

BLYTH FUND

Date: 05/30/2002
Proposal: Watch List Proposal /
 Limit Buy Proposal (target buy price: \$15.00; 100 shares)
Ticker: NSANY.ADR
Current price: \$15.35 close 05/29/2002
Analysts: Harrison Tang, Charles Najda
Profile: Builds cars. Two brands: Nissan and Infiniti. Over 95% of the sales in automobile business. In 1999, 43% of sales in Japan, 31% in N. America, 17% in Europe. Nissan Motor Co., Ltd. is engaged in corporate activities on a global scale, operating 20 manufacturing companies in 16 countries around the world with a combined annual production volume of approximately 2.6 million units, and marketing Nissan vehicles in 191 countries and territories worldwide. In addition to its automotive operations, Nissan has diversified into a broad spectrum of business fields, ranging from aerospace equipment, particularly the development of rockets, to marine equipment, including motorboats, and the management of marinas.



Company	Price	Market Cap	P/E	EPS (ttm)	PEG	
HMC.ADR	22.76	\$22.17B	7.87	2.80	1.52	<p>HMC 24-May-2002 (C) Yahoo!</p>
TM.ADR	56.80	\$104.7B	21.46	2.57	1.57	<p>TM 24-May-2002 (C) Yahoo!</p>
DCX	49.35	\$49.51B	N/A	-0.59	3.33	<p>DCX 24-May-2002 (C) Yahoo!</p>
GM	64.99	36.45	25.39	2.56	2.38	<p>GM 24-May-2002 (C) Yahoo!</p>

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F	17.74	\$32.16B	N/A	-3.63	18.08	<p style="font-size: small;">F 24-May-2002 (C) Yahoo!</p>
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The Numbers:

Shares Outstanding:	3.97B	Market Cap:	\$30.3B
P/E	23.8	PEG Ratio	N/A
Book value/share	3.89	P/sales	1.21
Operating Margins	N/A	Net Margins	N/A
Cash Now	N/A	Debt/Equity	N/A
EPS (02) (Year ends Q1 2002)	\$1.28	EPS (03)	\$1.63
ROE	N/A	EPS growth	27.34% (02-03)
ROA	N/A	ROA	N/A
Dividend	None	Shares / ADR	2

Note: all info based on S&P stock research. Morningstar.com and Yahoo! give completely different evaluations.

Product Overview (North America):

Nissan	Sentra	Nice power. Aggressive look. Best Sentra so far.
Nissan	Altima	Success!! Where the current growth comes from. 185hp / 240hp.
Nissan	Maxima	Success! Look is controversial. I am willing to bet on the next-generation to be the driver of Nissan growth like the Altima right now.
Nissan	Xterra	Success! Needs to look for future growth.
Nissan	PathFinder	Old styling and idea. Though 240hp is a big plus. New model will debut in 2003.
Nissan	Frontier	Don't know much about it.
Nissan	Quest	Old, outdated; however, minivan is out.
Nissan	Z	It's going to be successful. However, the volume won't be big.
Infiniti	G20	Old. Needs a better entry-level car. To a certain extent the G35 replaces the G20, since they are similarly priced.
Infiniti	G35	Success! A re-badged Skyline works. G35 has a race-inspired 260-hp 3.5L V6 engine. The G35 has 6 airbags standard. It has two front, two front side-impact, and 2 supplemental curtain side-impact air bags that protect front and outboard rear occupants from head injury in certain side-impact collisions.
Infiniti	I35	Conservative styling but powerful at heart. I35 has a 3.5-liter DOHC V6 engine producing 255 horsepower. The I35 has advanced technology like Electronic Brake force Distribution (EBD), Brake Assist, and available Vehicle Dynamic Control (VDC).
Infiniti	Q45	Wow, GREAT praises from car magazines. Probably needs more time for consumer acceptance. The New Q's 4.5-liter V8 engine, based on the same engine that powers Infiniti's Indy race cars, delivers 340 hp and 333 ft-lbs of torque, making it the most powerful in its class.
Infiniti	QX4	Re-badged Pathfinder. A new sport utility, called the FX45 will debut in early 2003. The FX45 will have 300+ horsepower and 300+ lb-ft of torque.

Pro:

- **Strong financials:** Nissan earned 372 billion yen (\$2.95 billion) for the fiscal year ended in March, up from 331 billion yen the previous year. Sales for the year edged up to 6.2 trillion yen (\$49.2 billion) from 6 trillion yen a year earlier. Earnings estimates were revised up over 12 cents over the last three months.
- A major factor bolstering profits last year was the reduction in purchasing costs of 245 billion yen (\$2 billion). A favorable currency exchange added 147 billion yen (\$1 billion) to net income. A weaker yen helps raise the value of overseas earnings.
- Nissan has dramatically reduced its debt load and is aggressively introducing new cutting edge vehicles. The reorganization plan calls for boosting production by a million vehicles

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from 2.6 million and raising profit margins by March 2005. Nissan will also wipe out its auto-sector-related debt, which had ballooned to more than 2 trillion yen (\$16 billion) in the 1990s and has now been trimmed to 435 billion yen (\$3 billion). Hoping to lift sales in major global markets in the next few years, Nissan expects to introduce 28 new models.

- **Rising sales and exports:** Nissan doesn't use the same super aggressive financing that GM, Ford, and Chrysler use to increase sales. Even so, Nissan Motor Co. said its domestic production rose 11.2% on the year to 105,677 vehicles in April, buoyed by strong demand for the recently launched "March" compact in Japan, and for the "X-Trail" sport-utility vehicle in Europe and other offshore markets.
- Compare with other automakers, I believe that Nissan Motors has the biggest potential. From historical charts, it is clear that the automobile industry does not grow as beautifully as the tech sector. The way to make money is from betting on those who have troubles.
- Nissan had a crisis years ago. Though they have come back significantly, there are still rooms for "regaining" their formal status as the number two Japanese automaker. Established in 1933, they had a solid technology base and, arguably, customer base. They should be able to grow more revenues in the near future.
- Though I do not know how well Nissan sells in the rest of the world, Nissan is doing quite well in N. America. Their future models and design trend seem to work. Their previous weakness lies in sales; technologically, they remain solid.
- I believe that bringing an auto company into the Fund's portfolio can be a smart move. Automakers' fundamentals usually don't change overnight, and their stocks don't swing as much as tech companies. Buying them introduces further portfolio stability, perfect for summer investment strategies.
- NSANY is an ADR (American Depository Reservoir). Its price is affected by US/Japan exchange rate. Buying NSANY can hedge our portfolio against exchange rate fluctuations.
- Educational value: our fund hasn't bought an ADR for years. Following NSANY can teach us how ADR works as well as how exchange rates can affect our investment strategies.

Con:

- Usually ADR stocks do not get as much coverage as common stocks. Therefore, it's kind of hard to follow ADR stocks. Furthermore, I believe most people do not know that the exchange rate trend that is crucial in evaluating ADR stocks.
- NSANY is at one of its highs right now. It's hard for some automakers like Ford to break through certain resistance levels. I don't know how Nissan would perform in this kind of situation.