

Intrinsic Value Weekly

Volume 3, No. 3

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"Patience is rewarded"

The earnings announcement by Alliance Capital this week was rewarded with a surge in the price, thus demonstrating once again that portfolio returns aren't the same as business returns. The increase in value within Alliance occurred despite the lackluster price action of the past two months. In fact, investors are much better off when plenty of opportunity is available to buy stock at a discount. Alliance was joined by Wendy's in a good report. Revenue numbers at WEN continue climb with total sales rising mid-teens and same store sales up 6.5%. Margins are improving versus a year ago and the repurchase program remains in place. WEN isn't a technology stock, but it is creating new intrinsic value in a sustainable way and the stock is priced at a 28% discount to its intrinsic value. Because of the nature of discount/premium calculations, that means that should the stock rise to its intrinsic value from the current price, it would gain nearly 40%. Earnings are due to be announced Feb. 11th. We're not saying there's a guarantee that the price will automatically copy the pattern of Alliance Capital, but we believe that good earnings and under-priced stock can be a powerful combination.

A note to readers of our Page 3 Driver listings: designating drivers as favorable is not, repeat NOT, a recommendation for purchase. It is simply an indication that a company is worth further research.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 1/14/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	9/24/1999	\$ 35.938	\$44.68	(19.6%)	5.4	15.0%
HON	Honeywell Int'l Inc.	4/29/1999	\$ 59.875	\$64.60	(7.3%)	2.4	1.5%
BGP	Borders Group, Inc.	1/10/2000	\$ 16.313	\$33.34	(51.1%)	1.2	(5.4%)
BGG	Briggs & Stratton	9/20/1999	\$ 51.750	\$117.62	(56.0%)	2.0	3.2%
CTL	CenturyTel, Inc.	3/1/1999	\$ 44.625	\$45.97	(2.9%)	2.0	4.1%
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 50.000	\$66.79	(25.1%)	0.9	(1.2%)
G	Gillette Company	6/23/1999	\$ 42.125	\$48.52	(13.2%)	4.5	(0.9%)
LOW	Lowe's Companies	9/27/1999	\$ 54.125	\$61.77	(12.4%)	4.2	0.7%
MLHR	Herman Miller, Inc.	7/5/1999	\$ 21.688	\$46.47	(53.3%)	2.5	(3.3%)
NYT	New York Times Co.	3/1/1999	\$ 46.813	\$48.21	(2.9%)	3.3	2.3%
NUE	Nucor Corporation	3/1/1999	\$ 54.813	\$57.99	(5.5%)	1.9	(2.0%)
PFE	Pfizer, Inc.	6/23/1999	\$ 37.125	\$42.73	(13.1%)	9.4	7.2%
WEN	Wendy's International	3/1/1999	\$ 21.375	\$29.86	(28.4%)	1.6	8.9%
Average:					(22.6%)	Average:	2.3%
Bold - Outperformed the S&P 500 for the week						S&P 500	1.6%

Value Drivers

Standard Market Statistics

Symbol	Sales		EBIT Margin %	Quarterly ROC	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Sales
	Growth Last 12M								
AC	41.2%	27.7%	38.6%	67.7%	5.5%	13.8	11.9	2.7	
HON	(0.3%)	13.0%	11.5%	2.6%	1.1%	21.7	6.1	2.1	
BGP	13.7%	6.4%	8.8%	17.6%	0.0%	15.9	1.8	0.4	
BGG	14.2%	12.0%	26.4%	33.5%	2.3%	9.8	3.4	0.8	
CTL	16.0%	30.4%	10.9%	4.3%	0.4%	28.4	4.3	3.9	
DAL	2.8%	12.7%	10.4%	2.0%	0.2%	6.2	1.6	0.5	
G	(0.0%)	23.1%	17.1%	(0.9%)	1.4%	33.5	9.6	4.6	
LOW	19.7%	6.8%	10.7%	19.2%	0.2%	35.6	6.7	1.4	
MLHR	(1.3%)	12.7%	18.4%	(0.2%)	0.7%	13.6	8.8	1.1	
NYT	3.7%	17.5%	11.8%	6.9%	0.9%	30.3	5.8	3.1	
NUE	(12.2%)	9.9%	12.6%	1.6%	0.9%	23.0	2.3	1.3	
PFE	22.1%	27.0%	20.2%	19.8%	0.9%	47.7	14.3	7.9	
WEN	2.0%	12.6%	9.2%	11.4%	1.1%	18.6	2.4	1.3	

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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	34.0%	(24.5%)	(1.5%)
CONSUMER CYCLICALS	(6.8%)	(20.2%)	(16.3%)
CONSUMER STAPLES	(1.2%)	(10.3%)	(13.0%)
HEALTH	(29.8%)	3.4%	2.7%
ENERGY	5.0%	50.6%	8.6%
FINANCIAL	(11.2%)	(32.1%)	(32.9%)
CAPITAL GOODS	22.3%	9.2%	4.1%
TECHNOLOGY	36.0%	38.0%	83.2%
COMMUNICATIONS	4.5%	64.0% *	80.4% *
UTILITY	(17.0%)	(26.9%)	(13.0%)
TRANSPORTATION	(26.9%)	(32.7%)	(11.5%)
Weighted Total:	8.4%	3.9%	17.0%

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 1/7/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.0%	(3.7%)	4.5%	(1.9%)	3.7%	0.3%
CONSUMER CYCLICALS	9.1%	(2.5%)	14.3%	0.8%	16.4%	(1.0%)
CONSUMER STAPLES	11.7%	3.0%	8.5%	0.1%	7.1%	1.9%
HEALTH	9.9%	(0.5%)	11.0%	0.4%	11.7%	8.8%
ENERGY	5.0%	(1.9%)	4.7%	3.1%	2.9%	5.6%
FINANCIAL	12.7%	3.7%	10.5%	1.1%	10.1%	4.1%
CAPITAL GOODS	8.3%	(0.8%)	7.6%	3.4%	12.8%	3.3%
TECHNOLOGY	29.6%	4.0%	27.7%	8.5%	27.7%	9.6%
COMMUNICATIONS	7.7%	1.2%	1.4%	0.1% *	0.8%	25.5% *
UTILITY	2.4%	2.2%	8.8%	(0.6%)	3.5%	(0.6%)
TRANSPORTATION	0.7%	0.6%	1.0%	(0.5%)	3.2%	(1.1%)
Index Total:		1.6%		2.7%		4.5%

* Sector contains only 3 companies

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

Sector Comments The over-pricing of Technology stocks has now been written about endlessly, but as with many market phenomena it continues far beyond our poor power to call halt to it. In fact, some articles are written now bemoaning the death of long-term investing, citing the ever more rapid turnover of shares each year. That could simply be accounted for by lower transaction costs and lower capital gains taxes. Nevertheless, trends toward speculation are always finite, but not predictable. So, short selling is as dangerous now as ever. Some signs of rationality are beginning though. The Large Cap Utilities have begun to improve and Large Cap Financials are attracting more attention. For those who have been early in reducing Technology Stocks, now is not the time to capitulate to the trend. Find those under-priced sectors and search there for the under-priced stocks. Having both individual stock and sector under-pricing as a margin of safety will produce excellent returns in the long run. Yes, there still is a long run. Concentrate on Health, Financial, Utility and Transportation. That's where the opportunities lie.

This week on Page 3, we present the data for Large Cap Financial Stocks. You will note that the Return on Capital is very low. That is because financials use high leverage and have low margins, and because it is a very competitive industry. Look for the high margin, high revenue growth companies. One last note: when drivers are noted as favorable, that is not a purchase recommendation.

(Millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>	
\$	57	51.1%	\$31	27.7%	\$ 24	21.2%

Intrinsic Value Weekly

Financial Stocks are Generally Under-priced

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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	\$11,401	29.2%	42.9	-70.10	7.9	21.4	3.3	21.4	2.08	0.7%
ALLSTATE CORP	ALL	\$18,649	1.8%	24.2	-23.31	13.7	6.3	1.1	5.7	4.06	2.5%
AMERICAN EXPRESS	AXP	\$71,392	9.6%	159.5	-93.39	16.1	31.0	7.7	@CF	3.18	0.6%
AMERICAN GENERAL CORP	AGC	\$17,046	3.4%	69.0	-208.81	23.9	21.8	2.2	@CF	2.69	2.3%
AMERICAN INTERNATIONAL Gf AIG		\$176,597	7.5%	114.1	-64.51	20.3	33.9	5.2	31.9	3.26	0.2%
AMSOUTH BANCORPORATION	ASO	\$3,200	3.0%	18.1	-60.47	24.6	11.7	2.4	10.1	6.59	4.4%
AON CORP	AOC	\$7,683	10.2%	29.9	-0.46	15.7	21.7	3.4	11.5	8.03	2.8%
ASSOC FST CAPITAL CP -CL A AFS		\$19,708	31.9%	27.1	63.24	54.8	14.0	2.3	12.6	8.07	1.0%
BANK OF AMERICA CORP	BAC	\$86,143	4.0%	50.4	-186.05	20.5	12.2	1.9	12.1	5.10	4.0%
BANK OF NEW YORK CO INC	BK	\$28,862	-1.0%	39.1	-35.32	35.7	17.5	5.7	21.9	10.09	1.6%
BANK ONE CORP	ONE	\$36,837	-0.6%	32.1	-98.30	22.8	11.5	1.8	10.0	7.99	5.2%
BB&T CORP	BBT	\$9,288	24.2%	29.2	-57.73	25.4	14.8	2.9	13.6	7.35	2.7%
BEAR STEARNS COMPANIES IN	BSC	\$5,165	12.5%	42.0	-119.71	39.1	7.5	1.3	6.5	2.92	1.4%
CAPITAL ONE FINL CORP	COF	\$9,227	54.2%	46.8	7.98	18.8	28.2	7.5	24.1	7.23	0.2%
CHASE MANHATTAN CORP	CMB	\$60,815	-0.1%	73.9	-228.74	22.3	13.4	2.9	12.7	3.97	2.2%
CHUBB CORP	CB	\$10,080	7.3%	57.2	-26.72	12.3	15.0	1.6	12.1	7.10	2.2%
CIGNA CORP	CI	\$14,992	9.0%	80.6	-449.41	4.9	25.3	2.0	10.3	0.97	1.5%
CINCINNATI FINANCIAL CORP	CINF	\$4,985	4.6%	30.4	-1.76	16.3	20.4	0.9	20.0	3.26	2.2%
CITIGROUP INC	C	\$195,273	14.2%	58.0	33.25	49.1	23.5	4.6	27.0	9.58	1.0%
COMERICA INC	CMA	\$6,889	6.4%	44.1	-101.01	31.9	11.4	2.6	9.9	7.22	3.3%
CONSECO INC	CNC	\$5,336	-4.5%	16.3	-12.51	28.3	5.4	1.1	4.0	5.45	3.7%
COUNTRYWIDE CREDIT IND IN	CCR	\$3,108	-50.1%	27.4	92.98	32.4	6.9	1.1	3.1	10.07	1.5%
FANNIE MAE	FNM	\$65,956	14.7%	64.6	200.82	96.9	17.2	4.5	19.2	7.04	1.7%
FED HOME LOAN MTG CO	FRE	\$35,104	39.2%	50.4	186.51	89.5	16.7	4.1	20.6	6.65	1.2%
FIFTH THIRD BANCORP	FITB	\$18,248	10.0%	66.4	-34.45	31.6	31.5	6.2	31.8	10.04	1.4%
FIRST UNION CORP (N C)	FTU	\$33,426	-1.8%	34.9	-100.65	31.6	9.8	1.9	8.7	6.93	5.4%
FIRSTAR CORP	FSR	\$22,814	0.3%	23.3	-26.98	26.3	33.5	3.9	24.4	14.24	2.8%
FLEETBOSTON FINANCIAL COF	FBF	\$18,798	7.1%	33.0	-81.71	29.5	11.8	2.3	7.7	9.13	3.6%
FRANKLIN RESOURCES INC	BEN	\$8,377	-4.1%	33.4	36.74	25.7	19.0	@NA	15.8	17.84	0.7%
GOLDEN WEST FINANCIAL COI	GDW	\$5,062	-5.6%	31.3	-134.16	24.0	11.9	1.8	11.3	5.16	0.7%
HARTFORD FINL SVCS GRP IN	HIG	\$9,768	-5.4%	43.7	-524.17	10.8	11.4	1.7	8.9	1.34	2.2%
HOUSEHOLD INTERNATIONAL	HI	\$17,563	10.7%	37.3	32.71	35.3	12.9	2.9	21.7	7.55	1.8%
HUNTINGTON BANCSHARES	HBAN	\$5,042	4.9%	21.9	-67.94	22.8	16.3	2.6	13.3	6.12	3.6%
JEFFERSON-PILOT CORP	JP	\$6,846	-2.2%	65.4	-90.38	27.6	15.8	2.4	13.6	3.13	2.0%
KEYCORP	KEY	\$9,874	4.1%	22.0	-81.41	22.4	9.0	1.6	7.5	4.48	4.7%
LEHMAN BROTHERS HOLDING	LEH	\$9,095	-62.8%	75.8	1,264.14	54.2	9.9	2.0	10.4	8.14	0.5%
LINCOLN NATIONAL CORP	LNC	\$7,611	15.7%	38.9	-404.95	7.4	14.4	1.5	10.5	0.53	2.8%
LOEWS CORP	LTR	\$6,456	-9.6%	60.4	-255.96	9.8	15.7	0.7	7.5	2.94	1.7%
MARSH & MCLENNAN COS	MMC	\$27,681	29.6%	103.9	42.06	17.9	28.7	6.7	25.5	11.16	1.7%
MBIA INC	MBI	\$5,034	3.5%	50.6	25.73	75.1	17.7	1.4	11.2	6.35	1.6%
MBNA CORP	KRB	\$22,099	14.0%	27.6	-3.77	24.7	23.1	8.6	20.1	13.35	1.0%
MELLON FINANCIAL CORP	MEL	\$17,485	0.2%	34.4	-42.27	25.3	18.2	3.9	13.9	8.72	2.3%
MERRILL LYNCH & CO	MER	\$29,555	0.8%	80.8	212.01	39.1	14.0	3.1	13.9	5.39	1.3%
MGIC INVESTMENT CORP/WI	MTG	\$5,393	3.9%	51.1	44.23	42.0	15.0	4.0	14.2	14.16	0.2%
MORGAN (J P) & CO	JPM	\$22,385	-12.9%	128.0	-891.42	11.9	14.4	2.1	@CF	0.78	3.1%
MORGAN STANLEY DEAN WIT	MWD	\$76,791	-25.7%	137.3	113.53	39.0	16.5	6.0	19.6	5.04	0.7%

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@AF - Annual Figure

@NA - Not available

@CF - Combined Figure

@SF - SemiAnnual Figure

Bold Blue - Favorable Drivers

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

Intrinsic Value Weekly

Financial Stocks are Generally Under-priced

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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	\$13,641	0.2%	22.1	-59.29	29.0	11.1	2.2	10.6	8.48	4.9%
NORTHERN TRUST CORP	NTRS	\$12,215	8.4%	54.9	-60.45	23.2	30.4	6.5	26.5	5.79	1.0%
OLD KENT FINANCIAL CORP	OK	\$4,001	5.3%	33.9	-84.68	22.0	19.0	3.4	14.8	9.03	2.6%
PAINE WEBBER GROUP	PWJ	\$5,508	2.8%	37.9	99.27	33.4	10.5	2.4	10.9	5.39	1.2%
PNC BANK CORP	PNC	\$13,745	-2.1%	46.8	-109.58	23.3	10.9	2.4	8.1	5.96	3.9%
PRICE (T. ROWE) ASSOCIATES	TROW	\$4,676	18.9%	39.1	36.08	33.0	20.8	7.2	22.7	47.57	1.0%
PROGRESSIVE CORP-OHIO	PGR	\$5,131	16.3%	70.2	72.68	13.6	14.4	2.1	9.9	9.68	0.4%
PROVIDIAN FINANCIAL CORP	PVN	\$12,583	88.4%	89.4	11.51	23.3	26.5	15.9	39.7	25.85	0.2%
REGIONS FINL CORP	RGBK	\$5,290	10.8%	24.1	-80.09	25.2	10.6	1.8	10.6	10.99	4.1%
SAFECO CORP	SAFC	\$3,291	2.8%	25.3	-114.75	8.3	11.0	0.6	6.8	1.76	5.8%
SCHWAB (CHARLES) CORP	SCH	\$34,219	23.6%	41.8	-15.75	16.5	58.4	21.5	68.9	20.94	0.1%
SLM HLDG CORP	SLM	\$6,845	32.2%	43.4	190.92	87.3	14.6	10.6	14.2	6.92	1.5%
SOUTHTRUST CORP	SOTR	\$5,674	14.3%	33.8	-124.56	19.2	14.9	2.3	12.2	4.45	2.6%
ST PAUL COS	SPC	\$7,711	-3.6%	34.0	-102.13	6.8	11.9	1.2	35.8	2.00	3.1%
STATE STREET CORP	STT	\$12,643	9.9%	79.1	-128.98	17.6	24.4	5.1	@CF	4.03	0.8%
SUMMIT BANCORP	SUB	\$5,156	8.3%	29.5	-102.74	28.1	11.8	2.0	9.9	7.68	4.5%
SUNTRUST BANKS INC	STI	\$20,153	2.5%	63.0	-137.31	22.8	20.7	2.7	16.1	6.00	2.2%
SYNOVUS FINANCIAL CP	SNV	\$5,376	23.2%	19.1	-16.40	23.6	25.5	5.0	20.8	16.60	1.9%
TORCHMARK CORP	TMK	\$3,601	10.7%	27.4	-21.47	17.2	15.1	1.8	13.6	3.34	1.3%
U S BANCORP/DE	USB	\$16,845	6.1%	23.1	-43.33	32.9	11.6	2.9	10.5	9.55	3.4%
UNION PLANTERS CORP	UPC	\$5,131	0.7%	36.2	-132.33	20.0	16.6	1.9	15.0	9.41	5.5%
UNUMPROVIDENT CORP	UNM	\$7,066	106.3%	29.4	-24.56	12.2	(37.3)	1.6	@CF	4.01	2.0%
WACHOVIA CORP	WB	\$13,647	6.4%	67.3	-140.96	24.5	13.9	2.6	13.3	6.06	3.2%
WASHINGTON MUTUAL INC	WM	\$14,397	9.3%	25.1	-175.33	16.9	9.8	1.6	8.3	3.30	4.1%
WELLS FARGO & CO	WFC	\$68,775	5.3%	41.7	-59.42	23.3	26.1	3.3	21.7	8.99	1.9%

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