THE DARDEN CAPITAL MANAGEMENT ADVISOR

Vol. 1 November 2002

September Fund Summaries

Darden Fund
Our overall fund performance for the period August 31st through September 30st was –9.3%, underperforming the benchmark by 145 basis points.

In September we continued our efforts to diversify our equity portfolio and align its sector weightings with that of the benchmark. We also focused on achieving better alignment between the fixed income part of the portfolio and the benchmark. On the equity side, we opened positions in Shaw Group Inc. (SGR) and Activision Inc. (ATVI), took some profits from our positions in United Health Group (UNH) and Checkpoint Software (CHKP), and liquidated positions in Travelers Property and Casualty (TAP'A and TAP'B) which we received as a spin-off from Citigroup (C). On the fixed income side, we sold a substantial portion of our 30 year US Treasury bond position and opened a position in 5 year US Treasury bond.

Jefferson Fund
The Jefferson Fund's performance was -2.05% in September, out performing the benchmark by 597 basis points. On a cumulative basis the fund is down 6.48% since the current team assumed management in April.

In September we established positions in Philip Morris (MO) and Viacom (VIA). Our purchase of Philip Morris (MO) was primarily based on what we perceived to be an overreaction by the market to recent news. Moreover, given the market's increased volatility we found the company's high dividend attractive. We believe Viacom (VIA) is a clear leader in the media space and will maintain this position with its ability to generate free cash flow coupled with its diversified media base. Overall, we continued to maintain a generous portion of the Fund's assets in government securities as a result of the existing uncertainty in the market.

During the month, we decided to sell a portion of our holding in Stryker Corp. (SYK). As the security matched our price target, we found it prudent to realize a gain. This being said, we did see additional upside and consequently continued to maintain a position.

Monticello Fund
Overall, fund performance was -4.39% in September, beating our benchmark by 254 basis points. Our benchmark was -6.93% in the same period. For the six months ended September 30, 2002, the Monticello Fund was -11.93%, beating our benchmark by 884 basis points. Our benchmark was -20.77% for the same period.

In early September, we established a position in Danaher Corp. (DHR). This addition gives us a stable, diversified industrial manufacturer at an attractive valuation given historical levels and projected growth rates. This stock helps us address sector gaps in our portfolio created by the summer volatility. In addition, in early September we sold Merck (MRK) and reinvested the proceeds in Pfizer (PFE). We executed this swap due to Pfizer's (PFE) relative growth prospects, pipeline of new drugs, and performance of existing drugs.

We also purchased Target Corp. (TGT). We have looked at Target (TGT) for a number of months and felt that with the decline in price, we could take a position at an attractive valuation versus the S&P and historical levels. We also exited our position in Vintage Petroleum (VPI). We felt that the fundamentals for the company have changed given its weakening balance sheet, increasing exposure to Argentina, lower growth prospects, and uncertainty surrounding the Iraq threat of war.

American Beverage Co. (ABV - - $11.15)

Joao Mariano Rotta, '04
rottaj04@darden.virginia.edu

Target Price: $20.00
Market Capitalization: $4,717MM

Description: Ambev is the seventh largest beverage company in the world by volume sold (the fifth largest brewer and the fourth largest soft drink company). It operates in Brazil, Argentina, Uruguay, Paraguay and Venezuela. Its product line includes beer, sodas, sports drinks, tea and mineral water. Besides its internally developed brands, the company undertook several franchising agreements with international players to produce and distribute other products such as Miller beer, Pepsi, Lipton Ice Tea, Gatorade and Carlsberg Beer in Brazil. Its market share in Brazil is approximately 69%.

Positives: The Brazilian beverage market is the fourth largest market of beer in the world, however its consumption per capita is low on a relative basis

The second quarter of 2002 was the twelfth consecutive quarter in which Ambev reached double digit growth in EBITDA figures.

Recent mergers and joint ventures will position the company as the dominant player in Latin America. Last week, the company announced a joint venture with Central American Bottling Corporation, the largest PepsiCo bottler in Central America to explore the Central American and Caribbean beer markets.

Risks: The outcome of the Brazilian Presidential election may constitute a potential risk to the macroeconomic environment of Brazil and may result in short term volatility.

American Italian Pasta (PLB - - $34.19)

Rob Gowen, '03
gowenr03@darden.virginia.edu

Target Price: $39.00
Market Capitalization: $614MM

Description: American Italian Pasta (PLB) is the largest dry pasta manufacturer in the Unites States generating revenue from branded pasta, private label, food service and institutional contracts. PLB is the lowest cost manufacturer in the industry, and uses its cost savings to increase marketing spending in order to maintain the #1 or #2 market share in a local region.

Positives: PLB has 47% of the private label pasta industry and has contracts with 18 of the top 20 grocery store chains in the United States.

Sysco, the largest food distributor in the U.S. named PLB a "top ten" supplier for the past six years

PLB is growing revenues organically at 12% in an industry that typically grows with inflation

Trading at 13.6 times forward earnings, and guided for EPS growth of 14% in fiscal 2003

Recently signed a long-term contract with General Mills

Risks:
Possible import tax on durum wheat from Canada which would significantly increase PLB's raw material cost.

Management lowered EPS outlook for fiscal 2003

AZTAR

Aztar Corp.(AZR - - $12.25)
Peter Goulding, CFA, '04
gouldingp04@darden.virginia.edu

Target Price: $18.00
Market Capitalization: $992MM

Description: Aztar owns and operates 5 casino properties in the US, including 3 land-based casino resorts and 2 riverboat casinos. Aztar's properties operate under the Tropicana name in Atlantic City, NJ and Las Vegas, NV, Ramada Express Hotel and Casino in Laughlin, NV; Casino Aztar in Caruthersville, MO; and Casino Aztar in Evansville, IN.

Positives: 88% of EBITDA is non-destination (i.e. drivable, part of regular lifestyle) which will hold up better than Las Vegas focused gaming companies in the event of continued economic stagnation.

Expansion of current Atlantic City property (60% of EBITDA), to be the first Las Vegas style mega-resort in Atlantic City, adds rooms to a capacity constrained market.

Strong cash flow yield (FCF/Price = 20%), 3rd highest in industry, Lowest leverage in industry (2.8x Total Debt/LTM EBITDA, median = 5.95x).

Expansion at AC location and option on adjacent property in Las Vegas (potential basis for 2 new mega-casinos at "New Four Corners" of Las Vegas) could double EBITDA within 5 years.

Risks: Investors continue to worry about oversupply in Atlantic City in years to come. Even though past four expansions in Atlantic City by existing players generated excellent returns.

Valuation: DCF produces a range of $20-24 based on most likely expansion plans in Atlantic City and Las Vegas.

CISCO SYSTEMS

Cisco (CSCO - - $12.25)
John Ferguson, CFA, '03
fergusonj03@darden.virginia.edu

Target Price: $13.00 – 14.00
Market Capitalization: $83,529MM

Description: Cisco Systems, Inc. provides networking solutions that connect computing devices and computer networks, allowing people to access or transfer information without regard to differences in time, place, or type of computer system.

Positives: Dominant supplier of enterprise equipment.

Relative strength of balance sheet and cash flows should allow CSCO to emerge from the current downturn in stronger relative position.

Finances are *strong* – continues to be profitable, cash flow positive on top of an already huge balance of cash/short-term investments, allows tremendous flexibility to continue to add technology through acquisitions as well as allows for the currently authorized *$8billion share repurchase.*

Entering what's been historically the strongest selling season for CSCO.

Operating well given the environment – Gross margins on the way up (helps to have zero-cost parts inventories), but operating margins improving dramatically as well.

Risks: Macro – this is the single greatest risk to the story, possible maturing of markets, accounting issues, goodwill impairments

Valuation: The stock is trading at or near lows on just about every imaginable metric. Our analyses based on both DCF and relative multiples point to a high stock price in the low-to-mid teens and downside of $7-$8.

Fortune Brands (FO - - $ 51.16)
Patrick Mueller, '04
muellerp04@darden.virginia.edu

Target Price: $58.00
Market Capitalization: $7,680MM

Description: Fortune Brands manufactures and sells leading brand products to four distinct markets: home products, office products, golf products and distilled sprits and wines. The Company's leading brands include: Moen, Master Lock, Titleist, Cobra, FootJoy, Pinnacle and Jim Beam

Positives: Brands that are number one or number two in the market represent 80% of Fortune Brands' sales, including Moen, the number one faucet brand; Titleist, the number one golf ball; and Jim Beam, the number one bourbon in the world.

Estimates are for $718MM in cash flow from operations and $371MM in free cash flow over the next 12 months.

Fortune Brands has continued to demonstrate strong upward earnings momentum and has consistently increased dividend payout rates. Current dividend yield is 2.15 percent

Risks: The recent strong performance of Fortune Brands compared to the broad market has reduced its historical discount to the S&P 500, leading some to believe that the company is fairly valued.

Office Products division is facing pressure because of the weak economic environment. Furthermore, margins in this segment trail those in the other three businesses.

Fortune Brands could be negatively impacted by a sharp decrease in the U.S. housing market or through competition including Nike in the golf/leisure products industry.

General Mills Inc. (GIS - - 41.75)
Whit Edwards, '03
baileye04@darden.virginia.edu

Target Price: $50.00
Market Capitalization: $15,360MM

Description: General Mills is the second-largest U.S. producer of ready-to-eat breakfast cereals and a leading producer of other highly advertised consumer packaged foods.

Positives: The addition of Pillsbury more than doubles General Mills revenue and enhances its ability to compete with large cap competitors such as Kraft and Kellogg.

General Mills is involved in two joint ventures with Nestle and PepsiCo to help establish its global presence. The combined sales force will focus on international markets leveraging its success domestically.

The integration of the Pillsbury acquisition has been slow and synergies have been slow to be realized. After the sales force has experience marketing products through one full season, calendar year 2003 should deliver enhanced results due to a more knowledgeable and integrated sales force.

Risks: Culture clashes between Pillsbury and GIS, the company has significant short term debt exposure

Valuation: GIS trades at a 20% discount to the P/E ratios of its large-cap competitors – Kellogg and Kraft. This 20% discount more than offsets the risk factors listed above. For this reason, GIS could trade at levels closer to Kellogg and Kraft in the near future as short term debt issues are resolved and the integration of Pillsbury is completed.

Newmont Mining Company (NEM - - $24.29)

Craig Wiese, '04
wiesec04@darden.virginia.edu

Target Price: $33.00
Market Capitalization: $9,800MM

Description: Newmont Mining is engaged in the production of gold, the development of gold properties, the exploration for gold and the acquisition of gold properties worldwide.

Positive Considerations: NEM does not hedge gold exposure. Therefore, it provides investors with indirect exposure to gold price movements.

Slightly negative beta decreases portfolio volatility.

NEM is the largest gold producer in the world, with superior geographic diversification that reduces project and country risk.

Continued bear market should lead to significant price appreciation.

Risks: Deterioration in gold prices will directly hurt NEM's bottom line and stock price.

While NEM is well diversified, they are exposed to political risk in Ghana, Indonesia, Uzbekistan, and Peru.

Patterson – UTI Energy (PTEN - - $27.88)

John Sterling, '04
sterlingj04@darden.virginia.edu

Target Price: $35.00
Market Capitalization: $2,257MM

Description: Patterson-UTI Energy is the second largest provider of contract land drilling services in the United States with 324 drilling rigs operating primarily in the Permian Basin, Texas, the Rocky Mountains and western Canada. Along with contract drilling services, the company conducts pressure-pumping operations.

Positives: Patterson is the company best positioned to profit from increasing North American natural gas prices. Patterson will benefit from excellent operating leverage as North American natural gas demand increases. Patterson will exhibit tremendous upside earnings potential as the market improves for North American drilling services.

Tight gas supply in North America. Natural gas production is down approximately 6% year-over-year. This tight supply environment is reflected in the high price of natural gas, currently above $4.00 per mmbtu.

Risks: The primary risk to Patterson's price target is that of a protracted period of below-average economic growth, retarding growth in demand for natural gas.

Patterson's stock price has appreciated approximately 25% in the past three months. The investing community has anticipated many of the future trends outlined in this pitch.

Cyclicality. Holding period horizon for Patterson is 2 – 3 years, not a buy and hold indefinitely. Patterson will be affected by future industry down-turns.

Sallie Mae.(SLM - - $106.00)
Tamara McWilliam, '04
mcwilliamt04@darden.virginia.edu

Target Price: $123.00
Market Capitalization: $16,263MM

Description: SLM Corporation, "Sallie Mae," is the largest private source of funding, delivery and servicing support for education loans in the United States; its products and services include student loan purchases and commitments to purchase student loans, student loan servicing and collections.

Positives: The company has little exposure to credit risk. Approximately 94% of the company's managed portfolio of student loans is federally insured.

The company's debt was recently upgraded by Moody's which should allow Sallie Mae to access capital at more favorable rates.

Rising costs of education and higher levels of college enrollment should increase demand.

Strategic acquisitions and investments in technology are allowing the company to acquire loans at lower costs.

Risks: Changes in the terms of educational loans arising from changes in applicable laws and regulations may negatively impact the volume, average terms and yield on student loans.

Changes in the demand for educational financing or in customer financing preferences may impede the company's ability to meet growth projections.

Changes in the general interest rate environment and the education loan securitization market may increase the cost/limit the availability of financing required to initiate, purchase or carry loans.

ServiceMaster.(SVM - - $9.85)
Joshua Goldstein, CFA, '04
goldsteinj04@darden.virginia.edu

Target Price: $12.50
Market Capitalization: $2,970MM

Description: ServiceMaster provides a variety of home care services to residential customers including termite and pest control, landscaping and gardening services and plumbing services.

Positives: New management strategy will improve cost structure, focus on growing already strong brands and eventually improve returns on capital.

Cash flow is strong. ServiceMaster's business model has low capital requirements, which leaves lots of cash left over for shareholders.

Catalyst for stock will come from cost reductions and improving margins as brands benefit from refocusing and cost cutting efforts.

Risks: Near term issues pressuring 2002 EPS - estimates look tough: macro environment may hurt 2H pricing, returns from Six Sigma investments may roll on later than expected

Scotts, a main competitor, threatens to increase pressure on TruGreen margins

Plans for improving revenue growth in 2003 and beyond are unproven

Business at Home Maintenance and Improvement does not turn around

Valuation
Recommend purchase below $9. DCF model yields $12.50 price target with growth and margin assumptions substantially below management's guidance. Trades at 11x 2002 free cash flow.

TARGET CORPORATION

Target (TGT - - $32.64)
James Hardiman, Jr. '03
hardimanj03@darden.virginia.edu

Target Price: $46.00
Market Capitalization: $29,700MM

Description: Over the past decade, Target has successfully pioneered the concept of the "upscale discounter". In doing so, they have carved out their own niche in the minds of consumers. As a company that has been beaten down along with a declining retail environment as well as the broader overall market, the current price level offers a rare buying opportunity for a company with strong fundamentals and a bright future.

Positives: The Kmart bankruptcy and continued downsizing will provide incremental sales and earnings growth as well as real-estate opportunities for Target in coming months and years.

Target's tight control of inventory indicates a cautious yet successful approach to the holiday season. By chasing sales rather than building inventory, Target minimizes their exposure to poor market conditions.

The Super Target stores will substantially help Target to increase square footage growth, store productivity, and ultimately return on invested capital.

Risks: West Coast dock-worker strike, credit card business exposure

Valuation: From a valuation standpoint, Target is trading at a discount to its own historical values and its peers.

Washington Mutual, Inc.®

Washington Mutual (WM - - $35.63)
Edward Bailey, '04
baileye04@darden.virginia.edu

Target Price: $50.00
Market Capitalization: $34,468MM

Description: WM engages in consumer banking, mortgage banking, commercial banking, financial services and consumer finance. As of 12/31/01, WM was the largest savings institution and 7th-largest banking company in the US.

Positives: #1 in mortgage, adjustable rate mortgage (ARM), and apartment lending in the US.

Positioned and prepared well for expected interest rate increases, with extensive hedges in place.

Continues to diversify revenue mix; non-interest income now 24% of total, up from 17% a year ago.

Continues to expand "according to its expertise" into large markets, recently NY and Chicago.

Trades at a discount to the S&L industry, financial sector, and S&P 500 by almost every valuation measure, yet boasts 5-year EPS growth rate, ROE, and net profit margins above the average of all 3.

Risks:
Interest income spread will compress as "cost of funds" (interest rates) rises.

Fragile US economy increases risk of loan defaults.

Integration glitches following recent acquisition spree have led to some customer complaints.

Wilson Greatbatch Technologies (GB- -$27.50)
Tim Bei,'03
beit03@darden.virginia.edu

Target Price: $30.00 -- 33.00
Market Capitalization: $607MM

Description: Wilson provides power sources for implantable medical devices. Because of technology advancements, the company's market opportunity is poised to expand. Further, winning Medtronic as a major customer is a likely business catalyst potentially generating significant revenue growth for the company.

Positives: Device buyers are willing to pay significantly more for improved product functionality and decreased size. The advanced functionality offered by Wilson's ICD batteries and capacitors serve as an attractive sales-improving vehicle for companies such as Guidant and Medtronic.

Focus on improving manufacturing yields will generate higher future operating margins. Moreover, a relatively strong balance sheet and improving cash flows afford the financial flexibility to fund R&D and acquisitions.

The importance of reduced time-to-market for Wilson's customers has created an outsourcing trend.

Wilson components are "designed into" customer devices, creating significant switching costs for customers.

Risks: Two customers account for 63% of total revenue, has experienced high senior management turnover recently.

Valuation: Based on a DCF, our analyses points to a stock price between $30 and $33. Additionally, with a PEG below 1.0x and an EV / EBITDA below peers, the market appears to be undervaluing GB's growth potential.

Fund Holdings as of September 31, 2002

Darden Fund	%	Jefferson Fund	%	Monticello Fund	%
Best Buy Co	6.1	Microsoft Corp.	4.7	Capital Automotive REIT	6.6
Goldman Sachs Group	6.0	Hospitality Properties Trust	4.7	Berkshire Hathaway	4.6
Factset Research Systems	5.8	Berkshire Hathaway	4.2	Danaher Corp.	4.3
Home Depot Inc.	5.7	Pfizer Inc.	3.5	Pfizer Inc.	4.0
Pfizer Inc.	4.8	Wal-Mart Stores Inc.	3.5	Media General	3.6
Shaw Group	4.4	Citigroup Inc	3.1	American Express Company	3.5
Federal Agricultural Mtg.	4.3	Mercantile Bankshares	2.7	Rowan Company	3.5
Check Point Software Co	4.3	Viacom Inc.	2.6	Pepsi	3.5
United Technologies Corp.	4.1	Philip Morris Companies	2.5	Teledyne Technologies	3.4
Orthodontic Centers of Am.	4.1	Southwest Airlines Co.	2.2	Target Corp.	3.3
United Health Group	4.0	Stryker Corp.	2.0	Goldman Sachs	3.1
Capital One Financial Corp	3.8	John Hancock Financial	2.0	General Electric	2.8
Activision Inc.	3.5	Starwood Hotels & Resorts	1.9	Microsoft Corp.	2.7
ConocoPhillips	3.4	United Parcel Service	1.8	Humana	2.3
Citigroup Inc	3.3	Walgreen	1.1	Viacom Inc.	2.3
Timberland Co.	2.9	Equifax Inc	0.8	Felcor Holdings	1.8
Kroger Company	2.8			Mobile Mini	1.6
Oracle Corp	2.7			Vodafone Group PLC	1.2
Bellshouth Corp	2.7				
Fannie Mae	2.2				
El Paso Corp	1.3				