

Intrinsic Value Weekly

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"What's Correct about a Correction?"

The further drop of industrial and transportation companies this past week typifies a bear market. When excellent fundamental news is ignored as if it didn't happen at all, the fear factor is in full flood. In the Intrinsic Value Portfolio, solid results at WEN and NUE offered no support for their stock prices. Our experience is that good results and under-pricing will ultimately prevail. But, I assure you that doing round-trips on the valuation train isn't fun and it argues for selling stuff when it even approaches intrinsic value. Nevertheless, now that prices are lower, I am duty-bound to say that expected returns are now higher than they were. Low prices are good for buyers for that reason: they can expect a high future return. But, of course if you already own the stock, buying opportunities like this can be painful. That is why fundamental analysis is important. When you know the intrinsic value of a stock, or least have made a pretty good job of estimating it, you can have some confidence that the irrationality you're seeing in the market will not last. You will ask yourself, though, "Did I miss something?". And that's where the solid results come in. Growing the intrinsic value of the business through rising sales, stable or rising margins, solid free cash flow helps support the hope that if your estimate of intrinsic value is too high that at least the company can grow into the number. And you are comforted somewhat in the knowledge that the fools selling these bargains haven't done their homework the way you have.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	Price 2/11/2000	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
AC	Alliance Capital Mgt LP	9/24/1999	\$ 38.188	\$44.68	(14.5%)	6.7	(3.0%)
HON	Honeywell Int'l Inc.	4/29/1999	\$ 42.250	\$64.60	(34.6%)	2.1	(10.8%)
BGP	Borders Group, Inc.	1/10/2000	\$ 13.063	\$33.34	(60.8%)	1.1	(7.1%)
BGG	Briggs & Stratton	9/20/1999	\$ 38.188	\$117.62	(67.5%)	1.7	(11.2%)
CTL	CenturyTel, Inc.	3/1/1999	\$ 37.875	\$45.97	(17.6%)	1.8	(3.0%)
DAL	Delta Air Lines, Inc.	3/1/1999	\$ 46.938	\$66.79	(29.7%)	0.9	(1.7%)
G	Gillette Company	6/23/1999	\$ 36.500	\$48.52	(24.8%)	4.1	(2.7%)
LOW	Lowe's Companies	9/27/1999	\$ 46.000	\$61.77	(25.5%)	3.3	(4.9%)
MLHR	Herman Miller, Inc.	7/5/1999	\$ 21.250	\$46.47	(54.3%)	2.4	(3.5%)
NYT	New York Times Co.	2/10/2000	\$ 47.625	\$49.37	(3.5%)	3.1	(1.4%)
NUE	Nucor Corporation	3/1/1999	\$ 47.125	\$57.99	(18.7%)	1.7	(3.3%)
PFE	Pfizer, Inc.	6/23/1999	\$ 34.188	\$42.73	(20.0%)	10.5	(4.4%)
WEN	Wendy's International	3/1/1999	\$ 17.375	\$29.86	(41.8%)	1.5	(5.8%)

Average: (33.2%) Average: (4.8%)
S&P 500 (2.6%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Sales		EBIT Margin %	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%	6.5%	17.3	14.9	3.4
HON	0.7%		13.0%	11.5%	(1.0%)	1.6%	17.7	5.1	1.6
BGP	13.7%		6.4%	8.8%	17.6%	0.0%	13.5	1.5	0.4
BGG	14.4%		12.0%	26.4%	17.3%	3.1%	7.1	2.8	0.6
CTL	6.3%		30.4%	10.9%	2.8%	0.5%	22.5	3.5	3.2
DAL	4.5%		12.7%	10.4%	7.7%	0.2%	5.0	1.4	0.4
G	(1.6%)		23.1%	17.1%	(4.4%)	1.6%	32.4	8.8	4.2
LOW	19.7%		6.8%	10.7%	19.2%	0.3%	26.6	5.0	1.0
MLHR	(1.3%)		12.7%	18.4%	(0.2%)	0.7%	12.9	8.3	1.0
NYT	3.7%		17.5%	11.8%	6.9%	0.9%	28.2	5.4	2.8
NUE	(3.4%)		9.9%	12.6%	25.0%	1.1%	17.8	2.1	1.1
PFE	19.6%		27.0%	20.2%	16.6%	0.9%	42.6	15.9	8.5
WEN	2.0%		12.6%	9.2%	11.4%	1.4%	16.9	2.2	1.2

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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	10.7%	(33.7%)	(9.4%)
CONSUMER CYCLICALS	(16.8%)	(31.2%)	(23.9%)
CONSUMER STAPLES	(9.8%)	(13.0%)	(17.6%)
HEALTH	(35.0%)	(7.1%)	14.6%
ENERGY	(7.6%)	48.2%	9.6%
FINANCIAL	(22.0%)	(40.0%)	(36.4%)
CAPITAL GOODS	9.2%	10.4%	(3.9%)
TECHNOLOGY	35.7%	44.2%	98.8%
COMMUNICATIONS	(0.9%)	48.8% *	115.1% *
UTILITY	(16.7%)	(26.0%)	(18.3%)
TRANSPORTATION	(39.3%)	(38.8%)	(17.5%)
Weighted Total:	2.8%	4.3%	23.4%

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 2/11/2000	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.6%	(7.1%)	4.2%	(4.8%)	3.6%	(1.2%)
CONSUMER CYCLICALS	8.5%	(4.8%)	12.3%	(11.1%)	15.2%	(3.9%)
CONSUMER STAPLES	11.0%	(2.1%)	8.5%	(2.2%)	6.7%	(2.8%)
HEALTH	9.5%	(5.6%)	9.3%	(10.9%)	12.8%	8.4%
ENERGY	5.2%	(4.4%)	4.8%	0.8%	2.9%	(2.6%)
FINANCIAL	12.1%	(4.4%)	9.7%	(5.8%)	9.2%	(4.2%)
CAPITAL GOODS	7.6%	(6.1%)	7.9%	0.1%	12.0%	(6.0%)
TECHNOLOGY	32.1%	0.9%	31.7%	4.3%	30.6%	4.5%
COMMUNICATIONS	8.3%	(2.7%)	1.6%	(7.9%) *	0.9%	(0.4%) *
UTILITY	2.5%	(1.1%)	9.2%	(3.0%)	3.2%	(4.0%)
TRANSPORTATION	0.5%	(7.1%)	1.0%	(0.4%)	2.9%	(5.0%)
Index Total:		(2.6%)		(0.4%)		0.6%

* Sector contains only 3 companies

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

Sector Comments The drop in stocks so far this year, except for **Large Cap Performance (Year-to-date)**

Health, Tech and Utilities has been in double digits, with Basics down 17%, Consumer Cyclical and the Transports each down 15%. Thus has the notion of slowing economic growth to reduce inflationary pressures taken hold of the investment world. This is certainly what a Bear Market feels like. And let me be clear, the Federal Reserve, through its direct power to control credit creation through the banking system, can slow the economy if it wishes to do so. We have observed that the Fed has been following a "price rule" for monetary policy for some time, resulting in very low measured inflation. However, if the Fed chooses to cause an economic slowdown, that move will be on top of any "price rule" activity and the valuation effects will be relatively short but painful. The strength of Utility stocks in the face of higher fuel costs confirms this hypothesis for us.

BASIC INDUSTRY	(17.1%)
CONSUMER CYCLICALS	(15.0%)
CONSUMER STAPLES	(5.7%)
HEALTH	(0.1%)
ENERGY	(10.5%)
FINANCIAL	(12.1%)
CAPITAL GOODS	(12.6%)
TECHNOLOGY	(2.4%)
COMMUNICATIONS	(10.2%)
UTILITY	6.6%
TRANSPORTATION	(15.3%)

Page 3 Data shows the drivers for the most under-priced sector, Mid Cap Financials. Note the low Return on Capital.

(\$millions)	Large Capitalization		Mid-Cap Capitalization		Small-Cap Capitalization
\$	11,642,507	90.2%	\$882,965	6.8%	\$ 380,808 3.0%

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Mid Cap Financial Stocks are Cheapest, but oh, that ROC! **

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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
ALLMERICA FINANCIAL CORP	AFC	\$2,419	-12.3%	44.6	(330.85)	10.5	7.5	1.1	@CF	1.43	0.6%
AMBAC FINANCIAL GP	ABK	\$3,125	17.5%	44.7	(38.37)	82.4	11.1	1.6	12.2	10.32	1.0%
AMERICAN FINL GROUP INC	AFG	\$1,102	-16.2%	18.9	(156.80)	7.2	13.5	0.8	5.0	1.98	5.3%
ASSOCIATED BANC CORP	ASBC	\$1,793	7.7%	28.4	0.00	0.0	11.6	2.2	9.7	-	4.1%
ASTORIA FINL CORP	ASFC	\$1,361	15.7%	26.3	(122.89)	24.5	6.5	1.3	15.6	3.16	3.6%
CCB FINANCIAL CORP	CCB	\$1,645	8.0%	41.6	(95.04)	28.4	11.5	2.6	12.1	15.58	2.8%
CHARTER ONE FINL INC	CF	\$3,649	24.6%	17.4	(97.97)	26.3	12.4	1.7	8.7	5.05	3.7%
CITY NATIONAL CORP	CYN	\$1,375	19.7%	30.3	(65.37)	33.3	14.8	2.9	12.4	11.77	2.2%
COMPASS BANCSHARES INC	CBSS	\$2,031	7.4%	17.9	(85.46)	23.7	10.4	1.9	8.8	6.47	4.5%
DIME BANCORP INC	DME	\$1,386	12.2%	12.5	(90.30)	21.8	6.4	1.0	3.3	4.26	1.9%
E TRADE GROUP INC	EGRP	\$5,406	112.2%	21.4	(3.98)	(8.9)	(105.3)	5.5	(232.3)	(7.60)	0.0%
EDWARDS (A G) INC	AGE	\$2,857	36.3%	31.4	29.72	15.2	8.7	1.9	8.8	16.36	1.9%
EVEREST REINSURANCE HLDC	RE	\$1,078	4.3%	22.4	(24.71)	16.2	7.8	0.9	6.8	3.77	1.1%
FINOVA GROUP INC	FNV	\$1,851	21.8%	30.3	123.14	66.9	9.0	1.5	6.6	8.15	2.4%
FIRST SECURITY CORP/DE	FSCO	\$4,649	12.8%	23.8	(55.58)	23.5	18.5	3.0	14.8	4.97	2.4%
FIRST TENNESSEE NATL CORP	FTN	\$3,169	-6.5%	24.3	(60.86)	18.3	13.7	3.1	8.4	6.02	3.6%
FIRST VIRGINIA BANKS INC	FVB	\$1,708	-3.3%	34.8	(90.93)	30.6	12.5	1.8	11.0	14.78	4.1%
FIRSTMERIT CORP	FMER	\$1,502	2.8%	17.0	(45.49)	27.9	13.5	1.8	10.9	11.98	4.7%
GREENPOINT FINANCIAL CORP	GPT	\$1,895	13.2%	18.2	(75.21)	29.2	8.7	1.0	7.8	10.90	4.8%
HIBERNIA CORP -CL A	HIB	\$1,483	14.0%	9.3	(55.99)	21.6	9.8	1.3	7.0	7.71	5.2%
HORACE MANN EDUCATORS C	HMN	\$654	3.9%	15.9	(45.15)	16.2	17.5	1.6	7.4	2.91	2.6%
HSB GROUP INC	HSB	\$738	0.3%	25.4	(24.24)	14.9	11.0	1.9	6.1	3.87	6.9%
KEYSTONE FINANCIAL INC	KSTN	\$851	-2.3%	17.5	(73.11)	24.8	24.1	1.4	7.3	8.70	6.6%
LEGG MASON INC	LM	\$2,094	31.6%	36.6	(5.70)	16.1	17.4	3.8	18.6	19.76	0.9%
MARSHALL & ILSLEY CORP	MI	\$5,415	2.7%	50.8	(94.34)	29.2	16.3	2.5	13.1	9.08	1.9%
MERCANTILE BANKSHARES C	MRBK	\$1,811	5.1%	26.4	(32.70)	36.8	12.8	2.1	11.8	13.73	3.6%
NATIONAL COMM BANCORP/T	NCBC	\$2,063	20.2%	19.1	(28.01)	29.6	20.8	5.2	20.9	7.72	2.2%
NORTH FORK BANCORPORATI	NFB	\$2,023	11.4%	15.8	(16.53)	37.3	10.4	2.9	11.5	9.17	4.6%
OHIO CASUALTY CORP	OCAS	\$706	16.0%	11.8	(31.56)	6.7	7.3	0.6	7.4	2.27	7.8%
OLD REPUBLIC INTL CORP	ORI	\$1,452	-10.1%	11.5	18.76	21.5	6.9	0.7	@CF	6.71	4.5%
PACIFIC CENTURY FINANCIAL	BOH	\$1,246	-2.6%	15.6	0.00	0.0	10.4	1.2	7.7	-	4.4%
PMI GROUP INC	PMI	\$1,656	16.2%	37.1	75.82	44.2	9.1	1.7	8.6	15.13	0.4%
PROTECTIVE LIFE CORP	PL	\$1,564	9.4%	24.3	(115.01)	17.1	12.4	1.9	11.1	2.08	2.0%
PROVIDENT FINANCIAL GRP IN	PFGI	\$1,455	13.4%	33.0	0.00	0.0	9.2	1.9	9.0	-	2.7%
RELIASTAR FINANCIAL CORP	RLR	\$2,796	13.3%	32.4	(180.58)	10.5	10.3	1.2	11.4	1.36	2.5%
SOVEREIGN BANCORP INC	SVRN	\$1,621	17.4%	7.2	(96.47)	18.8	6.8	0.9	7.0	3.26	1.4%
TCF FINANCIAL CORP	TCB	\$1,711	-1.2%	20.9	(59.81)	26.5	11.4	2.3	9.1	6.83	3.6%
UNITRIN INC	UNIT	\$2,458	12.0%	34.6	0.00	0.0	13.0	1.5	12.2	-	4.0%
WEBSTER FINL CORP WATERE	WBST	\$837	12.0%	22.0	(111.43)	21.4	10.9	1.6	8.7	4.28	2.5%
WESTAMERICA BANCORPORA	WABC	\$877	0.0%	23.6	0.00	0.0	12.8	2.7	11.5	-	3.0%
WILMINGTON TRUST CORP	WL	\$1,549	11.8%	47.9	(64.68)	28.2	15.3	3.0	12.4	9.16	3.5%
ZIONS BANCORPORATION	ZION	\$4,681	4.6%	54.7	(130.90)	23.7	26.2	4.6	21.6	8.71	2.1%

** You will note that Free Cash Flow Annuity is not a very useful metric for Financial Stocks

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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