

Intrinsic Value Weekly

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"You Have a Choice"

The economy cannot both expand and contract at the same time. The pundits who are fixated upon growth as the generator of inflation are now concerned with the apparent slowing of retail sales. It would seem that nothing that happens is good for stocks with these guys. We maintain that a bumper crop of goods, growth for those of you in Rio Linda, is good for stocks. And inflation arises from mistakes by the Federal Reserve Bank in supplying the correct amount of money demanded by users of dollars at any point in time.

The current policy mix, rising real tax rates and restrictive Fed policy, is not good for stocks. It produces stagflation, eventually resulting in a replay of the seventies. We've already had a stiff dose of OPEC, as in 1973-4. But, while those with memories would expect price controls and a recession next, a replay of 1970's history is not necessary or inevitable. Policy mix is a direct result of the leadership in the White House. While the current mix is likely to have poor results, a reprise of the growth-oriented policy mix of low, growth-producing tax rates for individuals, and a Fed policy aimed at zero inflation and low interest rates is likely if the Republican slate is elected. There is no guarantee of this outcome, of course. But we already have evidence of where the current crowd will take us. Make a choice, the "eighties" or the "seventies".

The Intrinsic Value Portfolio is suffering from a perception of slowing growth, though a cold Eastern summer may have as much as anything to do with lagging home improvement sales. It is rare, though, that stocks always reflect their true worth on any consistent basis, so when they do sell off, the logical investor will take advantage. This also suggests that a logical investor will always have some spare cash available for that purpose. This process will help assure the logical investor of being pretty fully invested when stocks have traded well below intrinsic value and of having an ample reserve when stocks are fully valued.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 9/1/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change *
HON	Honeywell Int'l Inc.	4/29/1999	\$ 39.938	\$64.60	(38.2%)	1.6	0.2%
BGP	Borders Group, Inc.	3/6/2000	\$ 13.063	\$33.81	(61.4%)	1.0	(0.9%)
BGG	Briggs & Stratton	3/6/2000	\$ 43.125	\$106.86	(59.6%)	1.3	2.7%
CTL	CenturyTel, Inc.	3/6/2000	\$ 29.000	\$50.51	(42.6%)	1.5	0.0%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 49.813	\$66.30	(24.9%)	0.9	0.5%
G	Gillette Company	3/2/2000	\$ 31.938	\$50.55	(36.8%)	3.3	5.8%
LOW	Lowe's Companies	3/6/2000	\$ 47.250	\$63.82	(26.0%)	2.3	(4.3%)
MLHR	Herman Miller, Inc.	3/6/2000	\$ 32.250	\$46.28	(30.3%)	3.2	4.9%
NYT	New York Times Co.	2/10/2000	\$ 37.938	\$49.37	(23.2%)	2.7	(4.1%)
NUE	Nucor Corporation	3/6/2000	\$ 38.188	\$59.99	(36.3%)	1.1	4.4%
WEN	Wendy's International	3/6/2000	\$ 19.313	\$24.49	(21.2%)	1.3	1.0%

Average: (36.4%) Average: 0.9%

S&P 500 1.0%

Bold - Outperformed the S&P 500 for the week

* two week change

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%	1.9%	17.7	3.1	1.6	27.2
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	10.6	1.2	0.3	1.0
BGG	2.2	5.9%	12.0%	26.4%	(9.2%)	2.8%	5.9	2.2	0.6	0.8
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.7%	17.8	2.2	2.4	4.1
DAL	0.7	8.0%	12.7%	10.4%	12.9%	0.2%	5.2	1.7	0.4	6.6
G	0.9	(0.1%)	21.3%	14.5%	2.0%	2.0%	24.7	9.3	3.5	30.7
LOW	2.2	18.9%	7.4%	11.1%	18.7%	0.3%	22.0	3.4	1.0	16.1
MLHR	2.0	9.7%	12.7%	18.4%	20.9%	0.4%	17.8	11.9	1.3	2.5
NYT	1.1	12.0%	18.7%	13.1%	13.6%	1.2%	20.2	4.9	2.0	6.9
NUE	1.4	20.1%	9.3%	14.4%	21.7%	1.6%	9.9	1.5	0.7	3.1
WEN	0.9	9.6%	13.8%	10.2%	7.8%	1.2%	11.6	1.9	1.1	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	(13.9%)	(27.9%)	(8.7%)
CONSUMER CYCLICALS	(28.9%)	(22.2%)	(8.6%)
CONSUMER STAPLES	(10.5%)	(22.6%)	(9.1%)
HEALTH	(28.9%)	22.4%	20.6%
ENERGY	17.0%	120.2%	67.8%
FINANCIAL	(9.9%)	(31.6%)	(21.7%)
CAPITAL GOODS	(10.4%)	18.5%	9.5%
TECHNOLOGY	13.5%	14.1%	37.1%
COMMUNICATIONS	(25.8%)	61.5%	(32.8%) *
UTILITY	7.3%	(7.6%)	(23.0%)
TRANSPORTATION	(38.9%)	(18.1%)	(4.4%)
Weighted Total:	(4.7%)	8.5%	8.8%

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 9/1/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.8%	0.6%	4.3%	(0.1%)	3.5%	(0.9%)
CONSUMER CYCLICALS	6.6%	(1.1%)	12.0%	1.5%	17.6%	1.4%
CONSUMER STAPLES	9.6%	(2.0%)	6.8%	(2.5%)	7.6%	1.0%
HEALTH	10.1%	(3.5%)	12.3%	0.8%	12.5%	(0.2%)
ENERGY	5.4%	0.3%	7.9%	5.1%	4.7%	2.2%
FINANCIAL	14.5%	(1.0%)	10.4%	2.7%	12.7%	2.5%
CAPITAL GOODS	8.4%	(0.3%)	7.9%	2.2%	13.8%	1.9%
TECHNOLOGY	33.4%	0.2%	24.5%	(4.2%)	21.2%	1.7%
COMMUNICATIONS	6.8%	1.7%	1.7%	7.4%	0.2%	47.8% *
UTILITY	2.8%	4.2%	10.8%	2.9%	2.9%	1.1%
TRANSPORTATION	0.5%	(2.4%)	1.4%	(2.8%)	3.3%	0.8%
Index Total:		1.0%		1.5%		2.1%

* Sector contains only 2 companies

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

Sector Comments The Tech's are back, but don't bet the ranch on them staying. Technology stocks got under-priced in July and May and can be again. There is a furious debate about the "cycle" in chip stocks going on, a growing dread of the slowing of sales among pc box makers and real concern about the direction and magnitude of investing among the venture capital funds. Technology stocks have the fastest growth of any economic sector, but valuation is more difficult than any other sector too. Because of the variability of revenue growth rates. So new commitments to this sector should be made only when valuation is reasonable. That usually corresponds with the moments when fears are at their peak. Technology investing is hard.

Political assaults on the Health Sector are just beginning. We expect the group to move with the polls over the next two months. The differences between the parties on health policy are stark enough for us to recommend some caution for those dependent on short-term results. For the longer term investor, the example of 1993 is instructive. Health stocks were available at deep discounts that year. While we're not forecasting the same result, the interplay of fear and politics is a powerful depressant for stocks.

Page 3 this week displays the Value Drivers for the Large Cap Consumer Cyclicals. While fears of slowing growth in the economy depress prices, some real bargains are appearing.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 13,226,018	90.6%	\$972,398
			6.7%
			\$ 398,851
			2.7%

Intrinsic Value Weekly

Slow Growth is Bad for Consumer Cyclical

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
AMERICAN GREETINGS -CL A	AM	\$1,172	29.9%	18.2	32.15	10.4	9.4	0.9	7.6	7.97	4.4%
ARMSTRONG HOLDINGS INC	ACK	\$633	0.9%	15.6	73.28	10.9	(3.5)	0.9	3.4	9.75	12.3%
AUTOZONE INC	AZO	\$2,948	9.2%	23.1	24.31	9.5	12.3	2.5	9.1	10.54	0.0%
BED BATH & BEYOND INC	BBBY	\$5,247	28.8%	18.6	11.75	11.5	37.6	9.2	32.0	42.75	0.0%
BEST BUY CO INC	BBY	\$13,194	24.2%	63.8	43.15	4.5	39.8	13.3	@CF	47.17	0.0%
BLACK & DECKER CORP	BDK	\$3,316	3.9%	39.8	58.25	10.4	9.6	4.0	7.5	12.96	1.2%
BLOCK H & R INC	HRB	\$3,521	163.7%	36.1	57.37	19.3	12.5	2.6	9.0	18.70	3.1%
BRUNSWICK CORP	BC	\$1,691	8.9%	19.4	34.68	6.8	33.0	1.3	8.7	10.78	2.6%
CARNIVAL CORP	CCL	\$12,746	9.9%	21.1	23.72	29.1	11.0	1.9	10.3	14.75	2.0%
CENDANT CORP	CD	\$9,487	-18.3%	13.0	9.82	28.4	(9.3)	4.1	64.7	9.67	0.0%
CENTEX CORP	CTX	\$1,676	3.6%	28.5	115.27	9.3	5.7	1.0	5.5	18.02	0.6%
CIRCUIT CITY STR CRCT CTY (CC		\$5,557	11.1%	27.1	39.12	7.7	13.5	2.3	12.0	12.56	0.3%
CONSOLIDATED STORES CORP	CNS	\$1,601	10.4%	14.4	16.79	5.7	10.4	1.0	8.1	7.32	0.0%
CONVERGYS CORP	CVG	\$5,663	22.5%	36.9	15.70	12.7	42.5	7.4	25.2	11.66	0.0%
COOPER TIRE & RUBBER	CTB	\$885	79.0%	12.2	29.75	10.7	6.3	0.9	3.5	11.67	3.4%
COSTCO WHOLESALE CORP	COST	\$16,282	13.9%	36.2	16.27	2.2	24.8	4.1	21.6	10.45	0.0%
DANA CORP	DCN	\$3,844	-3.3%	25.8	64.19	7.7	6.6	1.3	4.1	10.46	4.8%
DELPHI AUTOMOTIVE SYS COF	DPH	\$8,973	1.2%	15.9	32.79	6.3	7.5	2.6	4.6	14.64	1.8%
DILLARDS INC -CL A	DDS	\$1,205	-2.9%	12.9	25.11	5.6	9.7	0.5	2.8	6.17	1.2%
DOLLAR GENERAL CORP	DG	\$7,120	11.2%	21.7	16.46	9.3	25.5	6.6	25.4	36.22	0.5%
DOW JONES & CO INC	DJ	\$5,446	16.2%	62.3	31.63	15.5	16.7	10.7	14.9	12.89	1.6%
DUN & BRADSTREET CORP	DNB	\$5,238	-0.6%	32.3	21.15	16.7	26.9	(11.4)	15.7	20.20	2.3%
FEDERATED DEPT STORES	FD	\$6,147	1.5%	29.6	57.76	7.5	6.4	0.8	4.1	10.74	0.0%
FORD MOTOR CO	F	\$31,778	6.2%	26.4	56.51	10.0	8.8	2.4	1.4	7.04	7.6%
GANNETT CO	GCI	\$14,780	16.5%	56.1	38.05	18.4	15.5	3.2	13.0	12.46	1.5%
GAP INC	GPS	\$19,528	20.2%	22.9	10.99	14.4	26.1	13.6	12.7	7.74	0.4%
GENERAL MOTORS CORP	GM	\$39,161	10.1%	72.9	(46.27)	6.2	6.2	1.7	2.6	4.28	2.7%
GENUINE PARTS CO	GPC	\$3,652	5.6%	20.9	25.82	5.7	9.2	1.6	7.9	9.15	5.3%
GOODYEAR TIRE & RUBBER CO	GT	\$3,881	14.0%	24.8	(19.64)	2.6	11.4	0.9	4.7	2.77	4.8%
HARCOURT GENERAL INC	H	\$4,460	@NA	61.0	28.27	14.2	@NA	6.2	18.1	12.02	1.4%
HARLEY-DAVIDSON INC	HDI	\$14,939	24.0%	49.4	21.64	17.5	44.0	11.7	39.2	26.52	0.2%
HARRAHS ENTERTAINMENT INC	HET	\$3,427	17.0%	29.4	17.72	11.3	14.7	2.1	8.6	8.77	0.0%
HASBRO INC	HAS	\$2,121	-11.0%	12.3	23.47	8.6	13.2	1.2	5.6	10.44	1.9%
HILTON HOTELS CORP	HLT	\$3,893	69.9%	10.6	(10.20)	14.2	15.8	2.7	10.7	4.49	0.8%
HOME DEPOT INC	HD	\$116,209	21.0%	50.2	14.19	7.0	47.9	9.7	41.6	13.65	0.3%
IMS HEALTH INC	RX	\$5,684	11.0%	19.1	14.66	24.1	18.6	11.1	16.5	21.07	0.4%
INTERPUBLIC GROUP OF COS	IPG	\$11,108	15.2%	36.1	12.77	11.2	36.8	7.1	20.3	9.36	1.1%
K MART CORP	KM	\$3,336	2.5%	6.9	19.31	4.0	5.7	0.5	2.4	7.17	0.0%
KAUFMAN & BROAD HOME COF	KBH	\$1,013	5.1%	24.6	56.21	7.6	4.4	1.3	5.9	14.64	1.2%
KNIGHT-RIDDER INC	KRI	\$4,089	5.3%	54.1	48.68	12.1	9.4	2.3	8.1	9.84	1.7%
KOHL'S CORP	KSS	\$19,107	33.6%	58.0	13.18	9.4	68.0	11.0	54.6	12.33	0.0%
LEGGETT & PLATT INC	LEG	\$3,489	17.2%	17.8	19.55	8.7	11.6	2.1	7.9	12.21	2.3%
LIMITED INC	LTD	\$9,087	-0.2%	21.1	14.70	8.0	18.4	4.1	12.4	8.84	2.8%
LIZ CLAIBORNE INC	LIZ	\$2,489	8.9%	45.1	78.78	10.7	11.6	2.5	9.8	28.74	1.0%
LOWES COS	LOW	\$18,087	18.7%	47.3	23.07	5.1	22.0	3.4	17.9	11.09	0.3%
MARRIOTT INTL INC	MAR	\$10,004	17.1%	41.8	21.40	7.8	24.0	3.4	18.3	7.62	0.6%

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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

Intrinsic Value Weekly

Slow Growth is Bad for Consumer Cyclical

Page 4

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
MASCO CORP	MAS	\$8,885	19.4%	19.4	28.72	15.8	14.3	2.8	11.5	17.08	2.5%
MATTEL INC	MAT	\$4,310	1.9%	10.1	5.73	4.9	58.2	2.4	20.4	6.48	3.6%
MAY DEPARTMENT STORES C	MAY	\$7,470	2.1%	23.5	43.78	8.8	8.7	1.9	5.5	13.53	4.0%
MAYTAG CORP	MYG	\$2,879	1.7%	37.1	54.06	9.0	9.1	6.5	6.4	14.81	1.9%
MCGRAW-HILL COMPANIES	MHP	\$11,865	10.5%	60.9	29.54	12.6	24.4	6.9	21.2	13.39	1.5%
MEREDITH CORP	MDP	\$1,362	5.0%	27.5	16.91	10.3	23.1	3.9	10.3	10.81	1.2%
NEW YORK TIMES CO -CL A	NYT	\$6,384	13.6%	37.9	25.15	12.2	20.2	4.9	13.0	13.13	1.2%
NIKE INC -CL B	NKE	\$11,239	4.1%	41.7	54.50	11.0	20.8	3.7	14.3	18.87	1.2%
NORDSTROM INC	JWN	\$2,373	1.0%	18.1	18.89	5.4	11.6	2.0	6.1	8.91	2.0%
OFFICE DEPOT INC	ODP	\$2,347	12.3%	7.6	8.42	6.2	8.2	1.1	5.8	7.58	0.0%
OMNICOM GROUP	OMC	\$14,567	19.7%	82.0	28.84	11.6	32.2	9.7	27.4	11.88	0.9%
OWENS CORNING	OWC	\$277	-1.1%	5.0	84.24	13.0	(1.3)	(0.3)	0.6	13.31	6.0%
PENNEY (J C) CO	JCP	\$3,785	1.6%	14.5	8.16	3.8	230.4	0.6	3.6	4.64	7.9%
PULTE CORP	PHM	\$1,365	17.8%	33.8	96.43	9.3	5.2	0.9	@CF	20.55	0.5%
RADIOSHACK CORP	RSH	\$11,287	15.4%	60.8	29.50	12.6	33.8	13.5	29.9	15.79	0.4%
REEBOK INTERNATIONAL LTD	RBK	\$1,152	-1.8%	20.3	14.81	4.0	30.7	1.8	20.9	6.71	0.0%
RUSSELL CORP	RML	\$606	8.5%	18.6	19.37	6.7	27.0	1.2	8.5	6.85	3.0%
SEARS ROEBUCK & CO	S	\$11,383	4.6%	33.2	68.18	7.4	6.8	1.6	5.3	8.77	2.8%
SHERWIN-WILLIAMS CO	SHW	\$3,853	3.3%	23.7	28.71	9.2	10.6	2.0	8.5	10.56	2.3%
SNAP-ON INC	SNA	\$1,821	18.0%	31.0	37.06	11.4	11.9	2.1	9.9	11.21	3.0%
SPRINGS INDUSTRIES -CL A	SMI	\$532	5.2%	29.7	36.03	3.8	7.2	0.7	3.3	5.47	4.4%
STANLEY WORKS	SWK	\$2,307	2.5%	26.8	42.51	10.7	12.1	3.2	10.5	15.78	3.3%
STAPLES INC	SPLS	\$7,452	19.6%	15.9	15.84	6.0	21.2	3.7	15.8	24.58	0.0%
TARGET CORP	TGT	\$22,580	7.3%	25.0	21.00	5.0	21.2	4.5	11.2	13.17	0.8%
TIFFANY & CO	TIF	\$6,319	21.1%	43.5	14.92	14.2	31.0	6.6	33.7	10.90	0.4%
TJX COMPANIES INC	TJX	\$6,077	7.4%	20.8	(14.43)	8.6	9.8	4.5	9.1	2.35	0.8%
TOYS R US INC	TOY	\$4,000	-9.5%	18.5	6.74	5.0	8.2	1.1	7.9	5.49	0.0%
TRIBUNE CO	TRB	\$11,095	79.5%	36.0	13.60	17.1	18.3	3.5	5.0	7.80	1.1%
TRW INC	TRW	\$5,616	-6.5%	45.3	54.38	6.3	7.2	1.8	3.8	9.01	2.9%
VF CORP	VFC	\$2,726	-1.0%	23.9	48.51	8.2	7.1	1.2	5.2	12.01	3.7%
VISTEON CORP	VC	\$2,039	4.9%	15.6	@NA	6.6	3.3	@NA	@NA	17.55	1.5%
WAL-MART STORES	WMT	\$222,200	19.9%	49.8	12.28	3.1	42.3	9.5	27.9	10.69	0.5%
WHIRLPOOL CORP	WHR	\$2,742	-1.1%	38.4	93.70	6.0	7.0	1.7	3.7	10.36	3.5%
YOUNG & RUBICAM INC	YNR	\$4,236	19.5%	58.1	36.07	12.8	21.6	9.7	17.8	18.65	0.2%

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

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