

Intrinsic Value Weekly

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"No Cigar Butts Here"

One way to outperform is to not own stocks that go down a lot. Technology stocks provided that thin comfort to the Intrinsic Value Portfolio last week. While we currently have no Technology stocks in the portfolio, we are always looking. When we can find one that has solid long-term fundamentals and is trading at a discount of at least 20% to intrinsic value, we'll add it. Just to inform recent readers, we added Intel Corp (INTC - NASDAQ) in April, 1998, and tossed it out when it exceeded intrinsic value by a wide margin. So, we expect to have another shot again. You just never know when the market will hand you the opportunity. Stay alert.

In the table below, the two columns of sales growth help explain why stocks may have deep discounts to Intrinsic Value. When the most recent year-to-year sales growth is well below the last 12 months sales comparison, as it is for **BGP**, **BGG**, **CTL** and **G**, there is reason to worry that the long-term growth may not live up to expectations. Sales growth that is a steady progression is pretty rare, but having sales growth accelerate is much better for good performance. When sales decelerates, the cause may be temporary or something more enduring. Most investors will flee a stock whose sales are slowing below trend. We'd advise being very patient in those stocks that are currently in the sales doldrums and where long-term fundamental business strength is intact. Obviously, were fundamental position weak, the stock may be an example of Buffett's famous "cigar butt" stocks, just lookin for one more good puff. "Cigar butts" are generally not good investments. We don't believe any of the current fundamental laggards in the Intrinsic Value Portfolio are "cigar butts".

Intrinsic Value Portfolio

Companies that create Intrinsic Value

| Symbol | Name | Updated Valuation | Price 7/28/2000 | Intrinsic Value | Over/ (Under) Priced | Q Ratio | Weekly Price Change * |
|-------------|----------------------------|-------------------|------------------|-----------------|----------------------|------------|-----------------------|
| HON | Honeywell Int'l Inc. | 4/29/1999 | \$ 33.500 | \$64.60 | (48.1%) | 1.6 | (4.5%) |
| BGP | Borders Group, Inc. | 3/6/2000 | \$ 13.188 | \$33.81 | (61.0%) | 1.1 | (1.4%) |
| BGG | Briggs & Stratton | 3/6/2000 | \$ 33.750 | \$106.86 | (68.4%) | 1.3 | (5.9%) |
| CTL | CenturyTel, Inc. | 3/6/2000 | \$ 28.813 | \$50.51 | (43.0%) | 1.4 | (0.6%) |
| DAL | Delta Air Lines, Inc. | 3/6/2000 | \$ 51.188 | \$66.30 | (22.8%) | 0.9 | (6.1%) |
| G | Gillette Company | 3/2/2000 | \$ 29.875 | \$50.55 | (40.9%) | 3.8 | (2.0%) |
| LOW | Lowe's Companies | 3/6/2000 | \$ 42.250 | \$63.82 | (33.8%) | 2.3 | (6.4%) |
| MLHR | Herman Miller, Inc. | 3/6/2000 | \$ 30.313 | \$46.28 | (34.5%) | 2.7 | (3.6%) |
| NYT | New York Times Co. | 2/10/2000 | \$ 41.063 | \$49.37 | (16.8%) | 2.6 | 0.9% |
| NUE | Nucor Corporation | 3/6/2000 | \$ 36.313 | \$59.99 | (39.5%) | 1.0 | (2.0%) |
| WEN | Wendy's International | 3/6/2000 | \$ 16.938 | \$24.49 | (30.8%) | 1.4 | (6.5%) |

Average: (40.0%) Average: (3.5%)
S&P 500 (4.1%)

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/ Market Cap Sales (\$billions) |
|-------------|------------------|-----------------|-------------------|---------------|-------------------|---------------------|-------------|-------------|-------------|--------------------------------------|
| | | Growth Last 12M | Return On Capital | | | | | | | |
| HON | 1.2 | 0.7% | 13.8% | 14.0% | 5.9% | 2.2% | 17.7 | 3.1 | 1.6 | 26.9 |
| BGP | 1.0 | 14.7% | 5.7% | 10.9% | 10.1% | 0.0% | 12.9 | 1.5 | 0.3 | 1.2 |
| BGG | 2.2 | 13.3% | 12.0% | 26.4% | (1.6%) | 3.6% | 5.5 | 2.2 | 0.5 | 0.8 |
| CTL | 0.4 | 2.0% | 30.3% | 11.1% | 1.5% | 0.7% | 17.7 | 2.2 | 2.4 | 4.0 |
| DAL | 0.7 | 8.9% | 12.7% | 10.4% | 12.9% | 0.2% | 5.3 | 1.6 | 0.4 | 6.2 |
| G | 0.9 | (2.2%) | 21.3% | 14.5% | (6.8%) | 2.2% | 30.1 | 11.1 | 3.2 | 36.5 |
| LOW | 2.2 | 19.0% | 7.4% | 11.1% | 18.4% | 0.3% | 21.4 | 3.3 | 1.0 | 15.7 |
| MLHR | 2.0 | 9.7% | 12.7% | 18.4% | 20.9% | 0.5% | 14.7 | 9.8 | 1.2 | 2.0 |
| NYT | 1.1 | 12.0% | 18.7% | 13.1% | 13.6% | 1.1% | 20.7 | 4.7 | 2.1 | 6.8 |
| NUE | 1.4 | 20.1% | 9.3% | 14.4% | 21.7% | 1.7% | 9.7 | 1.3 | 0.7 | 2.8 |
| WEN | 0.9 | 7.4% | 13.8% | 10.2% | 9.1% | 1.4% | 12.5 | 2.0 | 0.9 | 2.0 |

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ECONOMIC SECTOR VALUATION

| SECTORS | S&P 500 | S&P MIDCAP | S&P SMALL CAP |
|--------------------|---------|------------|---------------|
| BASIC INDUSTRY | (16.6%) | (29.8%) | (14.6%) |
| CONSUMER CYCLICALS | (23.7%) | (29.7%) | (16.3%) |
| CONSUMER STAPLES | (11.2%) | (11.1%) | (12.7%) |
| HEALTH | (26.5%) | 14.3% | 13.6% |
| ENERGY | 7.2% | 79.9% | 35.0% |
| FINANCIAL | (12.8%) | (36.7%) | (29.7%) |
| CAPITAL GOODS | (20.2%) | 3.8% | (0.6%) |
| TECHNOLOGY | 7.5% | 5.0% | 23.1% |
| COMMUNICATIONS | (24.6%) | 32.6% | (57.8%) * |
| UTILITY | (6.2%) | (16.1%) | (23.8%) |
| TRANSPORTATION | (36.7%) | (25.0%) | (12.0%) |
| Weighted Total: | (8.6%) | (2.9%) | (1.6%) |

RED - Overvalued

BLUE - (Undervalued)

Bold - outperformed the relevant index

WEEKLY PRICE CHANGE

| SECTORS | S&P 500 | | S&P MIDCAP | | S&P SMALL CAP | |
|------------------------|------------|----------|------------|----------|---------------|-----------|
| | Weight | Price | Weight | Price | Weight | Price |
| prices as of 7/28/2000 | % of Total | % Change | % of Total | % Change | % of Total | % Change |
| BASIC INDUSTRY | 1.9% | (1.3%) | 4.8% | (1.7%) | 3.8% | (1.0%) |
| CONSUMER CYCLICALS | 7.8% | (3.5%) | 12.4% | (4.0%) | 18.2% | (3.4%) |
| CONSUMER STAPLES | 10.1% | (0.8%) | 8.7% | (1.5%) | 7.8% | (6.6%) |
| HEALTH | 10.6% | 1.4% | 12.7% | (4.7%) | 11.9% | (6.8%) |
| ENERGY | 5.5% | 2.5% | 7.0% | (1.8%) | 4.3% | (4.0%) |
| FINANCIAL | 14.4% | (1.3%) | 10.9% | 0.4% | 12.5% | 0.5% |
| CAPITAL GOODS | 8.2% | (4.9%) | 7.8% | (4.7%) | 14.1% | (6.2%) |
| TECHNOLOGY | 32.1% | (8.2%) | 21.1% | (8.8%) | 20.9% | (10.1%) |
| COMMUNICATIONS | 6.0% | (9.7%) | 1.8% | (9.3%) | 0.2% | (18.2%) * |
| UTILITY | 2.8% | 0.0% | 11.4% | (2.1%) | 3.1% | (1.9%) |
| TRANSPORTATION | 0.5% | 0.7% | 1.3% | (1.3%) | 3.3% | (2.2%) |
| Index Total: | | (4.1%) | | (4.3%) | | (5.4%) |

* Sector contains only 2 companies

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

Sector Comments Just look at the valuation of Technology stocks now. Back close to fair value and with the inclination of companies to report less than analysts have expected, the valuation could get even more attractive. A cynic would observe that this is simply placing a "risk premium" on the stocks, something many have thought technology stocks didn't need.

Well, which is it? Strong economy or weak? Apparently, both. Retail stocks fell last week as the Consumer portion of the economy showed weakness in the second quarter. But fear of further Fed tightening by the Fed seemed to arise from rapid Business and Government Spending. The Government Sector spending accelerating in an election year is certainly no surprise, particularly from the crowd that calls spending "investment". The Capital Goods stocks didn't fare well, though, as some investors view strength there as stemming from the lagging areas of the economy. And Technology news is difficult to generalize because it is difficult to distinguish loss of competitive position from a sectoral slowdown. Investors apparently sell first now and analyze later.

The average sector, meaning in some sense the overall market, is now under-priced. Fear is rising among pundits, which of course means that you should be getting interested. The degree of under-pricing is small, but keeping alert for opportunity seems much more sensible when stocks are under-priced.

Page 3 offers the fundamental value drivers for one of the over-priced groups, Large Cap Energy.

| (\$millions) | Large Capitalization | Mid-Cap Capitalization | Small-Cap Capitalization |
|--------------|----------------------|------------------------|--------------------------|
| | \$ 11,988,140 | 90.8% | \$857,155 |
| | | | 6.5% |
| | | | \$ 353,881 |
| | | | 2.7% |

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Large Cap Energy Still Looks Over-priced on the Fundamentals

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 |
|--------------------------------|------------|-----------------------|------------------------|---------------|------------------------|--------------|-------------|------------------|-----------------|-------------------|----------------|
| AMERADA HESS CORP | AHC | \$5,402 | 84.9% | 59.6 | 15.93 | 7.8 | 9.4 | 1.8 | 5.0 | 5.26 | 1.0% |
| ANADARKO PETROLEUM CORP | APC | \$6,264 | 89.6% | 48.8 | (2.03) | 23.4 | 66.6 | 4.7 | 23.9 | 4.25 | 0.4% |
| APACHE CORP | APA | \$5,601 | 75.0% | 49.3 | 17.41 | 24.9 | 22.1 | 2.6 | 8.7 | 7.03 | 0.6% |
| ASHLAND INC | ASH | \$2,320 | 17.1% | 32.9 | 51.00 | 6.6 | 9.1 | 1.1 | 4.6 | 7.94 | 3.3% |
| BAKER-HUGHES INC | BHI | \$11,310 | -4.7% | 34.3 | (6.05) | 3.1 | 400.0 | 3.4 | 13.6 | 1.93 | 1.3% |
| BURLINGTON RESOURCES INC | BR | \$7,293 | 64.9% | 33.9 | 13.98 | 20.6 | 103.4 | 2.5 | 11.6 | 7.29 | 1.6% |
| CHEVRON CORP | CHV | \$52,525 | 59.8% | 80.6 | 41.88 | 9.1 | 20.0 | 3.1 | 10.7 | 7.62 | 3.2% |
| CONOCO INC | COC.B | \$14,444 | 101.4% | 23.1 | 7.49 | 5.0 | 14.4 | 3.4 | 7.5 | 6.12 | 3.3% |
| EXXON MOBIL CORP | XOM | \$278,699 | 99.6% | 80.1 | 40.31 | 7.8 | 27.3 | 4.3 | 17.2 | 11.15 | 2.2% |
| HALLIBURTON CO | HAL | \$20,129 | -21.9% | 45.4 | 9.29 | 3.9 | 85.8 | 4.9 | 22.4 | 5.62 | 1.1% |
| KERR-MCGEE CORP | KMG | \$5,213 | 51.4% | 55.4 | 58.33 | 21.1 | 11.9 | 3.4 | 6.4 | 14.75 | 3.3% |
| OCCIDENTAL PETROLEUM CO | OXY | \$7,165 | 89.9% | 19.4 | 7.55 | 10.5 | 8.6 | 2.2 | 5.2 | 5.53 | 5.1% |
| PHILLIPS PETROLEUM CO | P | \$12,659 | 70.2% | 49.9 | 52.30 | 10.8 | 16.2 | 2.8 | 8.0 | 10.34 | 2.7% |
| ROWAN COS INC | RDC | \$2,387 | 20.1% | 25.4 | (9.76) | 0.4 | 379.7 | 3.5 | 47.1 | 0.11 | 0.0% |
| ROYAL DUTCH PET -NY REG | RD | \$125,709 | 40.4% | 58.6 | 50.64 | 12.6 | 25.7 | 3.9 | 13.9 | 14.14 | 2.5% |
| SCHLUMBERGER LTD | SLB | \$41,830 | 16.2% | 73.8 | 5.64 | 7.2 | 105.1 | 5.5 | 33.2 | 3.80 | 1.0% |
| SUNOCO INC | SUN | \$2,113 | 88.6% | 23.9 | 81.54 | 7.8 | 18.3 | 1.8 | 5.8 | 12.36 | 4.2% |
| TEXACO INC | TX | \$28,051 | 48.7% | 50.8 | 11.41 | 3.7 | 18.8 | 2.5 | 10.3 | 4.79 | 3.5% |
| TOSCO CORP | TOS | \$3,795 | 52.1% | 26.4 | 28.50 | 3.9 | 8.4 | 1.9 | 5.8 | 8.46 | 1.1% |
| TRANSOCEAN SEDCO FOREX RIG | IRIG | \$10,706 | @AF | 50.9 | (9.79) | 4.7 | 100.8 | 2.9 | 56.3 | 0.63 | 0.2% |
| UNION PACIFIC RESOURCES G | UPR | \$5,542 | 25.8% | 22.4 | (2.55) | 17.1 | 40.0 | 5.8 | 6.0 | 4.29 | 0.9% |
| UNOCAL CORP | UCL | \$7,423 | 50.4% | 30.6 | (19.26) | 2.2 | 34.5 | 3.7 | 8.0 | 1.44 | 2.6% |
| USX-MARATHON GROUP | MRO | \$7,638 | 99.4% | 24.5 | (5.62) | 2.6 | 9.9 | 1.6 | 4.8 | 3.59 | 3.4% |

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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