

Intrinsic Value Weekly

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"The Bullish Scenario"

While the Intrinsic Value Portfolio performed well last week, its average discount to intrinsic value is still large. The S&P 500 Index fell last week, largely because of the continued weakness in Technology stocks. Yet INTC rose sharply. And all the intrinsic value stocks beat the index, except BGP. The weakness in the economy we have noted was confirmed by the very slow growth in GDP reported on Friday, notably the slower growth in Business Investment. This underscores the current worries about Technology revenue growth, but certainly is a short-term concern and one which will likely be reversed in the intermediate term. While the widely reported success of the fight against inflation is invariably ascribed to improved productivity due to heavy investment in new productivity-enhancing technology, the inflation number accompanying the GDP report remains low, even though technology investment has slowed. We, on the other hand, ascribe low inflation to monetary policy and slowing growth to a rapidly rising effective marginal tax rates, as families are encountering higher rates with higher incomes. So far, the evidence is supporting our view. Often, a change in the public agenda accompanies a change of leadership in the White House. We expect that if and when the change occurs, the current economic weakness will be blamed on high income tax rates and fiscal policy will be focused on tax rate reduction. We'd view that event as very bullish. And, not only for the U.S., but for all the developed world. Indeed, when tax rate reduction was at the top of the policy agenda in the 1980's, governments around the world reduced rates and world economic growth surged. Further, the push toward lower trade barriers should revive, making all economies more efficient and accelerating the importance of efficient communication and giving a new impetus to the spread of technology. That's a scenario for rising profitability and higher markets. Now that the cost of capital is relatively low, only rising profits will give us the yearly rates of return we got used to in the 1990's. A smaller Federal government should ensue, but as an afterthought, not a policy focus.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	10/27/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
HON	Honeywell Int'l Inc.	9/22/2000	\$ 51.500	\$59.52	(13.5%)	1.6	12.0%
BGP	Borders Group, Inc.	9/22/2000	\$ 13.250	\$29.31	(54.8%)	1.1	(5.4%)
BGG	Briggs & Stratton	9/22/2000	\$ 35.000	\$98.87	(64.6%)	1.3	10.0%
CTL	CenturyTel, Inc.	9/22/2000	\$ 34.063	\$40.74	(16.4%)	1.4	6.7%
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 43.250	\$66.30	(34.8%)	0.9	3.7%
G	Gillette Company	9/14/2000	\$ 32.875	\$40.84	(19.5%)	3.5	0.6%
INTC	Intel Corporation	9/11/2000	\$ 46.375	\$67.55	(31.3%)	7.4	7.7%
LOW	Lowe's Companies	9/22/2000	\$ 41.875	\$56.04	(25.3%)	2.5	1.8%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 25.563	\$46.28	(44.8%)	3.0	0.0%
NYT	New York Times Co.	9/22/2000	\$ 35.375	\$46.26	(23.5%)	2.6	5.6%
NUE	Nucor Corporation	9/22/2000	\$ 31.563	\$60.65	(48.0%)	0.9	3.1%
WEN	Wendy's International	9/22/2000	\$ 20.250	\$28.69	(29.4%)	1.5	3.2%

Average: (33.8%) Average: 4.1%

Bold - Outperformed the S&P 500 for the week

S&P 500 (1.2%)

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%	3.0%	1.5%	17.7	3.3	1.6	41.3
BGP	1.0	13.7%	5.7%	10.9%	10.9%	0.0%	11.4	1.3	0.3	1.0
BGG	2.2	(6.6%)	12.9%	30.5%	(39.5%)	3.4%	6.3	2.0	0.5	0.8
CTL	0.4	2.0%	30.3%	11.1%	1.5%	0.6%	16.5	2.1	2.8	4.8
DAL	0.6	11.0%	11.6%	11.9%	13.5%	0.2%	4.3	1.1	0.3	5.3
G	0.9	(1.8%)	21.3%	14.5%	(7.5%)	2.0%	26.2	9.9	3.7	34.6
INTC	0.9	15.4%	34.6%	24.3%	19.1%	0.2%	29.5	8.5	9.3	311.6
LOW	2.2	18.9%	7.4%	11.1%	18.7%	0.3%	21.9	3.7	0.9	16.0
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%	1.3%	19.3	4.7	1.8	6.0
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.9%	7.9	1.2	0.6	2.6
WEN	0.9	9.6%	13.8%	10.2%	7.8%	1.2%	13.7	2.2	1.1	2.3

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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(21.6%)	(36.5%)	(20.3%)
CONSUMER CYCLICALS	(36.8%)	(24.9%)	(17.4%)
CONSUMER STAPLES	(7.1%)	(23.3%)	(9.2%)
HEALTH	(21.0%)	22.9%	24.7%
ENERGY	14.3%	85.7%	47.7%
FINANCIAL	(12.0%)	(30.6%)	(27.4%)
CAPITAL GOODS	(15.6%)	2.4%	(0.3%)
TECHNOLOGY	(17.9%)	(6.5%)	5.3%
COMMUNICATIONS	(28.1%)	49.8%	(49.5%) *
UTILITY	7.4%	(14.8%)	(21.2%)
TRANSPORTATION	(37.8%)	(24.5%)	(15.8%)
Weighted Total:	(15.4%)	(4.0%)	(2.4%)

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 10/27/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	1.9%	6.2%	3.6%	1.7%	3.5%	0.3%
CONSUMER CYCLICALS	6.6%	(0.3%)	12.6%	1.6%	17.2%	2.4%
CONSUMER STAPLES	10.9%	4.2%	7.5%	0.3%	8.5%	1.1%
HEALTH	12.3%	2.2%	14.0%	(1.4%)	13.9%	(0.6%)
ENERGY	5.9%	(4.7%)	5.8%	(17.0%)	5.2%	(12.1%)
FINANCIAL	15.7%	1.5%	12.0%	1.7%	12.3%	1.9%
CAPITAL GOODS	8.7%	2.0%	7.7%	(1.5%)	14.5%	1.1%
TECHNOLOGY	27.8%	(7.2%)	23.7%	(6.6%)	18.1%	(3.5%)
COMMUNICATIONS	6.4%	1.0%	1.7%	0.9%	0.3%	(8.8%) *
UTILITY	3.2%	(2.1%)	9.9%	(0.3%)	3.6%	(1.2%)
TRANSPORTATION	0.6%	3.9%	1.4%	0.7%	3.0%	2.4%
Index Total:		(1.2%)		(2.3%)		(0.6%)

* Sector contains only 3 companies

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

Sector Comments: Technology again. And we find that slow GDP is reflecting its slow-down, giving the bears some evidence for even lower prices. But, large cap Tech stocks are now more than 17% under-valued in the market because our valuation is based on long-term growth trends, not last quarter's slowing. In the short run, prices could retreat more. But the odds of higher investment returns in the Technology sector are greatly improved. Energy stocks have begun the retreat we've been expecting for a while. The incentives for producing more energy are well above the levels required to relieve any short-term pressures on energy prices. And Energy stocks more than discount any reasonable long-term growth. The overshooting of valuation on one side or the other has been common in this sector, so the risk in Energy stocks is high right now. Not to say that the drop is imminent. A cold winter or a disruption in the Middle East could keep Energy stocks elevated above their long-term values for a while longer. But the odds are not good for above average returns in the intermediate to long term.

You should note that all three markets are now undervalued. Not by much, though, for Mid Cap and Small Cap markets. Long term expected returns are now 9.8% for Large Cap stocks, 8.3% for Mid Cap and 8.1% for Small Cap stocks. These are averages though and the expected returns for individual stocks vary widely from these figures. On Page 3 this week, we reveal the value drivers for Large Cap Basic stocks. The sector is undervalued by an average of 21% and have fallen by an average of 16% this year.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 12,016,866	90.6%	\$887,762
			6.7%
			\$ 356,982
			2.7%

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Basics are down 16% this year.

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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
AIR PRODUCTS & CHEMICALS	APD	\$7,759	15.5%	36.4	23.29	11.4	257.1	2.6	7.8	7.80	2.1%
ALCAN ALUMINIUM LTD	AL	\$6,318	8.7%	29.4	26.51	7.9	9.5	1.2	6.9	6.17	2.0%
ALCOA INC	AA	\$21,624	55.4%	25.0	12.99	7.4	14.4	3.0	9.5	6.80	2.0%
ALLEGHENY TECHNOLOGIES II	ATI	\$1,562	8.8%	19.1	16.28	7.3	13.3	1.4	8.4	6.06	4.2%
ARCHER-DANIELS-MIDLAND CO	ADM	\$6,323	43.9%	10.5	10.62	5.6	18.5	0.9	7.3	5.99	1.8%
BARRICK GOLD CORPORATION	ABX	\$5,396	-1.5%	13.6	14.93	31.0	19.8	1.5	7.5	9.25	1.6%
BEMIS CO	BMS	\$1,305	7.5%	24.6	22.20	6.3	13.1	2.3	6.0	8.46	3.9%
BETHLEHEM STEEL CORP	BS	\$356	0.2%	2.7	(47.88)	(4.6)	(2.9)	0.5	4.8	(3.72)	0.0%
BOISE CASCADE CORP	BCC	\$1,519	7.4%	26.5	45.26	5.3	8.4	1.0	3.1	7.65	2.3%
DOW CHEMICAL	DOW	\$18,609	21.9%	27.4	15.84	8.7	10.9	2.0	7.1	7.03	4.2%
DU PONT (E I) DE NEMOURS	DD	\$44,108	12.7%	42.3	28.18	11.8	197.3	3.4	26.6	9.01	3.3%
EASTMAN CHEMICAL CO	EMN	\$3,038	16.6%	39.6	6.47	5.9	21.1	1.6	7.2	4.19	4.4%
ECOLAB INC	ECL	\$4,895	8.3%	38.2	21.62	10.3	24.7	6.1	17.3	13.87	1.3%
ENGELHARD CORP	EC	\$2,402	35.2%	18.8	24.74	6.0	9.3	2.7	7.7	12.04	2.1%
FMC CORP	FMC	\$2,077	-11.1%	68.3	101.40	8.5	11.0	2.7	5.5	8.39	0.0%
FREEMONT MCMOR COP&GLD	FCX	\$1,185	0.0%	7.8	11.23	19.1	26.7	4.3	2.9	9.57	2.6%
GEORGIA-PACIFIC GROUP	GP	\$4,141	-3.2%	24.3	32.86	5.3	5.0	1.1	2.2	7.22	2.1%
GRACE (W R) & CO	GRA	\$192	6.0%	3.6	19.17	13.2	3.4	2.8	1.0	114.97	0.0%
GREAT LAKES CHEMICAL CORP	GLK	\$1,579	7.7%	30.3	20.01	10.8	12.1	1.6	7.2	7.32	1.1%
HERCULES INC	HPC	\$1,949	-1.3%	18.2	16.22	11.5	11.8	1.7	4.9	6.26	1.8%
HOMESTAKE MINING	HM	\$1,091	1.0%	4.2	(3.14)	(0.4)	(129.7)	1.8	7.8	(0.18)	1.2%
INCO LTD	N	\$2,610	18.2%	14.4	(6.48)	6.8	11.3	0.9	9.7	1.97	0.7%
INTL FLAVORS & FRAGRANCES	IFF	\$1,725	-6.9%	15.7	40.27	19.8	10.7	2.2	7.5	24.97	9.7%
INTL PAPER CO	IP	\$16,023	24.8%	33.3	1.97	5.0	16.2	1.2	8.0	4.35	3.0%
LOUISIANA-PACIFIC CORP	LPX	\$931	-18.2%	8.9	44.59	14.1	5.3	0.7	2.2	17.97	6.3%
MEAD CORP	MEA	\$2,769	17.1%	27.0	12.63	6.8	10.4	1.0	5.9	5.32	2.5%
NEWMONT MINING CORP	NEM	\$2,301	10.4%	13.7	2.52	9.6	(1,700.0)	2.0	8.7	5.36	0.9%
NUCOR CORP	NUE	\$2,561	13.3%	31.6	64.20	10.6	7.9	1.2	5.5	14.36	1.9%
PACTIV CORP	PTV	\$1,726	-3.2%	10.9	17.31	12.6	(19.3)	1.4	25.4	8.40	0.0%
PHELPS DODGE CORP	PD	\$3,345	60.7%	42.5	(33.63)	2.4	(14.5)	1.0	44.7	1.19	4.7%
PLACER DOME INC	PDG	\$2,642	14.5%	8.1	5.77	17.9	(471.9)	1.9	9.6	7.82	1.2%
POTLATCH CORP	PCH	\$923	-6.7%	31.4	20.82	6.8	35.1	1.0	4.8	5.03	5.5%
PPG INDUSTRIES INC	PPG	\$6,958	6.3%	40.0	38.52	9.2	11.4	2.2	7.1	9.05	4.0%
PRAXAIR INC	PX	\$5,591	9.1%	35.4	30.85	13.7	12.9	2.6	6.4	7.66	1.8%
ROHM & HAAS CO	ROH	\$5,985	6.3%	27.3	12.82	10.6	18.3	1.8	9.7	7.93	2.9%
SIGMA-ALDRICH	SIAL	\$2,870	2.4%	35.5	19.53	14.2	20.6	2.6	16.2	8.99	0.9%
TEMPLE-INLAND INC	TIN	\$2,119	9.8%	41.6	(108.36)	12.0	8.7	1.1	5.5	5.59	3.1%
UNION CARBIDE CORP	UK	\$4,957	18.1%	36.8	19.36	8.0	12.8	1.9	6.9	6.04	2.4%
USX-U S STEEL GROUP	X	\$1,242	7.2%	14.0	(23.22)	4.4	13.9	0.7	3.5	2.57	7.1%
VULCAN MATERIALS CO	VMC	\$3,968	3.8%	39.3	44.40	15.4	16.2	3.1	8.9	17.72	2.1%
WESTVACO CORP	W	\$2,668	32.5%	26.5	13.33	9.0	13.5	1.2	6.8	4.86	3.3%
WEYERHAEUSER CO	WY	\$9,583	18.3%	43.0	46.93	10.8	10.4	1.3	8.0	9.42	3.7%
WILLAMETTE INDUSTRIES	WLL	\$3,583	2.7%	32.8	57.76	13.7	9.1	1.4	6.5	12.53	2.6%
WORTHINGTON INDUSTRIES	WOR	\$766	4.6%	8.9	28.71	10.0	10.0	1.2	4.6	13.86	7.2%

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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