

Intrinsic Value Weekly

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"Sometimes Change is Good ..."

Borders Group, Inc. (BGP - NYSE) is slated to discuss its results and outlook Thursday this week, webcasting the conference call at 8 a.m. EST on <http://www.bordersgroupinc.com>. This past year has been one of sub-par performance for the company, partly reflecting the consumer spending slowdown, but also the company's begging the question of how to allocate its resources. The continued commitment to Waldenbooks, the mall-based book retailer has been a drag to growth, without the offset of higher profitability. It's a mystery. The overseas moves haven't been followed up with a solid expansion plan and thus haven't gained sufficient profitability. Also, the borders.com sales progress has been anemic and continues to drain cash. In the US, the company continues to roll out new locations with its very successful books/coffee format and as much as 50% of the titles customized to local tastes and interests. We'd not be surprised to see the emergence of new focus on what is working well and a new discipline to shed the operations that don't fit. We'll admit there is some wishful thinking in that statement, but with the stock priced at a deep discount to its intrinsic value, the risk seems muted and the opportunity large.

Wendy's International (WEN - NYSE) seems to be suffering from guilt by association. The panic over BSE (Bovine Spongiform Encephalopathy or "Mad Cow" disease) in Europe has hurt global beef restaurants, and even some non-global companies like **WEN**. Of course, if perceptions of danger get attached to a product, the demand for that product will drop to zero. This scare was touched off by the quarantine of some cattle in Texas. Since **McDonalds (MCD - NYSE)** fourth quarter European sales dropped 10% from the prior year, the appearance of a US problem has affected US companies. No US link has been established, and indeed no US problem identified ("The animals have been impounded while we await laboratory test results," Carla Everett, spokeswoman for the Texan Animal Sanitation Commission in Austin, Texas said. Source: AFX). While the US FDA has expressed concern over the composition of cattle feed being compromised, no instance of contamination has been found. The industry and the FDA are stepping up efforts to ensure the public that US food supply remains pristine. In the past, scares like this, if found to be baseless, have provided excellent opportunities for investment. We think the odds favor companies like **WEN**.

Finally, our kudos to Chairman Alan Greenspan of the Federal Reserve Board of Governors for stating his preference for low marginal tax rates to promote economic efficiency and long term economic growth. We couldn't have said it better.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	1/26/2001	Intrinsic Value	Over/Under Priced	Q Ratio	Weekly Price Change	
BGP	Borders Group, Inc.	9/22/2000	\$ 12.438	\$29.31	(57.6%)	1.0	4.2%	
BGG	Briggs & Stratton	9/22/2000	\$ 40.563	\$98.87	(59.0%)	1.5	(0.5%)	
CTL	CenturyTel, Inc.	9/22/2000	\$ 36.313	\$40.74	(10.9%)	1.7	(5.7%)	
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 44.875	\$66.30	(32.3%)	0.9	(1.2%)	
LOW	Lowes Companies	9/22/2000	\$ 48.813	\$56.04	(12.9%)	2.4	10.0%	
MLHR	Herman Miller, Inc.	3/6/2000	\$ 27.984	\$46.28	(39.5%)	2.7	4.4%	
NYT	New York Times Co.	9/22/2000	\$ 41.625	\$46.26	(10.0%)	2.6	(0.4%)	
NUE	Nucor Corporation	9/22/2000	\$ 39.125	\$60.65	(35.5%)	1.1	(2.5%)	
WEN	Wendy's International	9/22/2000	\$ 24.438	\$28.69	(14.8%)	1.8	(5.1%)	
Average:					(30.3%)	Average:	0.3%	
							S&P 500	0.9%

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales				Quarterly Sales Y/Y	Yield	PE Last 12M	Price/Book	Price/Market Sales (\$billions)	Market Cap (\$billions)
		Growth Last 12M	EBIT Margin %	Return On Capital	Return On Sales Y/Y						
BGP	1.0	11.4%	5.7%	10.9%	7.2%	0.0%	10.0	1.1	0.3	1.0	
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	3.1%	9.7	2.4	0.6	0.9	
CTL	0.4	4.8%	30.3%	11.1%	15.1%	0.5%	21.4	2.7	2.9	5.1	
DAL	0.6	11.0%	11.6%	11.9%	13.5%	0.2%	5.1	1.3	0.3	5.5	
LOW	2.2	17.9%	7.4%	11.1%	15.2%	0.3%	20.8	3.6	1.0	18.7	
MLHR	1.9	18.4%	12.1%	17.6%	27.7%	0.5%	15.1	7.6	1.0	2.2	
NYT	1.1	12.1%	18.7%	13.1%	7.9%	1.1%	18.7	4.8	2.1	6.9	
NUE	1.4	23.2%	9.3%	14.4%	13.3%	1.5%	10.2	1.5	0.7	3.0	
WEN	0.9	9.2%	13.8%	10.2%	8.5%	1.0%	17.3	2.9	1.3	2.8	

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ECONOMIC SECTOR VALUATION

SECTORS	S&P 500	S&P MIDCAP	S&P SMALL CAP
BASIC INDUSTRY	(9.4%)	(31.8%)	(13.8%)
CONSUMER CYCLICALS	(25.6%)	(10.9%)	(9.6%)
CONSUMER STAPLES	(8.3%)	(10.5%)	3.8%
HEALTH	(22.3%)	7.8%	2.9%
ENERGY	12.8%	117.8%	63.5%
FINANCIAL	(7.5%)	(16.7%)	(26.2%)
CAPITAL GOODS	(18.6%)	(3.0%)	(3.6%)
TECHNOLOGY	(31.5%)	(14.0%)	(1.0%)
COMMUNICATIONS	(33.5%)	26.0%	(33.7%) *
UTILITY	5.5%	(21.7%)	(16.4%)
TRANSPORTATION	(30.2%)	(11.9%)	(7.4%)
Weighted Total:	(17.8%)	(1.8%)	(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 1/26/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.1%	1.3%	3.7%	0.6%	3.8%	(1.5%)
CONSUMER CYCLICALS	7.9%	5.0%	14.4%	3.7%	18.5%	2.4%
CONSUMER STAPLES	10.9%	(0.9%)	8.3%	2.0%	9.6%	2.2%
HEALTH	12.8%	3.7%	11.6%	10.7%	10.1%	4.0%
ENERGY	6.1%	2.5%	6.8%	5.7%	6.4%	5.2%
FINANCIAL	17.1%	4.2%	14.8%	5.1%	12.2%	0.7%
CAPITAL GOODS	8.5%	(1.6%)	7.3%	(1.5%)	13.3%	0.3%
TECHNOLOGY	24.6%	(2.4%)	22.3%	0.2%	19.0%	0.7%
COMMUNICATIONS	5.9%	(5.0%)	1.7%	(5.8%)	0.2%	(7.7%) *
UTILITY	3.4%	7.2%	7.3%	2.1%	3.9%	1.9%
TRANSPORTATION	0.6%	(0.1%)	1.9%	(0.2%)	3.0%	4.4%
Index Total:		0.9%		2.9%		2.1%

* Sector contains only 3 companies

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

Sector Comments: Even though the Technology sector has shrunk by one third as a percentage of Large Cap stocks, defined here as the members of the Standard & Poors 500 Stock Index, it remains an important determinant of the overall market health. We believe that until a general consensus about future sales growth rates and profit margins begins to form, the sector's components will continue to be volatile and generally under-priced. At least under-priced based on our longer term value driver assumptions. We didn't raise those assumptions in response to the explosive price movements in 1999 or Spring 2000, and we don't intend to lower them now. We think that the sector can continue to gain share of total worldwide sales and will ultimately be segmented into more detailed sectors. The long term investor should be looking carefully for opportunities among Technology stocks now, this quarter, while uncertainty is at its highest. When the outlook is more certain, prices will have already reflected that and opportunity will be reduced. Large Cap Utility stocks are somewhat over-priced now. And with the implosion of partial deregulation in California, the risk of "re-regulation" and more restrictions coming from the political fallout, the outlook for growth and opportunity could get less attractive in a hurry. When conditions begin to worsen, an investor is unlikely to prosper, especially if valuation is not supportive of good expected returns. On the other hand, if this situation results in a broad restructuring of the nation's electricity grids and a movement toward true deregulation, the outlook for returns could improve markedly. See Page 3 for historical Large Cap Utility sector value drivers.

(\$millions)	Large Capitalization	Mid-Cap Capitalization	Small-Cap Capitalization
	\$ 11,851,857	90.5%	\$884,911
			6.8%
			\$ 354,181
			2.7%

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The Electric Market is in Turmoil

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Company Name	Ticker	12 Mo.		Current Price	Free Cash		NOPAT Margin	PE Ratio	Price/Book Ratio	Leverage At Market	Return on Capital	Dividend Yield
		Market Value - Equity	Quarterly Sales Growth		Flow Annuity	NOPAT						
AES CORP	AES	\$26,914	107.9%	58.7	(13.62)	20.3	42.0	8.7	33.0%	4.41	0.0%	
ALLEGHENY ENERGY INC	AYE	\$4,887	42.8%	44.3	54.46	22.8	18.6	3.1	37.3%	9.70	3.9%	
AMEREN CORP	AEE	\$5,677	0.2%	41.4	55.86	23.3	14.9	2.1	30.4%	9.54	6.1%	
AMERICAN ELECTRIC POWER	AEP	\$13,966	115.6%	43.4	42.90	18.9	20.7	1.8	38.3%	7.08	5.5%	
CALPINE CORP	CPN	\$11,736	171.0%	42.0	(0.25)	29.5	46.6	11.8	22.3%	7.11	0.0%	
CINERGY CORP	CIN	\$4,948	29.0%	31.1	40.39	12.7	13.9	2.1	40.6%	8.81	5.8%	
CMS ENERGY CORP	CMS	\$3,543	80.3%	29.3	30.81	14.9	14.9	1.5	70.2%	7.66	5.0%	
COASTAL CORP	CGP	\$16,569	53.2%	77.0	27.33	12.4	30.8	4.8	29.9%	7.72	0.3%	
CONSOLIDATED EDISON INC	ED	\$7,420	20.5%	35.0	66.03	19.1	12.4	1.5	36.8%	10.56	6.2%	
CONSTELLATION ENERGY COF	CEG	\$6,078	-2.6%	40.4	47.60	20.2	22.6	2.1	35.8%	8.22	4.2%	
DOMINION RESOURCES INC	D	\$15,020	41.4%	62.9	53.45	23.4	40.1	2.6	34.0%	8.01	4.1%	
DTE ENERGY CO	DTE	\$5,118	29.3%	35.9	48.96	19.1	13.1	1.4	42.9%	7.81	5.7%	
DUKE ENERGY CORP	DUK	\$28,452	148.7%	77.0	19.06	7.6	24.4	3.5	30.5%	6.60	2.9%	
DYNEGY INC	DYN	\$15,779	115.8%	50.6	2.43	1.9	39.2	9.8	18.6%	5.31	0.6%	
EDISON INTERNATIONAL	EIX	\$3,971	23.3%	12.2	12.02	19.0	7.5	1.0	67.3%	6.72	9.2%	
EL PASO ENERGY CORP/DE	EPG	\$14,706	114.1%	62.9	(38.82)	0.7	64.5	5.6	33.4%	0.57	1.3%	
ENRON CORP	ENE	\$61,217	271.4%	82.0	0.21	3.4	55.4	7.0	19.6%	4.86	0.6%	
ENTERGY CORP	ETR	\$8,076	12.0%	36.7	23.45	14.3	15.3	1.4	44.1%	5.87	3.4%	
EXELON CORP	EXC	\$10,372	-5.8%	60.8	61.34	25.2	19.1	7.2	36.0%	10.20	1.0%	
FIRSTENERGY CORP	FE	\$6,326	9.4%	27.8	54.28	24.5	11.9	1.6	48.7%	9.15	5.4%	
FPL GROUP INC	FPL	\$10,613	22.2%	60.0	44.78	14.3	16.1	2.4	30.0%	7.38	3.6%	
GPU INC	GPU	\$3,860	2.2%	31.8	18.71	23.0	46.0	1.3	63.1%	6.18	6.9%	
KEYSPAN CORP	KSE	\$4,165	109.6%	38.3	48.62	17.4	19.0	1.7	35.9%	7.60	4.7%	
KINDER MORGAN INC	KMI	\$6,082	139.0%	53.2	(12.21)	17.4	27.8	3.5	34.6%	3.24	0.4%	
NIAGARA MOHAWK HOLDINGS	NMK	\$2,734	6.3%	17.1	(2.57)	12.9	(151.7)	1.0	59.7%	3.91	0.0%	
NICOR INC	GAS	\$1,689	83.3%	37.0	50.19	13.1	44.1	2.6	33.7%	9.75	4.5%	
NISOURCE INC	NI	\$3,298	45.1%	27.2	25.09	14.7	20.1	2.8	44.5%	8.42	4.0%	
ONEOK INC	OKE	\$1,345	319.7%	46.1	67.40	11.9	@NA	1.3	43.2%	8.66	2.7%	
PEOPLES ENERGY CORP	PGL	\$1,324	28.1%	37.5	52.50	12.5	18.3	2.0	38.7%	8.78	5.3%	
PG&E CORP	PCG	\$4,834	20.7%	12.5	(7.67)	4.2	30.3	1.1	63.3%	2.89	9.6%	
PINNACLE WEST CAPITAL	PNW	\$3,733	53.4%	44.1	59.23	23.9	13.2	1.8	36.9%	8.30	3.4%	
PPL CORP	PPL	\$6,237	32.8%	43.1	41.47	18.7	12.9	4.0	46.9%	8.08	2.5%	
PROGRESS ENERGY INC	PGN	\$6,693	5.8%	41.9	49.77	25.3	13.3	2.3	29.9%	10.24	4.9%	
PUBLIC SERVICE ENTRP	PEG	\$9,072	19.3%	42.3	80.89	28.3	15.2	2.6	47.0%	10.10	5.1%	
RELIANT ENERGY INC	REI	\$11,068	92.5%	37.6	31.28	8.4	14.6	2.4	52.2%	6.14	4.0%	
SEMPRA ENERGY	SRE	\$4,141	55.5%	20.3	27.09	13.8	11.5	1.8	46.3%	6.84	4.9%	
SOUTHERN CO	SO	\$18,907	290.9%	29.1	33.02	24.6	16.3	2.4	45.3%	8.21	4.6%	
TXU CORP	TXU	\$9,890	31.5%	38.3	65.54	15.9	10.9	1.5	62.2%	7.58	6.3%	
WILLIAMS COS INC	WMB	\$17,285	29.5%	38.9	(0.20)	14.9	27.2	3.2	47.0%	6.00	1.5%	
XCEL ENERGY INC	XEL	\$9,004	41.1%	26.4	18.80	18.8	17.7	1.8	35.2%	6.69	5.7%	

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