

# THE DARDEN CAPITAL MANAGEMENT ADVISOR

February 2003

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## Darden Capital Management Fund Managers

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John Ferguson, CFA, '03	Charles Daniels, '03	Rob Gowen, '03
Justin Gerbereux, CFA, '03	Carl Garrett, '03	James Hardiman, Jr. '03
Todd Schanel, '03	Jeremy Shinewald, '03	Amy Harris, '03

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## Asset Manager Spotlight

### Jay Willoughby

*Director of Equity Research/Private Investor Portfolio Strategist  
Merrill Lynch Investment Managers*

**DCMA:** Can you briefly summarize your career path to date?

**JW:** Retail Stock Broker – Kidder Peabody (now part of GE) – 1983

Sell Side Equity Analyst – Black & Company (now part of Wells Fargo) – 1984 - 1987

Buy Side Equity/Fixed Income Analyst/Portfolio Manager – Crabbe Huson (now part of Liberty Funds) - 1987-1995

Portfolio Manager – AEW Capital Management – 1995-1997

Portfolio Manager – Merrill Lynch Investment Managers – 1997 – 2001

Director of Equity Research/Private Investor Portfolio Strategist – Merrill Lynch Investment Managers 2001 - present

**DCMA:** What is your core area of expertise?

**JW:** Generalist who spent 5 years working in REITs.

**DCMA:** Which stock/industries do you find most appealing right now and why? Which metrics do you focus on and why?

**JW:** Basic Materials – Metals and Mining – RTP, BHP and RIO. All three are large suppliers of raw materials to China, which seems like the most secure growth story in the world.

Consumer Discretionary – Media – VIA/B and CCU. Both are expected to be big beneficiaries of an advertising cycle which would be stronger if the world economy began to strengthen.

Healthcare – Devices – MDT. Company should do well regardless of economy.

**DCMA:** What skills do you feel contribute most to your success? What type of person, in your view, is successful in investment management?

**JW:** Necessary but insufficient ingredients of success include: Intelligence, curiosity, persistence, competitiveness, thick skin, self-confidence, flexibility, good memory, common sense and an ability to make decisions without perfect information.

**DCMA:** Are there particular skills which MBA programs could further emphasize in order to better prepare their graduates for careers in asset management?

**JW:** Young professionals need to develop a “fund of knowledge”. The most practical way to do this is through trial and error. The more recent emphasis of MBA programs of investment clubs that actually manage part of the schools endowment is helpful. It gives students the opportunity to learn what works and doesn’t work, while also sharpening their presentation skills. Post-mortems on good and bad stocks is also a useful exercise.

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## 4<sup>th</sup> Quarter Summaries

### Darden Fund

Overall, fund performance was -4.54% in December, underperforming the benchmark by 54 basis points. Our benchmark was -4.00% in the same period. For the fourth quarter, our fund returned 1.49% trailing the benchmark by 5.17%. For the nine months ended December 31, 2002, the Darden Fund is down 21.29% vs. benchmark return of -15.13%.

During the 4<sup>th</sup> quarter, we decided to reduce the size of our holdings in Home Depot (HD), Goldman Sachs (GS), Factset Research (FDS), and Best Buy (BBY). We also scrutinized our equity portfolio and disposed of several positions where we felt that the current risk/reward ratio was unfavorable and fundamentals were deteriorating. We sold our holdings in Oracle (ORCL), Federal Agricultural Mortgage (AGM), Orthodontic Centers of America (OCA), Timberland (TBL), Shaw Group (SGR), Bellsouth (BLS), El Paso (EP) and Activision (ATVI). As a result of those activities our cash position temporarily peaked to 27.55% of assets under management.

Following that cash accumulation we worked on finding new candidates for the equity part of our portfolio. We opened positions in Toys R Us (TOY), Philip Morris Co. (MO), Raytheon Co. (RTN), Ashland (ASH), Pepsico Inc. (PEP), YUM Brands (YUM), Microsoft Corp. (MSFT), Diebold Inc. (DBD), and Wellpoint Health Networks Inc. (WLP). During the quarter, we also focused on diversifying our fixed income portfolio. We opened positions in 7 year Wal-Mart and 9 year SBC Communications bonds. Those purchases complemented our US Treasury bond holdings and brought the average duration of our fixed income portfolio to 8.20 years.

During the 4<sup>th</sup> quarter, our best performing holdings were Bellsouth, Oracle, and Citigroup at +28%, +23%, and +19%, respectively. We decided to capitalize on the price appreciation of Bellsouth and Oracle and liquidated those positions. We kept Citigroup, however, as we believe that at current prices the company still offers favorable risk/reward ratio. Our worst performing holdings were Activision, Capital One, and Federal Agricultural Mortgage at -43%, -15%, and -14%, respectively. Revision of company fundamentals prompted us to liquidate our positions in Activision and Federal Agricultural Mortgage, while we decided to keep Capital One.

### Jefferson Fund

Overall, fund performance was down 0.95% in December, outperforming our benchmark by 2.83%. For the fourth quarter fund performance was 3.21%, lagging the benchmark's performance by 4.01%. For the nine month period ended December 31, 2002, the fund is down 3.49%.

During the 3<sup>rd</sup> and 4<sup>th</sup> quarters we continued to focus on increasing the fund's equity exposure. We increased our positions in several core holdings, including Philip Morris, Pfizer, Viacom, and Berkshire Hathaway. As of December 31<sup>st</sup>, the four companies represented 21% of the fund's assets. Additionally, in an effort to further diversify the fund and better mimic the blended benchmark we added several small and mid cap names to the portfolio. In general, we believe our focus on value added research and fundamental analysis allows us to capitalize on the information asymmetries that often characterize smaller companies.

Specifically, we purchased shares of Autodesk which we perceived to be attractively valued on a historical and intrinsic basis. The company's 3D design product, AutoCAD is the standard for designers, architects and engineers and is well-positioned to benefit from an upgrade cycle. We

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believe this near term catalyst will afford the company notable top line growth in the coming quarters. Wilson Greatbatch is another new name we recently added to the fund. As the market leading supplier of power devices for implantable medical devices, the company should experience attractive growth as medical professionals continue to prescribe pacemakers and ICDs for an increasing number of indications. Further, a relatively strong balance sheet and improving operating cash flow afford Wilson the financial flexibility to fund R&D projects and pursue strategic acquisitions. During the 3<sup>rd</sup> quarter we also purchased shares of Aramark. The company represents an attractive investment opportunity given its current price level relative to intrinsic value and the emerging trend to outsource food and maintenance services.

Between September and December, Microsoft and Citigroup represented the fund's best performing holdings at +18.7% and +18.2%, respectively. We expect further upside in Citigroup as it continues to trade below historical multiples yet maintains a comparatively strong industry position. Additionally, we believe much of the negative news surrounding the bank has caused excessive downward pressure on the stock. In contrast, Berkshire Hathaway and Viacom represented the fund's worst performing holdings at -1.7% and +0.6%, respectively. Much of Viacom's performance can be attributed to the weak outlook for the advertising market and existing management tensions. Despite these factors, we believe Viacom's strong free cash flow and well-diversified media portfolio make it an attractive long term investment. Similarly, we view Berkshire Hathaway and Microsoft as important core holdings which afford the fund diversification and an attractive overall risk/reward balance.

#### **Monticello Fund**

Overall, fund performance was -1.49% in December, outperforming our benchmark by 2.49%. Our benchmark was -3.98% in the same period. For the fourth quarter the fund underperformed its benchmark by 2.04%, on fund performance of +3.98% vs. the benchmark's performance of 6.02%. For the nine months ended December 31, 2002, the Monticello Fund was -8.42%, outperforming the benchmark's performance (-15.97%) by 7.55%.

During the 4<sup>th</sup> quarter, the fund purchased American Italian Pasta (PLB), Best Buy (BBY), Dell (DELL), General Mills (GIS) and Henry Schein (HSIC), putting over \$80,000 of cash to work. Best Buy returned over 25% in the first seven days of ownership, prompting the fund to lock in the capital gains. To date, American Italian Pasta (+10.9%) and General Mills (+7.9%) have remained solid holdings, while Dell (-8.9%) and Henry Schein (-8.6%) have shown some weakness. However, we remain confident in the fundamentals of Dell and Henry Schein and feel negative market sentiment is responsible for their negative returns.

Securities we investigated and added to the portfolio during the 3<sup>rd</sup> quarter had mixed performance versus our equity index (S&P 500/Russell 2000 +6.0%) in the 4<sup>th</sup> quarter. Danaher (DHR) is +15.6% since purchase, Pfizer is +5.3%, and Target is +1.6%. We attribute the strength in DHR to the continued performance in DHR's manufacturing operations and increasing cash flow generation despite a poor economic environment for its peer group. Pfizer posted solid 3<sup>rd</sup> quarter earnings and the Pharmacia acquisition is proceeding ahead of schedule. Target has experienced growing credit card receivables and a weak retail environment.

Vodafone (VOD) was +41.2% for the quarter. VOD's stock price accelerated due to its ability to add net wireless subscribers profitably (above expectations). Rowan Drilling (RDC) was +21.8% for the quarter as the strike in Venezuela and the threat of war in Iraq put upward pressure on oil prices. Humana (HUM) was -19.4% for the quarter, partly due to the market's sector rotation away from healthcare stocks and the limited expected growth of premiums. Teledyne Technologies (TDY) was -13.7%, as the threat of war and Bush's budget raised uncertainty in the defense sector.

We sold our remaining positions in Goldman Sachs (GS) and in Mobile Mini (MINI). Given the

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uncertainty in the financial markets and Goldman's sensitivity to trading volumes (which have been low), we reduced our weighting in the financial sector. We also sold our position due our lack of confidence in management's ability to execute in its industry's tough economic environment. Last quarter management guided higher for the quarter and then missed their numbers badly.

We also sold two of our Freddie Mac fixed income holdings in order to lock in capital gains. We are taking steps to shorten the average duration of the fund's fixed income holdings in an effort to lower the price volatility in this uncertain market. Furthermore, we are reallocating funds from debt to equity because we feel the equity market will outperform the fixed income market in 2003.

We established a position in General Dynamics (GD) in late January. We believe that GD trades at an attractive valuation given President Bush's defense modernization request to Congress and Gulfstream's production schedule for 2003 already being sold.

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### Seagate Technology (STX - - \$9.50)

Sandeep Aujla, '04

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**Target Price: \$15.00**

**Market Capitalization: \$4,072MM**

**Description:** Seagate is a leader in the design, manufacturing and marketing of hard disk drive products for the consumer and enterprise market. Unlike its other independent competitors, Seagate is vertically integrated thereby giving it total control of its design and manufacturing. Seagate has approximately 56% of the enterprise and 33% of the desktop market.

**Positive Considerations:** The company plans to enter the faster growing Mobile Computing market in the next 3-6 months. Computer manufacturers should favor Seagate over other HDD companies like Hitachi | IBM because Seagate does not have competing computer manufacturing operations.

Hardware upgrades along with the move to broadband connections should increase download of data intensive files thereby increasing demand for hard drives.

Seagate has been consistently able to remain on the forefront of innovation in areal density, recording head, media, and new product technologies.

**Risks:** Lock-up on shares expire on March 10 and June 9, 2003

**Valuation:** Seagate trades at a significant discount to its comparables. Based on the lower-end of the comps trading multiples and a conservative DCF model the valuation is in the \$15-20 range.



### Harley Davidson, Inc. (HDI - - \$40.77)

David Briggs, '04

[briggsd04@arden.virginia.edu](mailto:briggsd04@arden.virginia.edu)

**Target Price: \$50.00**

**Market Capitalization: \$12,339MM**

**Description:** HDI designs, manufactures and markets heavyweight motorcycles, parts, accessories, collectibles and riding apparel. HDI, through HDFS, also provides financing services programs to dealers and retail customers.

**Positive Considerations:** HDI has recorded *seventeen straight years* of record revenues and earnings. Additionally, over the past five years HDI has increased its operating margins and returns on equity, assets and investment. In 2002 HDI increased domestic market share. Additionally, Harley Davidson bike sales have not been slowed by the poor economic conditions of the past three years. This suggests that even more sales should be recognized in an economic turnaround while preserving some protection against further economic doldrums.

**Risks:** There is some growth still priced into this stock despite its recent 10% drop. This drop was a result of HDI not upwardly revising its production targets from previous guidance, the first time it has failed to do so in recent memory. The failure to upwardly-revise production guidance was based on capacity constraints, not faltering demand. Increased capacity is expected to come online in 2H2003.

**Valuation:** Applying a multiple of 16.9 x (midpoint of HDI current and historical average multiple) EV/2003E EBITDA yields a price target of \$50.

**The Washington Post Co. (WPO -- \$692.00)**

Rebecca Fender, CFA, '04  
[fenderr04@darden.virginia.edu](mailto:fenderr04@darden.virginia.edu)

**Target Price: \$770.00**  
**Market Capitalization: \$6,640MM**

**Description:** In addition to publishing *The Washington Post* and *Newsweek*, WPO has broadcast and cable divisions and owns Kaplan educational services (24% of revenues).

**Positive Considerations:** The Kaplan division is expected to become WPO's largest revenue generator within the coming year. This countercyclical business provides stability.

Test prep services are in high demand, and Kaplan's reputation has made it the market leader. Division revenues grew 26% in 2002, and a third of Kaplan's revenues in 4Q02 came from newly-acquired businesses.

*The Washington Post* has a diversified advertising base, and it has fared better than competitors as advertising has declined.

International partnerships offer opportunities in new media and education products.

Provides income via dividends. WPO has a strong cash flow position, a low debt load and a history of positive earnings surprises.

**Risks:** Lower advertising revenues.

The stock has relatively low liquidity due to high institutional ownership.

**Valuation:** Based on continued rapid growth of Kaplan, while assuming other divisions maintain relatively stable growth rates.

**Harman International (HAR -- \$57.90)**

John Ferguson, CFA  
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**Target Price: \$75.00**  
**Market Capitalization: \$1,830MM**

**Description:** Harman International makes telematics and audio systems for consumer and commercial customers. Consumer oriented products are sold under the brands: Harman Kardon, JBL, Infinity, Mark Levinson. 77% of the company's sales come from Consumer Systems, comprised of Automotive and Home/Home Theater.

**Positive Considerations:** Huge secular trend toward increasing \$ content of electronics ("telematics") in automobiles as distinguishing feature

60% of people who have driven cars with navigation systems said they wouldn't buy a new vehicle without one

Currently Harman has a "clean sweep" in terms of contracts with "luxury" manufacturers, but real opportunity arises from telematics becoming ubiquitous

Current customers (Mercedes, BMW, Audi, etc) are all having record years, leaving HAR less susceptible to fluctuations in general auto production

Management stands by a 5 year forecast of 15%+ top line and 25%+ EPS growth

Overall margins expand as mix shift toward automotive products continues

**Risks:** Attractive market characteristics will invite heavy, deep-pocketed competition

**Valuation:** Although not cheap on an absolute P/E basis, DCF supports a price of \$88



**International Game Technology (IGT- \$75.05)**

*Chip Frazier, '04*

[frazierh04@darden.virginia.edu](mailto:frazierh04@darden.virginia.edu)

**Target Price: \$93.00**

**Market Capitalization: \$6,527MM**

**Description:** IGT is the #1 designer and manufacturer of slot machines. IGT also produces video gaming, player tracking and accounting systems, terminals for government-sponsored lotteries, and progressive jackpot slot-machine networks.

**Positive Considerations:** Continues to see rapid growth in the sale of operation systems, diversifying risk away from machine sales.

IGT continues to transition large customer base to patented high-margin EZ PAY technology.

Continue to increase position in profit sharing machines providing a recurring revenue source from the installed base.

**Risks:** While gross margins were up, total machine sales were slightly down last quarter.

Most of the growth is concentrated in domestic markets. Since they own such a high market share, must grow the market in order to continue the rapid pace of growth.

Casinos have been hurt in the recent market and could continue their trend of lower capital expenditures.



**AvalonBay Communities (AVB - - \$36.64)**

*John Garofalo, CFA, '04*

[garofaloj04@darden.virginia.edu](mailto:garofaloj04@darden.virginia.edu)

**Target Price: \$40.00**

**Market Capitalization: \$2,527MM**

**Description:** AVB is a multi-family REIT that has interests in 149 class 'A' apartment communities containing 43,608 apartment homes in eleven states and the District of Columbia, of which 12 communities are under construction and two are under reconstruction.

**Positive Considerations:** High quality properties in high barrier-to-entry markets.

Stock is trading at a 13% discount to NAV.

Financial Flexibility – AVB has nearly all of its \$500MM credit facility available, a solid interest coverage ratio (3.1x), and a manageable debt maturity schedule.

Good, sustainable dividend yield, 7.6%.

Low beta decreases portfolio volatility.

**Risks:** Low interest rates and strong housing market pressures rental rates.

**Valuation:** AVB is trading at a discount to every valuation metric used: DCF, NAV, & comparable analysis. Analysis using these metrics shows a trading range of \$38-\$42.



**Enzo Biochem (ENZ - - \$13.01)**

Aman Gupta, CPA, '04

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**Target Price: \$16.20**

**Market Capitalization: \$370MM**

**Description:** Enzo Biochem develops, manufactures, and markets innovative health care products based on advanced genetic processes. The company has three business segments: Life Sciences, Therapeutics, & Clinical Labs.

**Positive Considerations:** Upper management has a high stock ownership. Executives have education or experience in molecular genetics.

Good product pipeline for future growth – 4 major therapeutic products in advanced human clinical trials & 3 in preclinical research.

Strong intellectual property of 300 product patents in gene therapy.

Impressive profits and working capital both on a comparative & a time series basis.

Very liquid asset position & strong cash flows.

**Risks:** The FDA may disapprove their product proposals.

ENZ has low liquidity with an average trading volume of ~100,000. Also, there is no research coverage available to get analyst estimates.

High drug development costs (AIDS gene therapy, Crohn's Disease, Hepatitis B & C) will begin to weigh on the bottom line.



**Neiman Marcus Group (NMG.A - - \$ 27.93)**

Amy Harris, '03

[harrisa03@arden.virginia.edu](mailto:harrisa03@arden.virginia.edu)

**Target Price: \$37.00**

**Market Capitalization: \$1,370MM**

**Description:** Neiman Marcus Group is the parent company of Neiman Marcus, 34 stores and Bergdorf Goodman, 2 stores, both of which are high-end department stores specializing in women's, men's, and children's apparel and accessories, cosmetics, jewelry, and home accessories. Neiman Marcus stores are located in primarily suburban locations, such as Northern Virginia's Tysons Corner, and Bergdorf Goodman is located in Manhattan. Neiman Marcus Group also operates 12 clearance stores and offers on-line shopping.

**Positives:** In the face of an economic slowdown, Neiman Marcus has held steady with solid results. Last quarter's results showed improving gross margins, inventory controls, and full price selling, in addition to net income growth of 24%. Going forward, the company is well positioned as it has easier comps in 2003, and is planning only limited square footage growth (2-3%), a prudent measure given the uncertain economic environment.

**Risks:** A prolonged war in Iraq could have a significant impact on the sentiment and confidence of even the luxury goods consumer. With less than 50MM shares the stock is somewhat illiquid.

**Valuation:** The stock is currently trading at 10.6x 2003 EPS, near the low of its historical rang of 8-30x. In addition, the stock trades at over a 30% discount to the S&P 500, compared to its historical midpoint of a 10% discount.



**Blue Rhino (RINO - - \$10.31)**

Matt Mitchell, CFA, '04  
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**Target Price: \$21.00**  
**Market Capitalization: \$161MM**

**Description:** Blue Rhino is the only national presence in the propane cylinder exchange business used for BBQ grills and outdoor appliances. They operate 27.5K retail locations in 48 states and their distribution network currently covers 90% of domestic outdoor BBQ market. Retail partners include: Home Depot, Lowe's, Wal-Mart, Sears, Kroger, and other national chains. As of April 2002, the National Fire Protection Agency requires that all propane cylinders be fitted with a special safety valve before refill. It is estimated that 40MM propane tanks became obsolete or needed new valve.

**Positive Considerations:** Blue Rhino completed a strong financial and strategic turnaround.

Cylinder exchange growth expected to increase by 20 - 30% for near future as customers change from refill to exchange programs.

Pricing power, economies of scale, and deferred tax assets allow for net income and cash flow growth in the immediate future.

Retail and distributor partnerships present strong barriers to entry.

**Risks:** Shares appreciated by 190% in 2002. Recent negative press has severely depressed share price while company has defended recent 8K filings.

**Valuation:** At 17.2x, RINO currently trades at discounted PE to its specialty retail and propane distributor comparables. Current PEG of .25 is very low. DCF/Share, assuming a 15% WACC & 10% long term growth, is \$21.40.



**Mattel (MAT - - \$20.86)**

Ann Repke, '04  
[repkea04@arden.virginia.edu](mailto:repkea04@arden.virginia.edu)

**Target Price: \$28.00**  
**Market Capitalization: \$9,121MM**

**Description:** Mattel is a large toy manufacturing company whose brands and products include Barbie dolls, Fisher-Price toys, and Hot Wheels.

**Positive Considerations:** Mattel has spent the past 2 years delevering. It has brought down its debt to capital ratio from 58% to 30%. In addition, it announced 15 new brand extensions in 2002 to help the company to continue to gain market share over its competitors. Mattel will most likely now focus on returning cash to shareholders and reinvesting in growth.

Mattel is growing with retailers like Wal-Mart. Wal-Mart is adding \$2.3MM square feet of toy selling space each year. Wal-Mart makes up about 17% of Mattel's sales.

**Risks:** Toys R Us, one of Mattel's customers, is struggling to compete with Wal-Mart and Target. The store makes up about 15% of Mattel's sales.

Changes in distribution are also planned. They are moving forward with selling toys in more places that people shop everyday like grocery stores.



**Aramark Corporation (RMK - - \$21..25)**

Jeremy Shinewald, '03  
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**Target Price: \$29.00**  
**Market Capitalization: \$3,970MM**

**Description:** Aramark has a leading position as an outsourcing service provider to businesses, governments, schools, hotels and entertainment and recreation facilities in seventeen countries around the world. In the United States, it is the second largest provider of food services and uniform supply.

**Positive Considerations:** Despite its strong cash flow and earnings, RMK share price has steadily declined with concerns about the economy. A conservative DCF analysis (7% growth assumption instead of analysts 14% consensus) suggests that the stock -- trading well below its 2002 IPO -- is significantly undervalued.

RMK represents a compelling growth opportunity as it exploits an untapped market for outsourcing; the \$30 Billion food services market is only 40% penetrated.

To spur growth, RMK is targeting large existing clients to cross-sell food, uniform and maintenance services.

RMK's management has been in place since 1983 and was recently cited in a BusinessWeek cover story as top ethical managers.

**Risks:** RMK has some exposure to its largest supplier Sysco Foods.

Food services facilities are used less in a downturn as people drink less beer at stadiums and bring their own lunches to work, etc.



**Family Dollar (FDO - - \$29.40)**

Craig Wiese, CFA, '04  
[wiesec04@darden.virginia.edu](mailto:wiesec04@darden.virginia.edu)

**Target Price: \$37.00**  
**Market Cap: \$5,056MM**

**Description:** Through 4,700 stores in 41 states, Family Dollar offers convenient access to basic merchandise for family and home needs at a low price with no frills and self-service.

**Positive Considerations:** Growth prospects for the dollar store segment continue to be very favorable. Problems at Dollar General and other competitors position Family Dollar to gain share in a growing market. Management estimates that it will reach the domestic saturation point with 10,000 stores. This implies ~10 years of domestic growth is still possible before expanding into Canada, Mexico, etc.

FDO has successfully grown the top-line while improving margins via inventory and distribution management systems. A number of additional improvements are pending which will improve profitability.

**Valuation:** A very conservative DCF model puts the value at \$37. This implies a forward multiple of 23.6, a bit shy of Wal-Mart at 24.

## Fund Holdings as of December 31, 2002

<b>Darden Fund</b>	<b>%</b>	<b>Jefferson Fund</b>	<b>%</b>	<b>Monticello Fund</b>	<b>%</b>
<u>Equities</u>		<u>Equities</u>		<u>Equities</u>	
Best Buy Co.	5.0	Berkshire Hathaway Cl B	5.6	Capital Automotive REIT	6.0
United Technologies Corp.	4.5	Microsoft	5.4	Danaher Corp.	4.7
Factset Research Systems	4.3	Philip Morris Companies	5.3	Berkshire Hathaway Cl B	4.4
Goldman Sachs Group	4.3	Viacom	5.3	Media General	4.1
Citigroup Inc.	3.8	Hospitality Properties Trust	4.8	Rowan Company	4.1
United Health Group	3.8	Pfizer	4.8	Pfizer	4.0
Raytheon Co.	3.6	Wal-Mart Stores	3.4	American Express	3.8
ConocoPhillips	3.5	Wilson Greatbatch	3.2	Pepsi	3.8
Ashland Inc.	3.3	Aramark Corporation	2.9	General Mills	3.4
Capital One Corp.	3.2	Aztar	2.7	Target	3.3
Home Depot Inc.	3.2	Autodesk	2.0	Microsoft	3.0
Kroger Co.	3.1	Citigroup	1.9	Dell	2.9
Philip Morris Companies	2.9	United Parcel Service	<u>1.7</u>	Teledyne Technologies	2.8
YUM Brands Inc.	2.8		48.9	General Electric	2.6
Pepsico Inc.	2.7			American Italian Pasta	2.6
Diebold Inc.	2.6			Henry Schein	2.4
Wellpoint Health Networks	2.6			Viacom	2.2
Pfizer Inc.	2.5			Humana	1.8
Fannie Mae	2.3			Felcor Holdings	1.6
Microsoft Corp.	2.3			Vodafone	<u>1.6</u>
Toys R Us Inc.	2.3				65.2
Check Point Software Co.	<u>2.1</u>				
	70.8				
Fixed Income*	18.0	Fixed Income*	25.1	Fixed Income *	24.2
Cash	11.2	Cash	26.0	Cash	10.6
Total	<u>100.0</u>	Total	<u>100.0</u>	Total	<u>100.0</u>
*Avg. duration = 8.2 years		*Avg. duration = 6.0 years		* Avg. duration = 1.7 years	
*Avg. yield = 4.17%		*Avg. yield = 3.3%		* Avg. yield = 1.7%	