

Intrinsic Value Weekly

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"A Little Perspective"

What does it take to make decisions in this market? A little perspective. An explanation is in order. Each item of news that arrives must be seen as part of a flow that is connected over time and connected to other items of news as well. When bankruptcies of telecommunication companies occur, the demand for telecommunications equipment is likely to slump. When PC sales slump, chips and software get hurt too. When price competition heats up, demand for PC's could start to lift. When the government deregulates the telecom system, the explosion of broadband availability is enabled. These are just a few of the past and perhaps future connections that investors are required to make in order to see the sources of strength and weakness that drive future business cash flows. Perspective simply means being able to see how the present connects with the past and the future and how one area of business affects another. Recognizing the all-too-human reactions to price weakness in oneself is also a result of the perspective of having been through it all before. The gloom of sinking stocks, the drumbeat of new earnings warnings, the ever-present financial media buzzing and the realization that if your stocks are down 50%, a 100% gain is required just to get even. Perspective also means knowing that a stock price does not reflect a company's intrinsic value. In the longer term, the market will eventually reflect the ability of a company to produce cash, in the short run it reflects only the cacaphony of news and emotion. We believe that the best way to combat the natural human emotions of both fear and greed is to keep one's perspective focused on the long term future and to pay attention to the sources of cash flow and growth.

The short-term performance history of the Intrinsic Value Portfolio is only of modest interest. So far this year these stocks have performed about 6% better than the S&P 500 Index, but they are still down on average. The best performer was Borders Group (BGP - NYSE), the worst CenturyTel, Inc. (CTL - NYSE). These companies are both priced well below intrinsic value and both have excellent long term ability to produce free cash flow. One is up, one is down. They are both cheap. That's perspective.

Intrinsic Value Portfolio

Companies that create Intrinsic Value

Symbol	Name	Updated Valuation	4/6/2001	Intrinsic Value	Over/ (Under) Priced	Q Ratio	Weekly Price Change
BGP	Borders Group, Inc.	9/22/2000	\$ 17.100	\$29.31	(41.7%)	1.4	1.6%
BGG	Briggs & Stratton	9/22/2000	\$ 38.600	\$98.87	(61.0%)	1.3	0.6%
CTL	CenturyTel, Inc.	9/22/2000	\$ 28.000	\$40.74	(31.3%)	1.3	(2.6%)
DAL	Delta Air Lines, Inc.	3/6/2000	\$ 39.500	\$66.30	(40.4%)	0.8	0.0%
MLHR	Herman Miller, Inc.	3/6/2000	\$ 23.875	\$46.28	(48.4%)	2.4	3.2%
NUE	Nucor Corporation	9/22/2000	\$ 40.360	\$60.65	(33.5%)	1.1	0.7%
WEN	Wendy's International	3/26/2001	\$ 22.620	\$30.37	(25.5%)	1.9	1.3%
Average:					(40.2%)	Average:	0.7%
						<u>S&P 500</u>	(2.8%)

Bold - Outperformed the S&P 500 for the week

Value Drivers

Standard Market Statistics

Symbol	Capital Turnover	Sales Growth		Return On Capital	Quarterly Sales Y/Y	Yield	PE Last 12M	Price/ Book	Price/ Sales	Market Cap (\$billions)
		Last 12M	EBIT Margin %							
BGP	1.6	9.2%	5.2%	8.5%	9.0%	0.0%	13.9	1.6	0.4	1.3
BGG	2.2	(13.5%)	12.9%	30.5%	(12.9%)	3.2%	10.3	2.0	0.6	0.8
CTL	0.3	10.1%	28.5%	9.8%	23.6%	0.7%	17.4	2.2	2.1	3.9
DAL	0.6	13.8%	10.4%	11.6%	1.5%	0.3%	5.3	0.9	0.3	4.9
MLHR	1.9	18.0%	12.1%	17.6%	12.6%	0.6%	11.9	6.1	0.9	1.8
NUE	1.4	14.4%	10.4%	15.0%	(7.5%)	1.7%	10.5	1.5	0.7	3.1
WEN	1.1	8.2%	13.9%	15.7%	7.6%	1.1%	15.1	2.5	1.2	2.6

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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	(8.3%)	(32.0%)	(16.4%)
CONSUMER CYCLICALS	(29.2%)	(19.1%)	(15.6%)
CONSUMER STAPLES	(15.2%)	(17.5%)	0.9%
HEALTH	(31.4%)	(15.7%)	(5.9%)
ENERGY	11.0%	101.2%	75.2%
FINANCIAL	(21.6%)	(25.5%)	(31.0%)
CAPITAL GOODS	(28.5%)	(15.7%)	(18.2%)
TECHNOLOGY	(58.8%)	(38.0%)	(36.0%)
COMMUNICATIONS	(40.9%)	(10.2%)	(44.0%) *
UTILITY	(5.3%)	(23.0%)	(14.0%)
TRANSPORTATION	(37.8%)	(23.1%)	(15.8%)
Weighted Total:	(28.1%)	(14.7%)	(10.8%)

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 4/6/2001	% of Total	% Change	% of Total	% Change	% of Total	% Change
BASIC INDUSTRY	2.6%	1.3%	4.3%	(1.1%)	4.7%	(2.7%)
CONSUMER CYCLICALS	9.1%	(0.2%)	14.9%	(0.6%)	18.7%	(3.4%)
CONSUMER STAPLES	12.1%	(2.1%)	8.2%	(0.7%)	10.4%	(1.3%)
HEALTH	13.9%	(1.3%)	10.9%	(1.6%)	11.7%	(1.5%)
ENERGY	7.2%	0.7%	7.6%	(0.4%)	7.7%	(2.1%)
FINANCIAL	17.4%	(4.7%)	16.1%	(2.9%)	12.2%	(1.5%)
CAPITAL GOODS	9.1%	(0.9%)	6.8%	(1.6%)	12.4%	(2.9%)
TECHNOLOGY	17.8%	(6.3%)	19.5%	(4.9%)	14.1%	(10.0%)
COMMUNICATIONS	6.3%	(2.6%)	1.4%	(5.5%)	0.2%	(5.0%) *
UTILITY	3.9%	(5.5%)	8.4%	(0.2%)	4.6%	(2.4%)
TRANSPORTATION	0.7%	(3.0%)	1.9%	(5.1%)	3.2%	0.1%
Index Total:		(2.8%)		(2.7%)		(3.6%)

* Sector contains only 3 companies

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

Sector Comments: Where does it stop? Imagine for a moment that the entire Technology sector had no earnings at all this year. Would its price drop to zero? Of course not. The value of Technology stocks, like all stocks, is the present value of all future free cash flow. Period. Investors are treating technology stocks as if they'll never earn money again. Like they treated drug stocks a year ago. Like they treated utility stocks a year ago. Like they treated Energy stocks two years ago. This too shall pass. And it is Large Cap Technology stocks that are the most under-priced. Focus your attention there.

Utility stocks are beginning to fade from favor now that the predictably disastrous policies of California utility regulation have bankrupted the state's electricity providers. While few other places can claim the title for totally idiotic regulation, as in California, investors are now looking for the next potential financial time bomb. In addition, there is now fear developing that political pressure will increase for re-regulation. Of course, California's problems were caused by continued regulation of end-user prices, not deregulation. But, the media is likely to take a different view and most news stories will likely concentrate on how things used to be before "deregulation". Deregulation in other states has worked smoothly, though. One thing is guaranteed in the coming struggle: volatility will increase. And with utility stocks only modestly cheap, risks are increasing. Page 3 this week shows value drivers for Large Cap Energy. Not cheap, but no longer growing.

(\$millions)	<u>Large Capitalization</u>	<u>Mid-Cap Capitalization</u>	<u>Small-Cap Capitalization</u>
	\$ 9,878,654	90.2%	\$756,276
		6.9%	\$ 316,218
			2.9%

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Historical Growth is not a Forecast

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Company Name	Ticker	Market Value - Equity	12 Mo.	Current Price	Free Cash Flow Annuity	NOPAT Margin	PE Ratio	Price/Book Ratio	Leverage At Market	Return on Capital	Dividend Yield
			Quarterly Sales Growth								
AMERADA HESS CORP	AHC	\$8,134	62.4%	78.9	237.39	12.92	6.8	2.3	24.3%	18.42	1.5%
ANADARKO PETROLEUM CORP APC	APC	\$15,505	977.5%	61.7	54.00	24.96	14.2	6.0	18.9%	15.01	0.3%
APACHE CORP	APA	\$6,875	83.9%	55.6	136.53	57.60	9.7	2.6	24.1%	21.44	1.0%
ASHLAND INC	ASH	\$2,734	(0.9%)	39.3	112.95	9.26	8.7	1.4	54.6%	12.12	2.8%
BAKER-HUGHES INC	BHI	\$11,513	16.0%	34.5	14.48	9.95	117.1	4.0	20.8%	7.65	1.3%
BURLINGTON RESOURCES INC BR	BR	\$9,289	59.3%	43.1	71.60	38.54	14.3	2.6	24.0%	18.60	1.3%
CHEVRON CORP	CHV	\$57,195	26.8%	89.2	175.91	17.61	11.0	3.2	13.7%	21.93	2.9%
CONOCO INC	COC.B	\$17,643	35.2%	28.3	81.94	12.65	9.3	3.1	32.2%	23.45	2.7%
DEVON ENERGY CORPORATIO DVN	DVN	\$7,358	61.0%	57.2	140.07	48.82	10.3	2.7	22.6%	25.33	0.3%
EOG RESOURCES INC	EOG	\$4,717	120.6%	40.4	79.44	46.73	12.5	5.0	14.9%	27.56	0.3%
EXXON MOBIL CORP	XOM	\$284,477	19.2%	82.1	98.75	12.02	17.6	4.4	8.1%	19.96	2.1%
HALLIBURTON CO	HAL	\$14,595	5.3%	34.2	6.39	2.77	87.5	3.8	21.0%	3.54	1.5%
KERR-MCGEE CORP	KMG	\$6,261	42.3%	66.3	224.30	39.12	7.2	3.8	31.1%	28.70	2.7%
NABORS INDUSTRIES	NBR	\$7,673	90.1%	52.4	20.63	19.90	55.1	4.8	11.0%	10.15	0.0%
NOBLE DRILLING CORP	NE	\$6,004	39.0%	44.9	25.94	31.59	37.2	3.9	10.8%	11.70	0.0%
OCCIDENTAL PETROLEUM COI OXY	OXY	\$9,409	64.9%	25.4	87.20	21.47	5.8	1.9	46.9%	17.96	3.9%
PHILLIPS PETROLEUM CO	P	\$14,064	33.5%	55.1	190.29	18.51	7.5	3.1	36.8%	24.46	2.5%
ROWAN COS INC	RDC	\$2,545	51.7%	27.0	14.53	18.97	36.2	3.2	14.8%	7.37	0.0%
ROYAL DUTCH PET -NY REG	RD	\$120,081	25.0%	56.0	50.64	12.62	15.6	3.5	9.3%	14.14	2.5%
SCHLUMBERGER LTD	SLB	\$33,189	23.4%	58.0	24.94	14.64	44.7	4.0	18.3%	8.73	1.3%
SUNOCO INC	SUN	\$2,923	24.0%	32.5	116.33	6.99	6.9	1.7	45.9%	15.30	3.1%
TEXACO INC	TX	\$36,542	35.7%	67.6	82.31	7.28	14.2	3.1	19.9%	13.75	2.7%
TOSCO CORP	TOS	\$6,155	77.8%	42.5	88.78	4.28	11.7	2.9	31.0%	15.06	0.8%
TRANSOCEAN SEDCO FOREX I RIG	IRIG	\$9,583	139.7%	45.5	0.03	9.84	85.0	2.3	13.3%	1.95	0.3%
UNOCAL CORP	UCL	\$8,385	48.5%	34.5	43.69	11.68	11.6	3.8	33.0%	11.57	2.3%
USX-MARATHON GROUP	MRO	\$8,567	16.6%	27.8	69.53	5.98	19.4	1.8	24.5%	13.17	3.3%

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