%)	7.3%	(0.8%)
HEALTH	10.1%	1.5%	12.1%	(2.3%)	11.8%	4.6%
ENERGY	5.6%	0.6%	6.9%	3.2%	4.4%	(0.3%)
FINANCIAL	13.6%	(6.1%)	10.3%	(5.3%)	11.3%	(2.2%)
CAPITAL GOODS	8.2%	(5.1%)	9.3%	(1.8%)	14.7%	1.1%
TECHNOLOGY	32.2%	(2.1%)	21.9%	(0.2%)	24.4%	0.5%
COMMUNICATIONS	7.3%	1.1%	1.9%	(5.0%)	0.2%	(11.0%) *
UTILITY	2.6%	0.9%	10.2%	(2.7%)	2.9%	(1.7%)
TRANSPORTATION	0.5%	(1.9%)	1.2%	(3.2%)	2.7%	(0.9%)
Index Total:		(1.4%)		(1.4%)		0.1%

* Sector contains only 2 companies

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

Sector Comments Why should prices of basic industry stocks fall and energy stocks rise? Both sectors rely on a robust world economy for revenue growth. And if inflation is driving the energy stocks, why not the prices of basic industry products? Maybe it is just a change in the relative price of energy. You would think that the huge brainpower at the Federal Reserve might ask these questions. But, strong is the grip of defunct theories like the "Philips Curve", the supposed tradeoff between inflation and the unemployment rate. This is just one more reason we think that the underlying conditions for inflation are much less threatening than the current perception has it. High stock prices are reasonable when inflation is low or zero. Worry about non-existent inflation creates market opportunity. But only if the Fed fails in its quest to mute economic growth rates. Our real worry is that if the Fed does slow the economy, the pressure on the foreign exchange value of the dollar will increase, productivity effects will be muted, economies of scale will be reduced and inflation will increase. As a result of Fed interest rate increases. Shameful.

Our Page 3 Value Drivers table concentrates on the Transportation sector. While auto fuel, reflecting the misguided policies of the EPA on reformulated gasoline, continues upward, we expect jet fuel and other energy prices to subside soon with positive effects of transport companies.

(Millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>
\$	12,374,306	90.5%	\$913,717	6.7%	\$ 383,553 2.8%

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Watch Jet Fuel and Diesel, not Auto Fuel, for the key to the Transports

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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
AIRBORNE FREIGHT CORP	ABF	\$983	5.6%	20.1	16.09	4.7	11.7	1.1	3.2	6.28	0.8%
ALASKA AIR GROUP INC	ALK	\$831	6.8%	31.4	14.96	15.1	7.7	0.9	3.1	6.36	0.0%
ALEXANDER & BALDWIN INC	ALEX	\$977	12.2%	23.5	8.80	9.1	16.2	1.5	7.3	4.89	3.8%
AMERICAN FREIGHTWAYS COI	AFWY	\$504	22.5%	15.6	9.40	6.8	8.8	1.5	4.7	7.14	0.0%
AMR CORP/DE	AMR	\$4,509	14.2%	30.1	5.38	9.6	5.9	0.6	2.6	5.45	0.0%
ARKANSAS BEST CORP	ABFS	\$237	12.3%	12.0	44.42	4.9	4.1	1.0	2.4	11.67	0.0%
ARNOLD INDUSTRIES INC	AIND	\$297	14.5%	12.1	24.63	10.1	8.0	1.1	4.5	13.89	3.6%
ATLANTIC COAST AIRLINES HL	ACAI	\$574	26.7%	30.8	13.62	23.2	20.7	4.5	15.0	7.60	0.0%
BRLNGTN NTHRN SANTA FE	BNI	\$10,814	2.5%	25.3	34.06	23.6	9.5	1.3	5.6	8.11	1.9%
C H ROBINSON WORLDWIDE II	CHRW	\$1,828	27.7%	43.2	30.59	3.7	32.3	7.7	28.8	44.64	0.7%
CIRCLE INTERNATIONAL GRP I	CRCL	\$300	18.2%	17.0	9.14	3.9	13.4	1.4	7.5	5.54	1.6%
CNF INC	CNF	\$1,252	16.5%	25.8	35.72	6.8	7.1	1.2	3.5	7.67	1.5%
CSX CORP	CSX	\$4,519	-15.5%	20.7	0.64	8.9	1,087.5	0.8	7.0	4.25	5.8%
DELTA AIR LINES INC	DAL	\$6,602	13.0%	53.9	125.96	15.8	5.4	1.6	3.6	10.36	0.2%
EGL INC	EAGL	\$807	41.2%	28.0	24.40	7.6	22.5	4.8	22.9	33.96	0.0%
EXPEDITORS INTL WASH INC	EXPD	\$2,191	23.0%	43.1	21.29	6.1	32.7	7.3	27.0	17.92	0.3%
FEDEX CORP	FDX	\$10,821	10.2%	36.3	24.57	8.0	15.8	2.3	6.5	7.73	0.0%
FRITZ COS INC	FRTZ	\$434	20.3%	11.9	7.88	1.8	26.3	1.4	10.6	6.80	0.0%
FROZEN FOOD EXPRESS INDS	FFEX	\$41	4.7%	2.5	(10.04)	(2.5)	(3.0)	0.5	(107.9)	(7.75)	0.0%
GATX CORP	GMT	\$1,720	3.2%	36.1	1.50	27.7	10.8	2.0	3.8	6.40	3.3%
HEARTLAND EXPRESS INC	HTLD	\$466	6.5%	18.4	28.43	19.1	14.9	2.8	9.9	25.43	0.0%
HUNT (JB) TRANSPRT SVCS IN	JBHT	\$562	13.5%	15.9	8.38	6.0	21.6	1.4	3.1	8.09	0.0%
KANSAS CITY SOUTHERN INDS	KSU	\$8,401	80.2%	75.7	43.10	25.3	16.4	5.8	20.1	13.51	0.2%
KIRBY CORP	KEX	\$518	61.1%	21.1	4.43	10.9	20.3	2.3	9.8	7.10	0.0%
LANDSTAR SYSTEM INC	LSTR	\$460	5.0%	50.9	124.05	5.9	11.0	4.6	8.1	30.44	0.0%
M S CARRIERS INC	MSCA	\$210	15.0%	17.1	48.30	9.0	8.0	1.0	2.3	11.49	0.0%
MESA AIR GROUP INC	MESA	\$161	17.9%	5.3	(3.20)	12.9	(35.3)	2.1	38.7	5.02	0.0%
MIDWEST EXPRESS HOLDINGS	MEH	\$310	8.0%	22.1	38.59	13.1	9.8	2.2	6.0	12.86	0.0%
NORFOLK SOUTHERN CORP	NSC	\$6,866	45.1%	17.9	(5.59)	13.1	84.8	1.1	9.6	3.75	4.5%
OVERSEAS SHIPHOLDING GRC	OSG	\$798	-13.0%	23.6	(13.20)	10.5	72.5	1.2	11.2	2.21	2.5%
ROLLINS TRUCK LEASING	RLC	\$544	16.5%	9.3	13.33	18.8	5.8	1.7	2.2	8.55	2.4%
RYDER SYSTEM INC	R	\$1,186	13.4%	19.9	(8.92)	8.9	15.6	0.9	1.9	4.98	3.0%
SKYWEST INC	SKYW	\$873	19.3%	35.4	(11.58)	23.6	16.4	3.6	13.0	6.05	0.5%
SOUTHWEST AIRLINES	LUV	\$10,173	15.5%	20.5	14.34	17.7	20.5	3.4	13.6	10.83	0.1%
SWIFT TRANSPORTATION CO I	SWFT	\$833	24.1%	13.0	14.84	12.3	13.9	2.3	6.7	10.22	0.0%
UNION PACIFIC CORP	UNP	\$10,394	6.3%	41.9	25.16	17.8	12.5	1.3	5.6	6.17	1.9%
US AIRWAYS GROUP INC	U	\$2,777	1.3%	41.7	(63.56)	7.5	157.4	(24.1)	5.1	4.39	0.0%
USFREIGHTWAYS CORP	USFC	\$702	18.5%	26.4	54.39	6.0	6.7	1.3	3.5	11.39	1.4%
WERNER ENTERPRISES INC	WERN	\$579	20.9%	12.3	22.15	8.6	9.9	1.2	3.6	11.67	0.8%
WISCONSIN CENTRAL TRANSF	WCLX	\$638	3.8%	12.6	21.05	34.2	10.1	1.3	7.2	8.66	0.0%
YELLOW CORP	YELL	\$409	21.2%	16.2	29.61	3.3	7.2	1.0	2.5	8.57	0.0%

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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