VALUATION

FUNDAMENTALS AND RELATIVE APPROACHES FOR A SAMPLE OF FIVE COMPANIES

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I.- INVESTMENT RECOMMENDATION

Manchester United

Investment Recommendation:		**SELL**	Target Price $ Range: Current Price:	£ 2.70 – 1.41 £ 2.66

Valuation Approach:

DCF	*Relative Val*	*Option Val*	*EVA*
£ 2.70	£ 1.41	N/A	£ 14,563,224
FCFF_2	PBV		

Analyst Comment: Our Sell recommendation is supported by the fact that Man-U stock price is currently positioned at the top of its valuation range, and under pressure for a value adjustment that would position the stock around its peers level of £ 1.41

IMPSAT

Investment Recommendation:		**HOLD**	Target Price $ Range: Current Price:	$ 136.27 – 3.31 $ 8.40

Valuation Approach:

DCF	*Relative Val*	*Option Val*	*EVA*
$ 136.27	$ 3.31	8.16	N/A
FCFF_N	FV/EBITDA		

Analyst Comment: This is the most risky holding in our portfolio as IMPSAT has recently emerged from Chapter 11 reorganization, where more than $700M of debt where converted into Common Stock at an 85% discount. Should the company survive the next 3 years, its future seems bright as it already counts with a fiber optic backbone linking the main Latam cities. Overall, the market still perceives and values IMPSAT as a deep out of the money call option.

CANTV

Investment Recommendation:		**SELL**	Target Price $ Range: Current Price:	Bs. 4,745 – 2,213 Bs. 5,700

Valuation Approach:

DCF	*Relative Val*	*Option Val*	*EVA*
Bs. 2,213	Bs. 4,745	N/A	Bs. -465,929mm
FCFE_2	EV/EBITDA		

Analyst Comment: The Venezuelan integrated telecommunications provider has its stock price severely distorted due to the internal dynamics of Venezuela's exchange control. By packaging 7 shares into ADS and selling them in the NYSE, Venezuelan nationals have the possibility of obtaining hard to get dollars. This situation has greatly increased demand of the stock to levels unrelated to company fundamentals.

Netflix

Investment Recommendation:	**BUY**	Target Price $ Range:	$ 67.56 – 15.9
		Current Price:	$ 52.13

Valuation Approach:

DCF	*Relative Val*	*Option Val*	*EVA*
$ 15.9	$ 67.56	N/A	-9,526
FCFF_2	PS		

Analyst Comment: Our Buy recommendation reflects the market momentum of Netflix's stock and is an opportunistic suggestion. Under such premises holders of this stock should monitor the market evolution periodically as in the medium term its price could adjust to its lower fundamental valuation.

Limited Brands

Investment Recommendation:	**BUY**	Target Price $ Range:	$ 21.65 – 20.73
		Current Price:	$ 16.52

Valuation Approach:

DCF	*Relative Val*	*Option Val*	*EVA*
$ 21.65	$ 20.73	N/A	89,913.04
FCFE_2	PE		

Analyst Comment: Limited Brands can improve its financial position through organic growth and profitable acquisitions in the same industry. The company has the potential to penetrate other markets using its flagship Victoria's Secret brand.

II.- PORTFOLIO ARRANGEMENT

Our Company Choice

Our investment portfolio has a high risk component as it includes two Latam companies, one European “Fútbol” (Soccer) team, a booming New Economy company and a classical US retail company as risk anchor.

Manchester United (Man-U for its hooligans), is the English fútbol power house considered the most important soccer franchise in the world. Man-U revenue growth is directly linked with its capacity to sell advertisement space and TV time for its games as ticket revenues is limited mainly by the seats available.

IMPSAT, is the Argentinean telecom company with almost continent wide fiber optic coverage that emerged from Chapter 11 reorganization early this year. Wile the company’s financial situation is still weak because of its important dollar denominated debt load and weakening local currencies revenues, the future perspectives present risk prone investors with huge potential gains.

CANTV, the privatized Venezuelan telecommunication company, enjoys a monopoly-like condition in the land-line and microwave sectors, while facing arduous competition in the cellular market. Venezuelan cell-phone business is the company’s main source of growth as the current mobile penetration of around 30% is expected to increase to 45% over the next 8 years.

Netflix, is the embodiment of the new approach to movie rentals that is gaining market share from conventional players, by combining internet and third party distribution logistics to increase the margins on a volume driven industry.

Limited Brands, our denominated risk anchor, is a women-focused retail company that has experienced good growth by catering to the clothing needs of the American woman through its brands: Limited, Victoria Secret, Express, Henry Bendel, and Bath & Body works.

III.- VALUATION RATIONALE

To arrive at our portfolio decision, we valued our stocks using both an individualized fundamental approach and a one-multiple relative valuation, and compared the results obtained to market and industry situation and stock momentum. In the table below we summarize the fundamentals model used for each company and the multiple employed.

	Man-U	IMPSAT	CANTV	Netflix	Limited B.
Model	FCFF_2	FCFF_N	FCFE_2	FCFF_3	FCFE_2
Multiple	P/BV	FV/EBITDA	EV/EBITDA	PS	PE
Option Price	- -	USED	- -	- -	- -

Manchester United, Given the stable nature of the company's business level and the expected decrease in the recent growth rate, we could have used either a 2-stage FCFE or FCFF model. Nevertheless, we opted for a FCFF model to better reflect the Team's cash generation facility.

IMPSAT, The company unstable business situation and the expected evolution of its financial structure, require the use of an evolving model that allows for adjustments of Debt to Capital ratio, Cost of Capital (Kc), Beta, and Capex. Consequently, the model used was a N-Stage model.

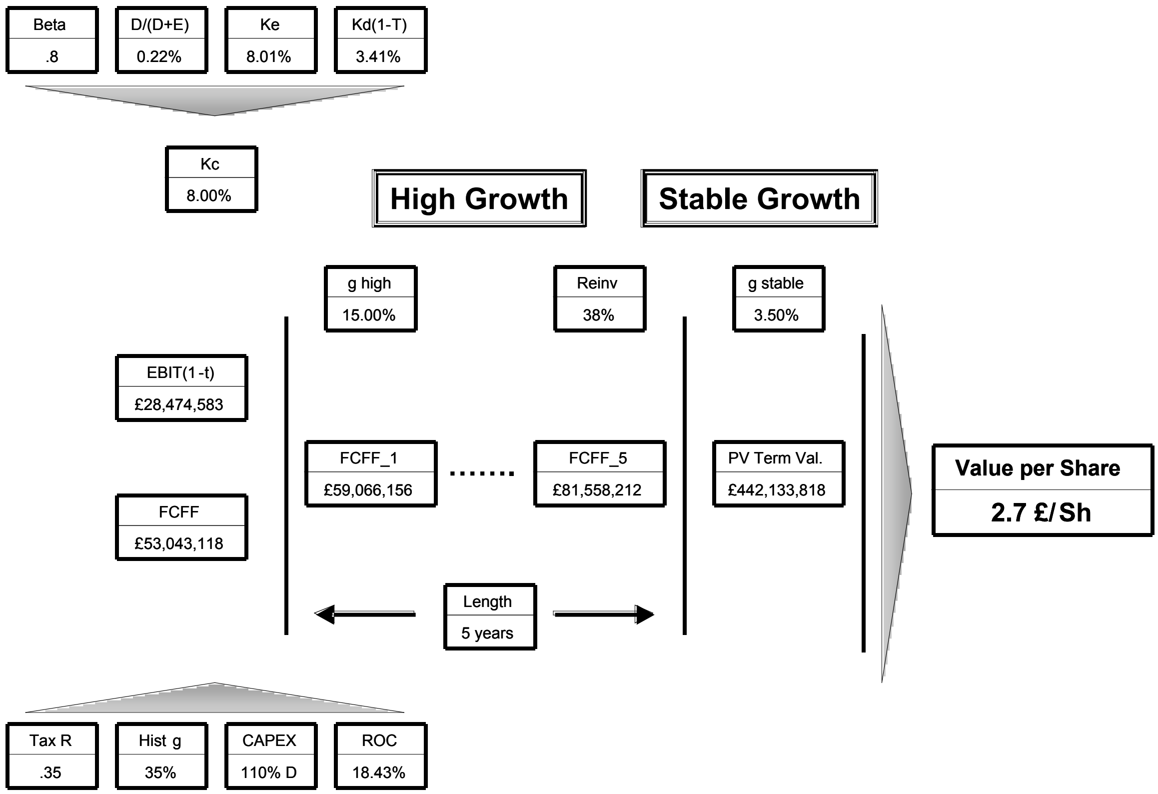
CANTV, We believe that CANTV will have two years of continued negative growth of (-11%) and will then enter a phase of stable positive (+2%) growth. As a telephone monopoly in Venezuela with no international exposure, CANTV could be considered as a stable growth company with moderate growth provided by interests in the telecom/cellular telephony industry. Nevertheless, CANTV has a very low ROE as compared to the industry and a lower ROE than COE. This means the company is destroying value and should give the money back to its stockholders. For the past couple of years, the board of directors has approved extraordinary dividend totaling an average of 300% of earnings per year. The company has not been reinvesting in assets and most of the free cash flow comes from depreciation. We believe CANTV will shrink the company to the point of reaching the average ROE for the industry which will happen in three years and the then have moderate growth from new investments in cellular technology and its increased exposure as a high speed internet service provider (ISP).

Netflix, the high growth characteristic of this company calls for a 3-stage model, or a long 2 stage model where the high growth period is smoothly faded into stable growth over a 12 year period. Furthermore, we selected a FCFF approach to account for possible variations on the company's financial structure and cash future generation capability.

Limited Brands, we use the two stage growth FCFE model. The valuation was made on an equity level given that the company exhibits stable debt ratios and low and stable payout ratios (aprox. 33%).

IV.- VALUATION BY FUNDAMENTALS

Manchester United



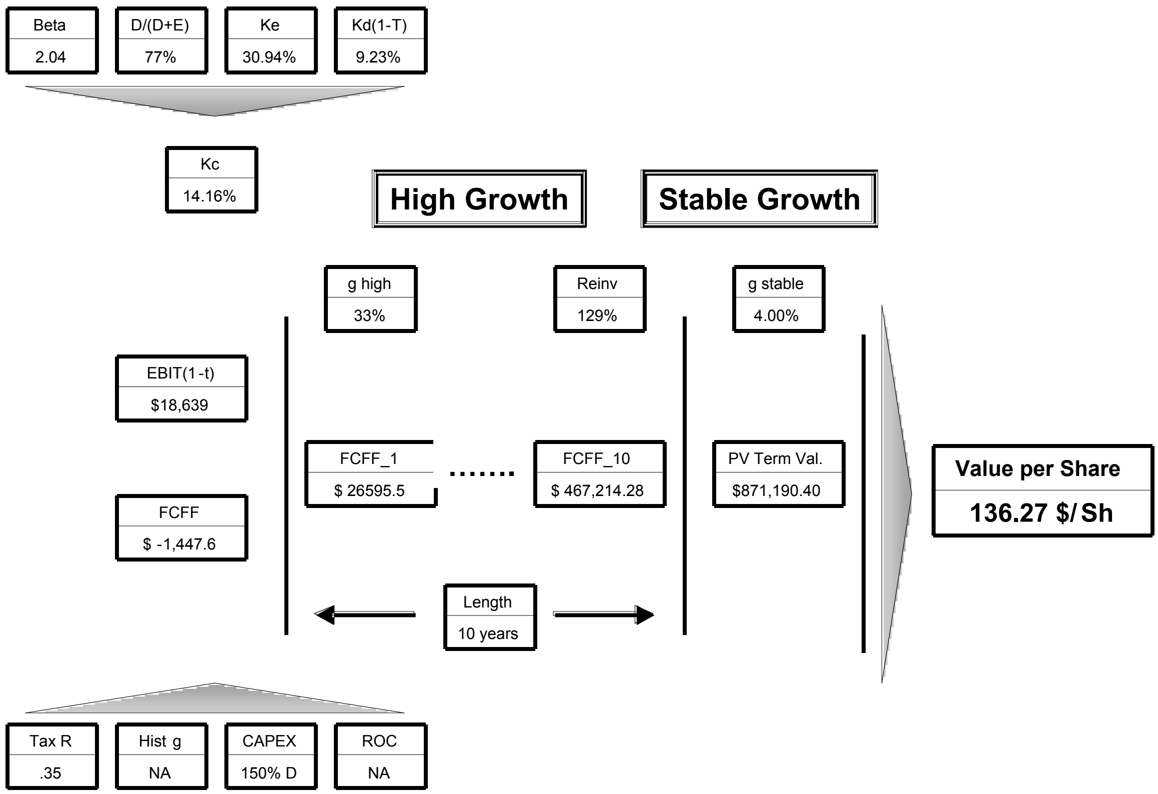
For Man-U fundamental valuation, we assumed that last years' growth is going to slow down as the team winning streak resulted in unparallel revenues increase and brand name build up. Further growth increases are difficult to accomplish as the number of cups they can win is limited (unless they start playing in India or Latam) to gauge additional revenues. Furthermore, the recently implemented invasion of the Japanese market and expanded franchising efforts showed a slow down in the past year.
Finally, last year sale of two star players (with the related booking of one non-recurring revenue) further compromises the team ability to repeat the performance of the last two seasons, together with the new market trend of increasing numbers of teams going public could hinder investors preference for Man-U stock.

The key variable for Man-U valuation is the length of its grow period, the sensitivity analysis presented below shows that depending on the team management's ability to lengthen the grow period, the stock price could reach 4.16 £/Share for a 10 years growth period.

Length of growth period

		1	2	3	4	5	6	7	8	9	10
Stock Price	2.70	1.69	1.93	2.18	2.44	2.70	2.97	3.26	3.55	3.85	4.16

IMPSAT



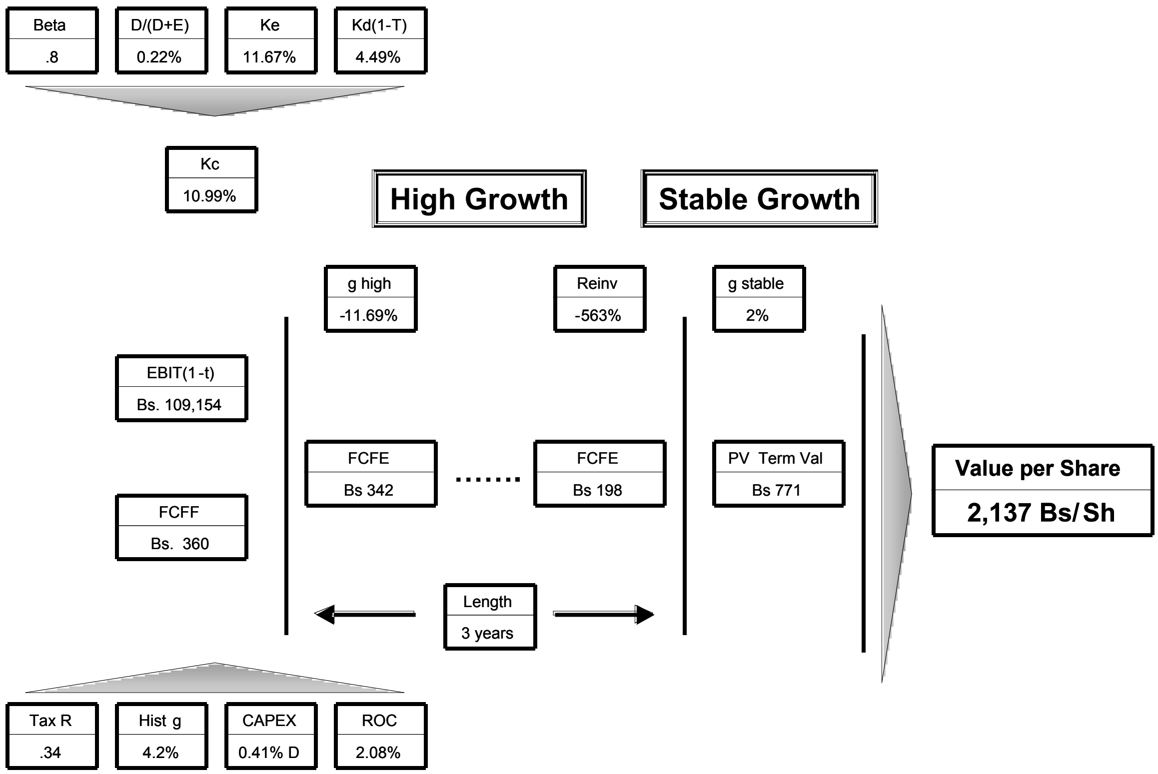
IMPSAT is the riskier bet of our portfolio. With only 9 months since emerging from Chapter 11 reorganization, the company's financials are in better shape than last year as more than $750M of debt where converted into Common Stock at an 85% discount.

The key to a successful bet on IMPSAT is the company's ability to survive the next three years while generating the required growth to allow it to protect its market share, and balance out the nonperforming accounts receivables with the Argentinean Government.
We estimated the survival probability of the company is around 60%, as the regional fiber optic backbone in place will require little maintenance for the next 10 years and will only call for minor maintenance CAPEX. Under such premises, the fundamentals valuation presented above gauge the potential stock appreciation should the company be able to continue as an ongoing concern, as the main component of value comes form the PV of perpetuity.

Growth rate in perpetuity

	3.0%	3.5%	4.0%	4.5%	5.0%	5.5
$136.27	127.57	131.71	136.27	141.34	146.99	153.34

CANTV



The three most important value drivers for CANTV are the length of the high growth phase, the growth rate in earnings, the Cost of equity and the exposure to the country Risk Premium; the later being the most relevant for the fundamental valuation.

CANTV has all of its revenues in Venezuelan Bolivares, and maintains a very low debt ratio and Beta. As the table will show, a decrease of 2% on Cost of equity (Ke) would significantly increase the value of the company. As the cost of equity is reduced, it approaches the low ROE at a higher pace making every next basis point decrease in the cost of equity more significant than the last one. Our calculations have taken into considerations that at least during the next three years the Ke will remain stable. If the company is able to adjust its Ke at the same time, this would result in the most significant increase in value.

Ke	13.67%	12.67%	11.67%	10.67%	9.67%
Stock Price	1917.00	2028.00	2213.00	2374.00	2593.00

Even though country risk is not a variable that management has control over, it's definitely one of interest for a sophisticated investor. The Venezuelan economy was hit in the past four years, loosing approximately 50 years of growth in the economy as a result of a series of political battles and a general strike that stopped most of the productive engine of the economy. Some signs that the political conflict might be coming to an end could provide significant improvement in country risk. As a result the cost of equity will be reduced and would provide a higher valuation. The past few days we have seen a significant improvement in the value of all Venezuelan stocks.

Additionally, management could try to invest internationally and find new markets in order to reduce the exposure to Venezuela. A big problem and a conflict of interest which will be discussed later in the Control section, is that major international telecom firms (Verizon and Telefonica) are the biggest shareholders in CANTV stock. Those companies have a diversified portfolio with presence in many countries in Latin America and other Emerging Market economies. They have individual strategies for each of their individual investments and making CANTV a larger diversified company is obviously not in their interest.

The other two sensitivity analysis results are:

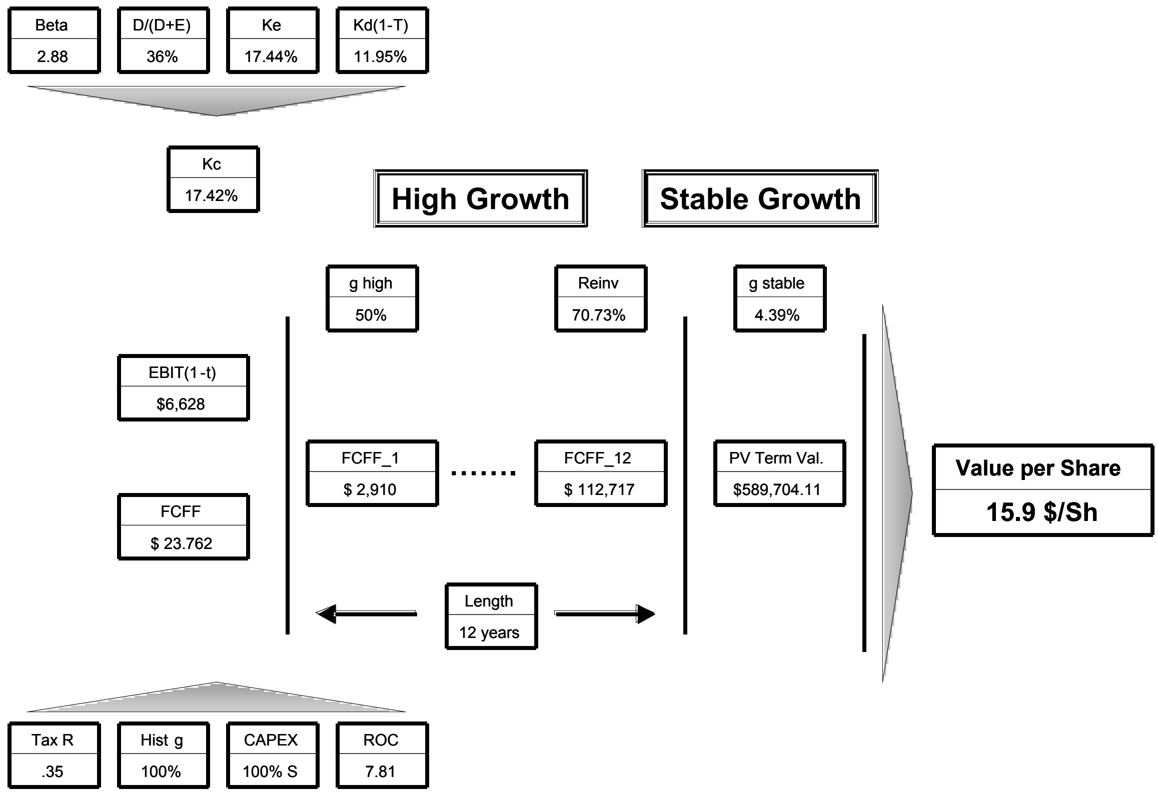
Growth

	-15.0%	-12.0%	-6.0%	-2.0%	0%
Stock Price	1962.00	2213.00	2283.00	2438.00	2518.0(

First Stage

	0	100.0%	200.0%	300.0%	400.0%	500.0'
	928.00	1840.00	2052.00	2213.00	2350.00	2425.0C

Netflix



Some Analysts have proposed that Netfilx is in a new market: DVD rentals through the Internet. Nevertheless, the existence of immediate competitors as Blockbuster, Wall-mart, Hollywood, the myriad of independent and local movie rentals and the recent Video on Demand offering of major cable companies challenge such assertion.

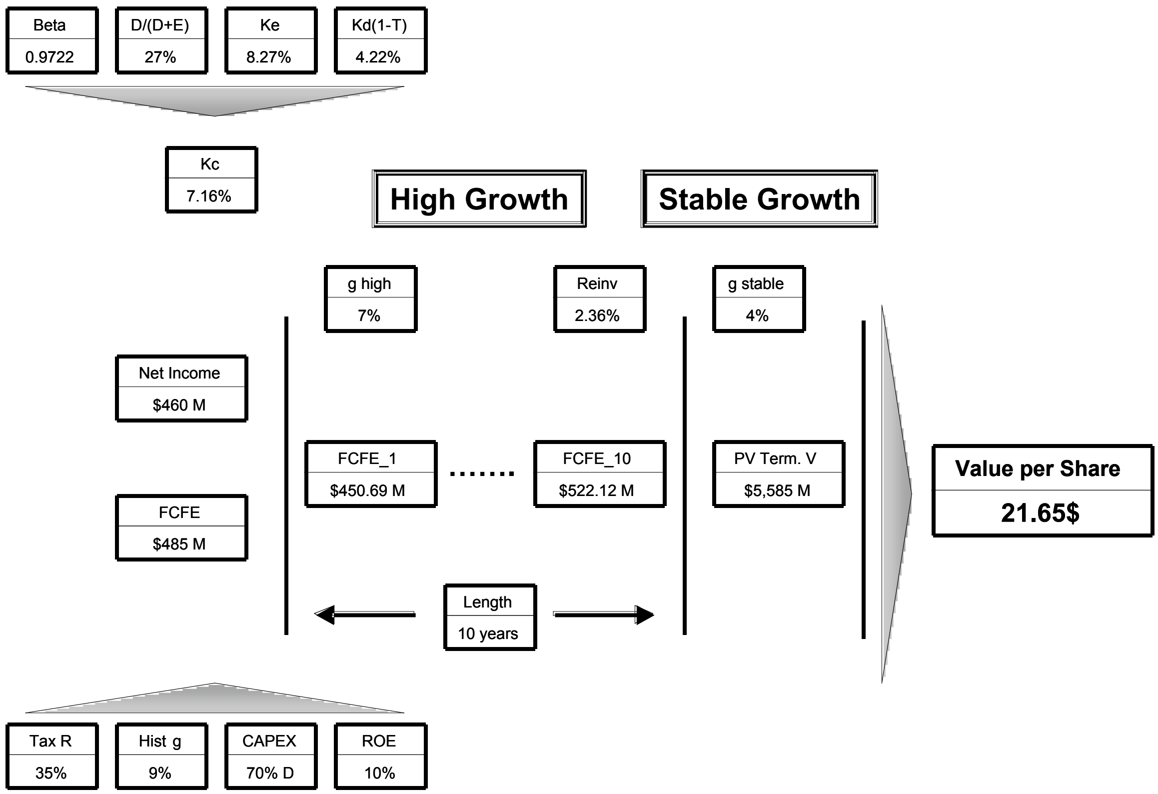
Nevertheless, the market acceptance to the company has been outstanding, as the firm is currently growing at a rate above 100%. Going forward, we assume a high growth period of 12 years with a compounded growth rate of 50%. The length of the growth period is sustained by the relative small market penetration on an extremely large target clientele (country wide). Furthermore, Netflix can enjoy sustained high margin operation or pricing power against more traditional competitors, as its business model allows for a cheap client interface and outsourcers the distribution system.

As shown in the table bellow, the stock price is highly sensitive to variations on the Pre-tax Operating Margin with one percent of margin generating around $6/Share of price increase.

Pretax OM

	3.00%	4.00%	5.00%	6.00%	7.00%	8.00%	9.00%
Stock Price	4.22	10.36	16.51	22.66	28.80	34.95	41.10

Limited Brands



In valuing this company, we normalized Earnings and Capex in order to account for the elimination of divestitures' effects that occurred during the past three years. The high growth period was estimated to last for 10 years at a rate of 7% (analyst estimates), and it is mainly driven by the realization of streamlining of operations, increased market share of current brands and the acquisition of other brands in the same industry. As a result, the Holding will grow 2% more than the market as a whole (5%) during the next 10 years.

For the stable growth period, Limited Brands is projected to match the ROE to the average ROE of the Industry. This assumption is based on the scenario of the Company not expanding its business outside of the US. We consider this the most probable scenario, since Limited's strategic orientation for the foreseeable future has been disclosed to be based uniquely on the US market.

Limited Brand's DCF valuation is sensitive to the following critical variables:
1) High growth period's growth rate
2) Stable growth period's growth rate

When the sensitivity analysis for these variables was performed, we found the following results:

High Growth Period Growth Rate						
	7.0%	10.0%	15.0%	20.0%	25.0%	30.0%
Value / Share	21.65	22.61	24.68	26.01	27.81	29.69

Stable Growth Period Growth Rate		
	4.0%	5.0%
Value / Share	21.65	25.08

Changes in the growth rate for the high growth period result in a variation of up to 37% when considering growth rates from 7% to 30%. These scenarios bring great insight to the Company's management: if the company should consider strategies that can result on higher growth (coeteris paribus), value per share will be increased substantially. Higher growth can be obtained from entering new geographic markets (maintaining similar COE and ROE) or through a drastically increase of the difference between ROE-COE through an improvement of the selected projects in the current market (higher NPV values). In this sense, sources for higher growth in Net Income can come from rationalization of costs or the increase in sales per square foot of stores.

On the other hand, if the company can reach the same growth of the economy for the stable growth phase, the value per share would be increased 15%.

V.- RELATIVE VALUATION

After identifying the best multiple for each of the companies in the portfolio, we compared the corresponding multiples' current value to the industry average, and the implied multiples obtained from running regressions against the sector comparables and the market as whole. The results are presented in the table below.

	Man-U	IMPSAT	CANTV	Netflix	Limted Brands
	PBV	FV/EBITDA	EV/EBITDA	PS	PE
Current Multiple	3.18	5.73	3.93	4.35	17.73
Market Multiple	1.55	11.75	4.97	2.10	20.14
Apreciation	Overvalued	Undervalued	Undervalued	Overvalued	Undervalued
Point Estimate (Sector)	2.32	4.94	4.93	6.66	21.18
Upper Bound (95%)	3.29	17.76	6.46	8.93	33.19
Lower Bound (95%)	1.35	0.00	3.40	4.38	9.17
Apreciation	Fair	Fair	Fair	Undervalued	Fair
Point Estimate (Market)	2.54	4.07	4.06	2.89	13.62
Upper Bound (95%)	3.60	7.44	5.36	5.29	20.83
Lower Bound (95%)	1.48	0.77	2.76	0.54	0.00
Apreciation	Fair	Fair	Fair	Fair	Fair

Given the amplitude of the confidence interval all companies, except Netflix, appear as fairly valued when contrasting the null hypothesis *"Current Multiple = Point Estimate"*, due to the high standard deviation of the regression. Consequently, decision of under or over valuation are based on the simple comparison of the multiple's current level versus the point estimator. Under this approach the results are presented in the table below.

	Man-U	IMPSAT	CANTV	Netflix	Limted Brands
	PBV	FV/EBITDA	EV/EBITDA	PS	PE
Current Multiple	3.18	5.73	3.93	4.35	17.73
Market Multiple	1.55	11.75	4.97	2.10	20.14
Apreciation	Overvalued	Undervalued	Undervalued	Overvalued	Undervalued
Point Estimate (Sector)	2.32	4.94	4.93	6.66	21.18
Apreciation	Overvalued	Overvalued	Undervalued	Undervalued	Undervalued
Point Estimate (Market)	2.54	4.07	4.06	2.89	13.62
Apreciation	Overvalued	Overvalued	Undervalued	Overvalued	Overvalued
Consensus	Overvalued	Overvalued	Undervalued	Undervalued	Undervalued

VI.- VALUE ENHANCEMENT MEASURE: EVA

Manchester United

EVA for the last year is positive and equal to £14,5 M. This shows that the company has been able to produce excess returns to its shareholders, mainly from ticket sales and memorabilia.
We expect similar levels of (ROC-COC) given the stable nature of Man-U's business.
A comparison with the comparable firms is not possible because costs of debt numbers are not available.

CANTV

For the past 3 years, CANTV has been destroying value. This reality is coherent with the measures taken by the board to return money to its shareholders in the forms of buybacks and extraordinary cash dividends.

Year	EVA
2003	-465,929
2002	-439,952
2001	-803,553

As previously mentioned, the firm has to get the operating assets to a size where the ROC is able to exceed the Firm's Cost of Capital.
The EVA for comparable firms could not be obtained since we lacked the value of cost of debt for these companies.

Impsat

EVA measurement is neither available nor relevant for Impsat, given that the company has just came out from Chapter 11 and from a deep reorganization.
Consequently, we expect negative EVAs from Impsat for the next five years until the company can recover its business relationships and the investment in place begins to pay out.

Netflix

Netflix's EVA of $–9,526.15M shows that the company destroyed value for the period in study. Nonetheless, and since the company turned profitable for this year's 3rd quarter, we expect a positive EVA.
As a value enhancement strategy, EVA for Netflix will remain highly dependent on two main variables: new subscribers' growth and the existence of alternative (new) revenue streams than can enable the company's revenues to continue to grow even when "saturation" of subscription is reached.
Is it interesting to note that much of the market's excitement with Netflix comes from the fact that the company would made a great acquisition target for Internet "integrated" players such as Amazon.com. Under this scenario, Netflix's EVA seen as an additional business unit could increase through increased usage originated on Amazon's captured clientele.

Limited Brands

When calculating EVA, both at market and book value, we observe that the company has created excess returns to its shareholders (during third quarter 2003).
Also, we observe that Limited Brands has created more value per share than the average of its sector both at book and market value calculations.

EQUITY EVA BOOK VALUE			
	EVA	%EVA/Equity	EVA per Share
Sector Average	5,486.95	8.36	99.38
LIMITED BRANDS	67,778.07	10.41	129.59

EQUITY EVA MARKET VALUE			
	EVA	%EVA/Equity	EVA per Share
Sector Average	11,074.22	8.36	15.02
LIMITED BRANDS	89,913.04	10.41	16.52

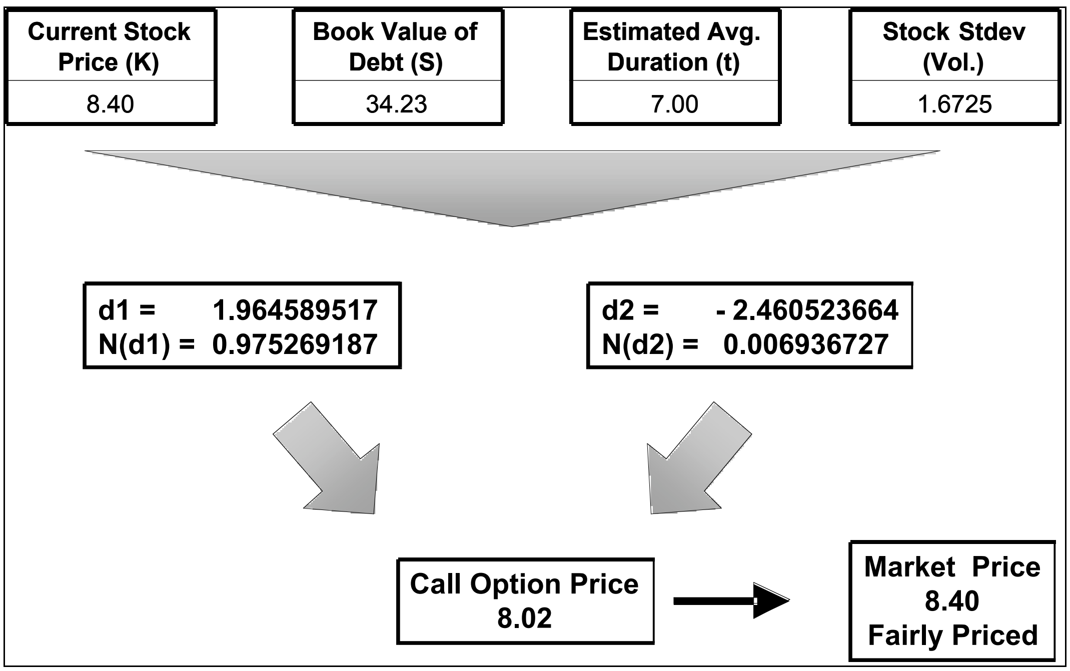
Although we do not have the required data to calculate past EVAs for the company, we can conclude that both past divestitures in non-profitable businesses and efforts to increase profits per square foot of stores have helped create an increased EVA per share for Limited's shareholders.

VII.- OPTION VALUATION - IMPSAT

From our portfolio of companies the only candidate for a Option Valuation is IMPSAT.
The following characteristics, when taken together, suggest that Impsat is seen by investors as a deep out-of-the-money call option over the company's equity:

- The company is emerging from Chapter 11
- There is a currency mismatch between its debt service and revenue streams
- The company serves LATAM emerging markets, where the main markets are going through an economically depressed period
- And the big difference in value range from the different valuation approaches

Our Option Valuation of IMPSAT is presented in the picture below.



As expected, the market appears to consider IMPSAT as a deep out-of-the-money Call Option and has priced the stock as such. Given the nature and risk involved in the company's commercial survival, as well as the upside potential evidenced in the relative and fundamental valuations, we have decided to provide a Hold recommendation for this stock.
Investors that already hold Impsat in their portfolios are protected by the limited liability component of an equity security and thus they can "wait" to realize Impsat's upside.

VII.- VALUE OF CONTROL - CANTV

CANTV's margins and intrinsic value do not seem appropriate for a company that holds a monopoly in local telephony and has signed contracts for over 20 years of restrictive non-competitive agreements and licenses with the government. CANTV's has been unable to fully take advantage of pricing powers and diversified structure. For the past three years, CANTV has had 2.69%, 3.84% and .65% operating margins. Even though the company is a big player in the local cellular industry, the increased cannibalization and inability to react to changes in competition has made this substitute a threat. The position of company could significantly improve with a change in control in the following ways:

Increase Optimal Debt Ratio. The firm's optimal debt ratio is at 40%. Nevertheless, the firm currently operates around the 8% d/e ratio and holds enough cash to make this ratio 0. We believe that the company could increase its debt ratio to 20% and hold some leverage in case of turbulent political and economic market issues concerning country risk. CANTV's size makes it one of the largest firms in Venezuela. The poor capital markets in Venezuela do not allow the company to raise capital in Bolivares even though all of the company's revenues are in local currency. The firm could take advantage of a Pre-Tax cost of debt of 6.48% vs. a Cost of Equity of 11.27%. The transfer would reduce the cost of capital and should take out high cost of financing for the company. Those would constitute some of the factors that would prevent a 40% debt ratio.

Better Investments (Higher ROC and lower COE). Another potential problem for CANTV is that over 50% of it's holders are insiders. The following table provides the breakdown of the ownership and control in the firm.

BREAKDOWN OWNERSHIP STRUCTURE CANTV

% of Shares Held by All Insider and 5% Owners:	63%
% of Shares Held by Institutional & Mutual Fund Owners:	27%
% of Float Held by Institutional & Mutual Fund Owners:	74%
Number of Institutions Holding Shares:	10%

Verizon Communications and Telefonica own over 33% of the firm. Another owner is the Venezuelan Government who does not get involved in the company's decision making except in restrictions it wants to apply in political favor and other side benefits. As previously mentioned in the relative analysis section, the conflict of interest caused by Verizon Communications and Telefonica have not allowed the company to be ran optimally as an independent company. Many of the decisions of growth, expansion and projects have been prevented due to the individual objectives of each independent company. We believe CANTV can improve its COE by 1% to 10.59% by diversifying into other markets and increase its ROE to the same levels (a little higher than industry average). Additionally, If these diversification strategies take place, the optimal debt ratio previously set at 20% could be increased to 30%.

Accelerate changes in voting rights and change of Management (higher Operating Margin). The current management has been running the company for the past 10 years. The company needs fresh executives and people who will be representative of all shareholder and not just the top two insiders. We believe that the pre-tax operating margin can be improved by 4% to the industry average which would double the net income.

The following information summarizes the % ownership of the different classes of shares outstanding. Class A and B shares have had historical preferences regarding election of board members and other privileges in voting rights. Most of these rights will be lost on a continuing basis until 2005. We expect jumps in stock prices every time there is transfer of voting power to a majority of the stockholders as the probability for change in control increases.

Class	# of Shares	Percentage
Class A		
GTE VenHoldings	196,401,427	
Telefonica Venezuela Holding	54,407,172	
Inversiones Tide	2,972	
Banco Mercantil Fid	16,153	
Banco Mercantil CA	350,986	
Total Class A	**251,178,710**	**27.12%**
Class B		
Bandes	51,899,999	
Ministry of Infrastructure	1	
Total Class B	**51,900,000**	**5.60%**
Class C		
Trust Banks	4,153,821	
Employees	87,319,897	
Total Class C	**91,473,718**	**9.88%**
Class D		
The Bank of New York (ADR's)	417,266,192	
Class "D" shares (Venezuela)	44,469,699	
Total Class D	**531,484,957**	**57.39%**
Grand Total of Shares	**926,037,385**	**100%**

Final Value with change of control:

- Probability of change in control: 39% as the total percentage not currently owned by insiders.
- Value of Control: 2,992 Bs/Share. The intrinsic value would increase by approximately 31% and would make this one of the key drivers of value for the company.
- No side benefits.

Final value of Control: 2,992Bs/share – 2,103 Bs/share = 881 Bs/share

Final Value of Voting Share: 881*.40 + 2,103 = 2,455 Bs/Share