

# Intrinsic Value Weekly

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The Health Sector seems headed for a major "buying" opportunity next Spring when the Bi-Partisan Medicare panel will perhaps recommend price controls for pharmaceuticals purchased by Medicare insureds. The sector slumped badly last week on that prospect and right now remains only slightly over-priced. Mid-cap Health stocks look like a better bet in that they are already under-valued. See Page 3. Transportation stocks, particularly Airlines, got a boost last week from the prospect of relaxed rules for foreign buyers of US carriers. The sector is generally under-priced, but only a bit. Easy to get carried away without some notion of the intrinsic value. Our pick is Delta Airlines, under-priced but rising. Finally, the improved outlook for the Technology Sector has been accompanied by a surge in price clearly over-doing the enthusiasm for a sector which is already over-priced for its growth prospects. Individual companies can gain market share at the expense of others, as with Dell Computer, but the overall sector prospects haven't changed much.

\*\*\*\*\* Have a Joyous and Healthy Holiday Season \*\*\*\*\*

## ECONOMIC SECTOR VALUATION - FUNDAMENTALS AS OF September, 1998

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	6.0%	(18.2%)	(4.4%)
CONSUMER CYCLICALS	(5.2%)	(24.1%)	4.9%
CONSUMER STAPLES	13.0%	(14.3%)	15.3%
HEALTH	1.8%	(22.2%)	(0.8%)
ENERGY	(2.8%)	(27.4%)	(38.5%)
FINANCIAL	1.2%	(2.4%)	(23.3%)
CAPITAL GOODS	14.8%	(13.1%)	(15.6%)
TECHNOLOGY	19.2%	14.0%	3.2%
COMMUNICATIONS	28.4%	1.8%	(31.2%)
UTILITY	(2.7%)	(22.4%)	(2.1%)
TRANSPORTATION	(6.3%)	8.1%	(3.7%)
<b>Weighted Total:</b>	<b>8.9%</b>	<b>(9.4%)</b>	<b>(4.1%)</b>

Black - Overvalued

Red - (Undervalued)

## WEEKLY PRICE CHANGE

SECTORS	S&P 500		S&P MIDCAP		S&P SMALL CAP	
	Weight	Price	Weight	Price	Weight	Price
prices as of 12/18/98	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	3.2%	(2.2%)	5.4%	(2.6%)	5.8%	2.0%
CONSUMER CYCLICALS	9.0%	0.8%	14.1%	(0.5%)	19.7%	0.2%
CONSUMER STAPLES	14.7%	(1.1%)	8.6%	0.2%	9.9%	1.0%
HEALTH	12.2%	(3.6%)	9.0%	(1.7%)	10.8%	(0.1%)
ENERGY	6.7%	0.1%	3.1%	(0.8%)	2.5%	(0.7%)
FINANCIAL	14.5%	4.2%	13.3%	1.2%	15.3%	0.5%
CAPITAL GOODS	8.0%	2.2%	9.4%	0.5%	12.3%	0.6%
TECHNOLOGY	19.1%	2.5%	21.7%	4.9%	16.3%	3.0%
COMMUNICATIONS	8.4%	2.9%	1.9%	1.8%	0.2%	9.3% *
UTILITY	3.3%	2.7%	11.8%	0.7%	5.0%	1.5%
TRANSPORTATION	0.9%	2.5%	1.7%	0.1%	3.2%	3.1%

\* Sector contains only 2 companies

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## Intrinsic Value Portfolio

Current Data on stocks with Current Intrinsic Value Reports

Symbol Name	Price 12/18/98	Intrinsic Value	+/- %	Q Ratio
ALD AlliedSignal Inc.	\$ 43.125	\$48.89	(12%)	2.2
CTL Century Telephone Enterprises, Inc.	\$ 62.125	\$54.16	15%	1.8
DAL Delta Air Lines, Inc.	\$ 51.500	\$74.44	(31%)	1.0
G Gillette Company	\$ 43.313	\$48.20	(10%)	5.7
INTC Intel Corporation	\$120.000	\$112.11	7%	7.9
NUE Nucor Corporation	\$ 41.750	\$68.82	(39%)	1.6
PNM Public Service Company of New Mexico	\$ 19.813	\$28.66	(31%)	0.8
SLB Schlumberger Limited	\$ 44.625	\$55.18	(19%)	2.4
WEN Wendy's International	\$ 19.813	\$25.43	(22%)	1.6

### Value Drivers

### Standard Market Statistics

	Sales Growth 12M	EBIT Margin %	ROC	Leverage at Market	Yield	PE	PB	PS
ALD	7.9%	11.4%	11.8%	19.1%	1.4%	19.1	5.6	1.6
CTL	74.6%	29.7%	9.1%	32.0%	0.4%	18.9	4.0	3.6
DAL	4.9%	12.0%	14.2%	63.5%	0.2%	7.5	2.0	0.6
G	-0.3%	23.1%	20.2%	7.3%	1.2%	46.4	10.0	5.1
INTC	0.7%	39.4%	33.5%	0.5%	0.1%	31.0	8.2	7.0
NUE	6.0%	11.0%	21.1%	6.3%	1.1%	13.3	2.0	0.9
PNM	15.4%	14.3%	7.0%	52.0%	4.0%	9.9	1.0	0.7
SLB	9.6%	15.5%	14.6%	13.8%	1.7%	21.2	3.3	1.9
WEN	-1.5%	14.9%	11.9%	28.3%	1.2%	23.8	2.0	1.3

### Notes on Intrinsic Value Portfolio

Percentage-wise last week was a great one for the portfolio, up an average of 4.7%.

**Public Service of New Mexico's** rate reduction was stayed by the New Mexico Supreme Court, setting the stage for a prototypical workout of the forces playing out in the de-regulation of electricity production and distribution. We contend that these companies will ultimately be allowed to organize their assets and activities to substantially increase both revenue growth and return on capital, while reducing the cost of electricity for the user. A classic value-enhancing scenario.

The prospects for oil-related stocks seem as bleak as they've ever been. We think this is probably over-done, given the cyclical reductions in energy demand overseas. Any reduction in the rate of decrease would have very positive effects on oil prices, and oil-related stocks.

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Health - S&P Mid Cap Index

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Company Name	Ticker	Market Value - Equity	Last 12MM Sales Growth	ROE	NOPAT Margin	PE Ratio	Price/Book Ratio	Price/Cash Flow	Return on Capital	Dividend Yield
<b>ACUSON CORP</b>	<b>ACN</b>	<b>\$ 383.9</b>	<b>8.5%</b>	<b>10.7</b>	<b>6.8</b>	<b>19.4</b>	<b>1.9</b>	<b>8.9</b>	<b>13.5</b>	<b>0.00%</b>
AGOURON PHARMACEUTICALS INC	AGPH	\$ 1,529.2	151.7%	5.6	4.0	82.3	5.7	50.6	7.0	0.00%
ALLEGIANCE CORP	AEH	\$ 4,815.3	4.7%	9.7	4.1	39.3	4.9	18.7	7.8	0.49%
APRIA HEALTHCARE GROUP	AHG	\$ 391.5	-17.7%	(366.1)	(0.5)	(0.8)	4.8	(1.1)	(0.6)	0.00%
BECKMAN COULTER INC	BEC	\$ 1,383.6	56.6%	(323.2)	7.7	(4.4)	16.3	(9.0)	7.5	1.30%
BEVERLY ENTERPRISES	BEV	\$ 575.9	-11.9%	6.8	6.4	11.3	0.7	4.0	7.7	0.00%
BIOGEN INC	BGEN	\$ 6,021.4	36.7%	16.6	36.0	43.6	9.2	36.7	23.4	0.00%
CENTOCOR INC	CNTO	\$ 2,539.4	47.5%	4.3	11.0	(24.8)	11.0	(34.2)	6.8	0.00%
CHIRON CORP	CHIR	\$ 4,343.6	@SF	5.8	8.8	41.9	4.5	0.0	6.0	0.00%
<b>CONCENTRA MANAGED CARE INC</b>	<b>CCMC</b>	<b>\$ 469.5</b>	<b>30.3%</b>	<b>1.3</b>	<b>11.1</b>	<b>15.0</b>	<b>2.0</b>	<b>0.0</b>	<b>13.2</b>	<b>0.00%</b>
COVANCE INC	CVD	\$ 1,483.9	21.2%	25.3	9.1	31.2	9.2	17.8	10.5	0.00%
<b>DENTSPLY INTERNATL INC</b>	<b>XRAY</b>	<b>\$ 1,315.8</b>	<b>9.8%</b>	<b>17.6</b>	<b>12.3</b>	<b>23.8</b>	<b>3.4</b>	<b>14.6</b>	<b>14.1</b>	<b>0.82%</b>
FIRST HEALTH GROUP CORP	FHCC	\$ 958.0	56.0%	2.7	36.1	11.0	@NA	8.4	28.2	0.00%
FOREST LABORATORIES -CL A	FRX	\$ 3,908.7	61.7%	6.0	9.2	100.3	6.1	85.3	6.4	0.00%
FOUNDATION HEALTH SYS -CL A	FHS	\$ 1,237.2	20.8%	(7.6)	5.0	(55.3)	1.9	19.0	21.1	0.00%
GENZYME CORP	GENZ	\$ 4,844.3	12.3%	1.3	7.5	179.3	4.7	0.0	3.5	0.00%
HEALTH MANAGEMNT ASSC	HMA	\$ 4,895.4	27.2%	19.3	14.6	40.2	9.4	29.1	18.9	0.00%
ICN PHARMACEUTICALS INC	ICN	\$ 1,536.9	33.0%	13.6	17.8	(20.6)	2.3	(40.0)	13.5	1.15%
IVAX CORP	IVX	\$ 1,339.6	-8.4%	(50.5)	(19.7)	(16.7)	2.7	(33.8)	(12.6)	0.00%
LINCARE HOLDINGS INC	LNCR	\$ 2,059.0	13.6%	20.4	22.9	26.2	5.0	16.5	24.7	0.00%
MYLAN LABORATORIES	MYL	\$ 3,681.6	28.4%	13.5	24.2	32.5	5.4	27.6	17.9	0.53%
NOVACARE INC	NOV	\$ 141.0	47.8%	10.0	7.2	3.6	0.3	1.8	10.8	0.00%
OMNICARE INC	OCR	\$ 2,618.7	56.9%	7.2	9.3	35.3	3.0	0.0	9.0	0.27%
OXFORD HEALTH PLANS INC	OXHP	\$ 1,155.5	18.1%	(83.4)	(9.8)	(1.0)	2.5	(1.1)	(88.6)	0.00%
PACIFICARE HEALTH SYS -CL B	PHSYB	\$ 3,497.1	21.7%	(1.5)	1.8	179.3	1.8	23.4	7.7	0.00%
QUINTILES TRANSNATIONAL CORP	QTRN	\$ 3,819.1	44.7%	14.3	9.9	49.9	9.5	30.1	13.6	0.00%
QUORUM HEALTH GROUP INC	QHGI	\$ 823.7	5.2%	13.9	13.8	13.7	2.0	7.1	16.2	0.00%
<b>STERIS CORP</b>	<b>STE</b>	<b>\$ 1,826.4</b>	<b>16.3%</b>	<b>18.2</b>	<b>11.8</b>	<b>25.3</b>	<b>5.1</b>	<b>18.2</b>	<b>15.8</b>	<b>0.00%</b>
STRYKER CORP	SYK	\$ 4,652.2	6.9%	20.5	11.8	28.5	6.6	24.0	13.3	0.23%
<b>SYBRON INTL CORP</b>	<b>SYB</b>	<b>\$ 2,488.9</b>	<b>15.9%</b>	<b>22.3</b>	<b>14.1</b>	<b>31.9</b>	<b>6.5</b>	<b>0.0</b>	<b>10.5</b>	<b>0.00%</b>
TOTAL RENAL CARE HLDG -CL A	TRL	\$ 1,937.7	60.7%	13.5	12.8	147.6	4.3	27.9	9.5	0.00%
TRIGON HEALTHCARE INC	TGH	\$ 1,546.6	6.3%	9.9	5.1	16.1	1.6	13.2	7.9	0.00%
WATSON PHARMACEUTICALS INC	WPI	\$ 4,705.5	75.6%	16.0	43.7	44.5	8.4	35.6	28.0	0.00%