

Intrinsic Value Weekly

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"CEO's"

Now it is clear: at least two groups of investors know the true worth of **Honeywell (HON - NYSE)** - **United Technologies (UTX - NYSE)** and **General Electric (GE - NYSE)**. **GE** takes a long view of a company's essential cash generating capabilities, not a short-term, earnings per share view like **UTX**. Therefore **GE** is clearly favored as the winner in any bidding competition. So, of course, when **UTX** heard of **GE's** interest, they immediately dropped out. The final deal, \$55.12 per share in stock, is a good deal for **GE** and, since the market has been unwilling to recognize the long term value of **HON**, also a good deal for **HON** shareholders. One other benefit from this deal is the agreement by Jack Welch, **GE's** CEO, to stay in place until the end of next year. This, presumably to integrate the acquisition into **GE** and provide calm waters for his successor's eventual elevation to CEO.

Speaking of CEO's, Michael Hawley, CEO of **Gillette (G - NYSE)**, is out. For a great consumer franchise, **G's** sales growth has been truly awful, even admitting that the environment for consumer spending has been deteriorating each quarter. The Board of Directors, led by Warren Buffett, had had enough. And, in a slap against internal candidates, has formed a committee to search for a new CEO. No one internally has enough credibility to step in immediately. Our assessment of the businesses in **Gillette** is that, except for the wet shaving business where the company is overwhelmingly dominant, **Gillette's** possession of any competitive advantage has been eroded by years of defensive marketing and a serious mistake in the marketing thrust in the battery business. New products are essential to prosper in periods of sluggish consumer spending and **Gillette** has the R&D and marketing to execute and effective program if it has the right leadership. Until we see the results of the CEO search, we'd be neutral about **G**, but we see little downside risk from here and great long term potential.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	10/20/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
HON	Honeywell Int'l Inc.	9/22/2000	\$ 46.000	\$59.52	(22.7%)	1.6	32.9%
BGP	Borders Group, Inc.	9/22/2000	\$ 14.000	\$29.31	(52.2%)	1.1	4.7%
BGG	Briggs & Stratton	9/22/2000	\$ 31.813	\$98.87	(67.8%)	1.3	(11.5%)
CTL	CenturyTel, Inc.	9/22/2000	\$ 31.938	\$40.74	(21.6%)	1.4	1.8%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 41.688	\$66.30	(37.1%)	0.9	(1.5%)
G	Gillette Company	9/14/2000	\$ 32.688	\$40.84	(20.0%)	3.5	12.5%
INTC	Intel Corporation	9/11/2000	\$ 43.063	\$67.55	(36.3%)	7.4	6.7%
LOW	Lowes Companies	9/22/2000	\$ 41.125	\$56.04	(26.6%)	2.5	6.0%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 25.563	\$46.28	(44.8%)	3.0	(5.5%)
NYT	New York Times Co.	9/22/2000	\$ 33.500	\$46.26	(27.6%)	2.6	(4.1%)
NUE	Nucor Corporation	9/22/2000	\$ 30.625	\$60.65	(49.5%)	0.9	1.9%
WEN	Wendy's International	9/22/2000	\$ 19.625	\$28.69	(31.6%)	1.5	1.9%

Average: (36.5%) Average: 3.8%

S&P 500 1.7%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales					Standard Market Statistics				
	Capital Turnover	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)
HON	1.2	0.7%	13.8%	14.0%	@SF	1.6%	17.7	3.3	1.6	36.8
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	11.4	1.3	0.3	1.1
BGG	2.2	(6.6%)	12.9%	30.5%	(39.5%)	3.8%	6.3	2.0	0.5	0.7
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.6%	16.5	2.1	2.7	4.5
DAL	0.6	10.6%	11.6%	11.9%	12.1%	0.2%	4.3	1.1	0.3	5.1
G	0.9	(1.8%)	21.3%	14.5%	(7.5%)	2.0%	26.2	9.9	3.7	34.4
INTC	0.9	15.4%	34.6%	24.3%	19.1%	0.2%	29.5	8.5	8.6	289.3
LOW	2.2	18.9%	7.4%	11.1%	18.7%	0.3%	21.9	3.7	0.9	15.7
MLHR	1.9	11.2%	12.1%	17.6%	11.4%	0.6%	18.1	8.5	1.0	2.0
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.4%	19.3	4.7	1.7	5.6
NUE	1.4	23.2%	9.3%	14.4%	13.3%	2.0%	7.9	1.2	0.6	2.5
WEN	0.9	9.6%	13.8%	10.2%	7.8%	1.2%	13.7	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	(26.2%)	(37.6%)	(20.6%)
CONSUMER CYCLICALS	(36.6%)	(26.1%)	(19.4%)
CONSUMER STAPLES	(10.9%)	(23.5%)	(10.2%)
HEALTH	(22.7%)	24.7%	25.4%
ENERGY	20.0%	123.7%	68.0%
FINANCIAL	(13.3%)	(31.7%)	(28.7%)
CAPITAL GOODS	(17.3%)	3.9%	(1.3%)
TECHNOLOGY	(11.5%)	0.1%	9.2%
COMMUNICATIONS	(28.8%)	48.4%	(44.6%) *
UTILITY	9.6%	(14.5%)	(20.3%)
TRANSPORTATION	(40.1%)	(25.0%)	(17.8%)
Weighted Total:	(14.1%)	2.2%	(0.7%)

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 10/20/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.7%	(0.8%)	3.4%	0.2%	3.5%	(1.5%)
CONSUMER CYCLICALS	6.6%	2.8%	12.0%	0.8%	16.8%	(1.2%)
CONSUMER STAPLES	10.3%	(0.5%)	7.2%	4.4%	8.4%	(0.7%)
HEALTH	11.9%	1.3%	13.8%	3.6%	13.6%	5.0%
ENERGY	6.0%	(0.9%)	7.4%	1.1%	5.9%	(2.4%)
FINANCIAL	15.2%	1.6%	11.2%	0.4%	12.1%	(0.5%)
CAPITAL GOODS	8.4%	(3.5%)	7.5%	8.3%	14.2%	2.1%
TECHNOLOGY	30.0%	4.4%	24.8%	5.3%	18.7%	5.0%
COMMUNICATIONS	6.2%	3.3%	1.7%	5.7%	0.3%	(0.2%) *
UTILITY	3.3%	(0.8%)	9.7%	(2.8%)	3.6%	(0.9%)
TRANSPORTATION	0.6%	3.1%	1.4%	(0.4%)	2.9%	2.1%
Index Total:		1.7%		2.8%		1.5%

* Sector contains only 3 companies

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

Sector Comments: Tech, Tech, Tech. It's always about Technology these days. The mid-week slump in IBM wasn't enough to dampen the enthusiasm of short-coverers on Thursday when investors perceived that the sudden conventional wisdom of a slowdown in PC's wasn't the whole story of what's happening in the Technology business. Rather than a wholesale slowdown, we seem to be seeing the normal volatility in market competition in an industry that anyone above the age of three knows can change radically in the space of a few weeks. Looking at the valuation metrics for Technology stocks, and taking the long view of revenue growth and profit margins, we see plenty to be sanguine about. Sure, there are still over-priced Tech stocks out there. But they tend to be the ones that are losing ground in the relentless grind of competition. Those companies, like SUNW, that are beating the pants off their competitors, are still great buys. And that's largely because we analysts tend to be too cautious about forecasts when companies are on a roll. (And too optimistic, like views of XRX have been, when companies are on a slippery slope).

This week, in keeping with the all-Tech theme, we present the value drivers for the Mid-Cap Technology stocks where the average valuation seems seriously out of line with both larger and smaller Tech stocks. Mid-Cap is an interesting grouping, if only because it is composed of rapidly gaining companies and those in fast fundamental decline as well.

(\$millions)	<u>Large Capitalization</u>		<u>Mid-Cap Capitalization</u>		<u>Small-Cap Capitalization</u>	
\$	12,219,994	90.6%	\$913,251	6.8%	\$ 356,225	2.6%

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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
3COM CORP	COMS	\$6,771	@AF	19.4	1.86	3.4	10.8	1.7	7.5	3.13	0.0%
ADTRAN INC	ADTN	\$1,633	31.1%	42.2	19.45	15.7	24.6	4.1	26.4	13.59	0.0%
AFFILIATED COMP SVCS -CL A	ACS	\$2,526	17.1%	50.9	41.24	12.6	22.5	3.5	13.0	10.33	0.0%
ANTEC CORP	ANTC	\$514	15.7%	13.6	13.75	6.2	23.4	3.2	7.2	9.03	0.0%
ARROW ELECTRONICS INC	ARW	\$3,242	40.5%	33.1	26.29	3.3	14.3	2.1	16.3	8.44	0.0%
ATMEL CORP	ATML	\$7,319	55.9%	15.9	2.46	9.0	42.5	7.7	23.5	6.66	0.0%
AVNET INC	AVT	\$2,424	66.2%	27.4	50.34	4.5	16.1	1.3	11.0	12.11	1.1%
AVOCENT CORP	AVCT	\$1,515	37.1%	64.9	20.14	27.6	46.6	13.2	67.3	36.07	0.0%
CABOT MICROELECTRONICS C	CCMP	\$932	121.3%	39.5	@NA	19.3	38.4	@NA	@NA	37.13	0.0%
CADENCE DESIGN SYS INC	CDN	\$6,464	47.2%	26.3	(1.08)	4.7	(88.6)	6.3	72.6	2.73	0.0%
CAMBRIDGE TECHNOLOGY PA	CATP	\$286	-2.2%	4.6	(6.86)	(4.0)	(12.5)	1.0	15.3	(7.82)	0.0%
CHECKFREE CORP	CKFR	\$2,760	25.1%	47.3	(11.28)	(5.5)	(68.7)	5.5	262.6	(2.94)	0.0%
CIRRUS LOGIC INC	CRUS	\$2,967	50.5%	45.0	(1.99)	4.2	14.4	(162.5)	(147.5)	5.23	0.0%
COMDISCO INC	CDO	\$2,007	-32.0%	13.2	28.11	13.3	22.2	2.7	@CF	7.67	0.8%
COMMSCOPE INC	CTV	\$1,037	29.1%	20.3	18.32	10.6	15.8	4.4	10.6	15.43	0.0%
CONCORD EFS INC	CEFT	\$8,298	42.5%	39.1	12.68	21.4	46.7	10.4	48.2	28.03	0.0%
CREDENCE SYSTEMS CORP	CMOS	\$907	289.5%	18.1	1.63	5.6	14.1	7.2	39.1	4.04	0.0%
CSG SYSTEMS INTL INC	CSGS	\$2,437	25.6%	47.4	22.43	26.3	19.6	12.8	32.7	31.82	0.0%
CYPRESS SEMICONDUCTOR C	CY	\$5,120	93.1%	41.2	10.14	16.0	24.4	6.6	22.9	10.17	0.0%
DSP GROUP INC	DSPG	\$878	54.0%	32.8	9.12	20.3	13.2	5.1	14.6	11.54	0.0%
DST SYSTEMS INC	DST	\$7,308	10.4%	58.3	13.43	15.5	42.4	5.1	28.6	8.13	0.0%
ELECTRONIC ARTS INC	ERTS	\$7,607	-16.8%	53.6	19.12	12.3	81.6	7.5	46.2	21.96	0.0%
FISERV INC	FISV	\$7,509	21.3%	60.9	(20.72)	14.7	46.4	6.7	37.1	4.56	0.0%
GARTNER GROUP INC	IT.B	\$756	19.8%	8.8	2.10	18.0	38.8	13.0	6.6	11.27	0.0%
HARRIS CORP	HRS	\$1,646	9.5%	23.9	13.08	6.2	83.6	1.4	17.6	3.43	0.8%
IMATION CORP	IMN	\$586	-12.7%	16.5	9.87	3.2	10.7	1.0	5.4	4.28	0.0%
INFOCUS CORP	INFS	\$995	126.5%	43.1	25.89	9.9	35.6	7.2	27.1	25.13	0.0%
INFORMIX CORP	IFMX	\$1,207	-2.7%	4.3	9.06	14.2	17.9	2.7	24.7	38.08	0.0%
INTEGRATED DEVICE TECH INI	IDTI	\$8,263	54.9%	79.4	9.52	14.6	46.4	12.7	34.6	9.25	0.0%
INTL RECTIFIER CORP	IRF	\$3,020	63.8%	48.8	26.08	14.2	38.0	3.7	23.3	13.36	0.0%
INTUIT INC	INTU	\$10,797	-3.6%	53.1	(0.96)	(1.1)	37.5	7.1	23.9	(0.28)	0.0%
INVESTMENT TECHNOLOGY GI	ITG	\$1,184	34.5%	37.9	34.81	36.7	19.9	10.3	21.0	33.17	0.0%
KEANE INC	KEA	\$1,053	-20.9%	15.1	28.22	12.5	41.4	2.9	11.3	21.73	0.0%
L-3 COMMUNICATIONS HLDGS	LLL	\$2,195	46.6%	66.0	38.17	10.3	27.4	3.2	19.3	10.37	0.0%
LAM RESEARCH CORP	LRCX	@NA	78.8%	19.3	27.24	20.3	12.4	5.9	(35.9)	19.25	0.0%
LATTICE SEMICONDUCTOR CC	LSCC	\$2,602	59.0%	26.3	(1.17)	5.1	20.8	5.4	223.7	2.14	0.0%
LEGATO SYSTEMS INC	LGTO	\$870	13.0%	10.0	3.73	9.1	(70.7)	3.4	61.9	8.46	0.0%
LITTON INDUSTRIES INC	LIT	\$2,290	19.1%	50.6	125.23	8.7	9.2	1.6	5.6	11.81	0.0%
MACROMEDIA INC	MACR	\$4,972	66.3%	84.6	4.27	5.5	237.7	15.5	227.3	6.81	0.0%
MARCHFIRST INC	MRCH	\$1,906	227.7%	13.0	15.33	12.8	(4.2)	2.1	21.6	18.49	0.0%
MENTOR GRAPHICS CORP	MENT	\$1,283	15.5%	20.0	13.56	14.1	54.8	5.3	48.9	12.68	0.0%
MICREL INC	MCRL	\$4,475	72.8%	53.2	9.38	27.1	104.7	37.3	78.8	27.96	0.0%
MICROCHIP TECHNOLOGY INC	MCHP	\$4,086	49.4%	34.5	16.56	26.2	32.1	6.3	24.2	23.81	0.0%
MYND CORP	YND	\$469	-19.3%	13.2	1.80	6.6	(3.1)	1.5	(16.5)	4.56	0.0%
NETWORKS ASSOCIATES INC	NETA	\$2,618	22.3%	19.0	(20.51)	(22.9)	62.8	4.8	(33.6)	(13.92)	0.0%
NOVA CORP/GA	NIS	\$1,091	7.0%	15.6	18.80	7.4	(428.1)	3.0	7.6	16.27	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

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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
NVIDIA CORP	NVDA	\$4,557	118.4%	69.6	13.48	14.5	78.0	40.9	91.9	23.36	0.0%
POLYCOM INC	PLCM	\$5,023	65.4%	70.8	9.63	21.4	118.5	40.6	144.7	51.56	0.0%
QLOGIC CORP	QLGC	\$7,123	58.1%	95.4	16.95	40.2	102.9	26.9	120.6	40.92	0.0%
QUANTUM CORP DSSG	DSS	\$2,225	10.7%	14.9	30.44	23.6	17.3	4.0	13.1	35.38	0.0%
RATIONAL SOFTWARE CORP	RATL	\$10,965	46.3%	58.8	1.11	24.4	137.4	27.4	101.8	10.29	0.0%
RETEK INC	RETK	\$1,989	31.4%	42.0	(1.86)	(8.1)	(68.8)	19.9	(636.2)	(7.02)	0.0%
SAWTEK INC	SAWS	\$1,731	69.3%	40.6	14.97	42.4	34.7	10.3	45.2	25.88	0.0%
SEMTECH CORP	SMTC	\$2,461	58.5%	37.0	11.02	26.4	60.4	21.1	70.8	44.61	0.0%
STORAGE TECHNOLOGY CP	STK	\$983	-21.7%	9.7	6.29	3.3	(16.7)	1.5	15.7	4.17	0.0%
STRUCTURAL DYNAMICS RESE	SDRC	\$389	6.4%	10.8	22.29	11.8	29.8	2.3	8.4	21.22	0.0%
SUNGARD DATA SYSTEMS INC SDS		\$6,086	17.5%	46.1	23.67	15.4	31.5	4.5	35.4	14.83	0.0%
SYBASE INC	SYBS	\$1,998	10.6%	22.6	17.50	10.6	30.7	5.5	15.6	28.76	0.0%
SYKES ENTERPRISES INC	SYKE	\$171	16.9%	4.1	1.48	5.1	3.2	1.1	3.0	4.16	0.0%
SYMANTEC CORP	SYMC	\$2,196	5.3%	36.1	41.41	21.7	14.1	4.3	10.2	31.97	0.0%
SYNOPSYS INC	SNPS	\$2,308	10.4%	35.6	51.45	29.2	@NA	3.1	11.8	30.91	0.0%
TITAN CORP	TTN	\$778	33.3%	14.8	8.29	7.9	61.1	5.6	13.4	11.91	0.0%
TRANSWITCH CORP	TXCC	\$5,893	129.8%	72.5	3.80	31.1	158.1	33.1	200.8	18.39	0.0%
TRIQUINT SEMICONDUCTOR IN TQNT		\$2,920	89.8%	37.4	5.79	23.5	60.7	9.1	87.4	11.11	0.0%
TRNSACTN SYS ARCHTCTS -C	TSAI	\$542	-11.5%	16.4	24.59	15.5	37.8	2.3	9.1	19.89	0.0%
VITESSE SEMICONDUCTOR CC	VTSS	\$13,797	71.2%	76.9	9.20	33.1	386.7	28.5	128.8	22.45	0.0%
WATERS CORP	WAT	\$8,477	13.3%	66.3	16.44	21.5	80.5	37.9	54.6	24.72	0.0%
WIND RIVER SYSTEMS INC	WIND	\$3,106	39.2%	42.4	13.52	27.5	(126.2)	10.0	54.5	14.48	0.0%

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Red - Warning

Bold Blue - Favorable Drivers

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