

FREE SAMPLE ISSUE

Background:

Every quarter, hedge funds and institutional managers are required to disclose their portfolios to the SEC via 13F filing. These filings only detail long U.S. equity positions, American Depositary Receipts (ADRs), stock options (puts/calls), as well as convertible notes. The 13F filing does not disclose positions in other asset classes (such as commodities, currencies, or debt). It also does not reveal short sales or cash positions.

Hedge Fund Wisdom, a quarterly publication by MarketFolly.com, updates and analyzes the latest portfolios of prominent investment managers. The positions herein represent a hedge fund's second quarter holdings as of Sept. 30th, 2010 but keep in mind they are not reflective of a fund's entire overall portfolio.

In This Issue:

- Portfolio updates on **23** prominent hedge fund portfolios (3 new hedge funds added)
- In-depth investment write-ups on 2 stocks & "quick pitches" on 4 stocks hedge funds were buying in the third quarter
- Analysis & commentary on each fund's portfolio maneuvers

Third Quarter Summary:

The table below outlines the most frequent buys & sells in the third quarter amongst the 23 prominent hedge funds profiled in this issue.

<u>Consensus Buy/Add:</u>	<u>Consensus Sell/Reduce:</u>
Apple (AAPL)	Bank of America (BAC)
Potash (POT)	Visa (V)
Aon (AON)	Xerox (XRX)
Express Scripts (ESRX)	Lockheed Martin (LMT)
Alcon (ACL)	Vistaprint (VPRT)
Genzyme (GENZ)	

To view a specific hedge fund's portfolio, simply click on the fund's name in the Table of Contents.

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Baupost Group

Seth Klarman

Graduated from Harvard Business School & regarded as one of the best investors of all time

Author of [Margin of Safety](#)

View [Seth Klarman's Recommended Reading List](#)



Key Takeaways

New Positions In:

Alere (ALR)
Regeneron Pharmaceutical (REGN)

Sold Completely Out Of:

ADC Telecommunications (ADCT)
Capitalsource (CSE) Notes

Before examining Baupost Group's holdings, keep in mind that only a very small portion of their overall portfolio is allocated to equities and convertible notes. At the end of the third quarter, Klarman's firm held only \$1.6 billion in long equities/notes exposure. Compare this with the firm's overall assets under management of around \$22 billion and it's clear their focus is in other asset classes.

Baupost's focus is typically on distressed assets, which the SEC does not require disclosure of. The firm invests mainly in bonds as they are a senior security with a built-in catalyst and usually offer more safety. Additionally, Klarman typically keeps a lot of cash on hand so he can deploy it as opportunities arise. In May of this year, Baupost had around a 30% cash position. And just recently, Baupost announced that it would be returning 5% of its capital to investors, citing lack of opportunities. This should sound some alarm bells for investors as Klarman is regarded as one of the greatest managers of this generation. If he's not finding many opportunities, it could be warning sign that things are overvalued here.

Broadly, Klarman was concerned about the equities rally of 2009 and delivered this chilling quote saying, "I'm more worried about

the world broadly than I've ever been in my whole career." As such, there's not much in terms of equity portfolio adjustment for Klarman in the third quarter. Most notably, he acquired brand new positions in Alere (ALR) and Regeneron Pharmaceutical (REGN) and doubled his position in Liberty Media Starz (LSTZA). On the selling side of things, Baupost Group reduced its stake in Domtar (UFS) by 56% and sold completely out of ADC Telecommunications (ADCT).

Baupost Group's five largest positions continue to be Viasat (VSAT), Theravance (THRX), News Corp (NWSA), Breitburn Energy (BBEP), and Capitalsource (CSE), in that order. Regarding areas Klarman currently sees opportunity, he's mentioned private commercial real estate as an area worth examining. Don't confuse this with public REITs as he feels those are overvalued. Aside from that, it's clear Klarman isn't seeing too many opportunities.

Lastly, Baupost Group has also bought insurance in the form of tail risk hedges. Rather than shorting to hedge, Baupost typically will purchase out of the money puts on somewhat extreme events that have a slim chance of occurring. But in the event they do occur, Baupost is protected. Currently, the firm is concerned about inflation and holds far out of the money puts on Treasury bonds. They will make money on this hedge if interest rates skyrocket north of 10%. This insurance approach coupled with Klarman's typically large cash position defines Baupost's style of hedging. For his recent thoughts, head to an [interview with Seth Klarman](#).

View Baupost Group's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	VIASAT, INC.	VSAT		25.03%	Added 0.79%	\$413,217	10,051,492
2	THERAVANCE	THRX		15.83%	Unchanged	\$261,300	13,000,000
3	NEWS CORP CL A	NWSA		15.07%	Unchanged	\$248,793	19,050,000
4	Breitbart Energy Partners LP	BBEP		7.92%	Cut -13.63%	\$130,822	7,160,500
5	ENZON PHARMACEUTICALS	ENZN		7.07%	Added 2.03%	\$116,727	10,382,698
6	CAPITALSOURCE INC	CSE		6.56%	Unchanged	\$108,287	20,278,400
7	LIBERTY STARZ	LSTZA		3.93%	Added 136.85%	\$64,930	1,000,000
8	DOMTAR CORP NEW	UFS		3.13%	Cut -56.16%	\$51,664	800,000
9	ALERE INC	ALR		2.81%	New	\$46,395	1,500,000
10	THERAVANCE NOTE 3.0% 1/1	THRX		2.69%	Unchanged	\$44,370	51,000,000
11	SOLAR CAPITAL LTD.	SLRC		2.29%	Cut -12.17%	\$37,887	1,766,300
12	ALLIANCE ONE INTL	AOI		2.21%	Unchanged	\$36,520	8,800,000
13	REGENERON PHARMA	REGN		1.66%	New	\$27,400	1,000,000
14	ITURAN LOCATION&CONTRL	ITRN		1.50%	Unchanged	\$24,783	1,721,066
15	SYNERON MEDICAL LTD.	ELOS		0.90%	Unchanged	\$14,880	1,500,000
16	MULTIMEDIA GAMES, INC.	MGAM		0.58%	Unchanged	\$9,620	2,600,000
17	AUDIOVOX CORPORATION	VOXX		0.44%	Unchanged	\$7,254	1,060,576
18	ENERGY XXI (BERMUDA)	EXXI		0.37%	Unchanged	\$6,124	265,000
19	ADC TELECOM	ADCT			Sold		-
20	CAPITALSOURCE INC - NOTE	CSE			Sold		-

Next Page: Berkshire Hathaway

Berkshire Hathaway

Warren Buffett

Mentored by Benjamin Graham in the ways of value investing

Third richest person in the world according to *Forbes*

View [Buffett's Recommended Reading List](#)



Key Takeaways

New Position In:

Bank of New York (BK)

Sold Completely Out Of:

Republic Services (RSG)

Iron Mountain (IRM)

CarMax (KMX)

NRG Energy (NRG)

Home Depot (HD)

Each quarter, investors are anxious to check in on the Oracle of Omaha, Warren Buffett. This time around, selling was the name of the game in Buffett's portfolio. Berkshire Hathaway sold completely out of five positions that had each been less than a 1% position in their portfolio (listed above). However, Buffett's company also sold 98% of their stake in Comcast (CMCSK), 88% of their Ingersoll-Rand (IR) position and over 52% of their holdings in Nike (NKE).

Given the size of the various adjustments to Berkshire's portfolio, one could hypothesize that these are largely attributed to manager Lou Simpson (the manager of GEICO's portfolio, a Berkshire subsidiary). In the past, Buffett has mentioned that when he buys something, he's typically looking to spend \$1 billion on a purchase due to Berkshire's large size.

Other positions Berkshire trimmed in the quarter include Nalco Holding (NLC), Fiserv (FISV), Moody's (MCO) and Procter & Gamble (PG). MarketFolly.com has opined that Berkshire is happy to [trim its MCO position](#) whenever shares trade north of \$25 and especially when trading higher than \$27. And while Berkshire started a brand new position in Bank of New York (BK) in the quarter, it is a relatively small stake at only 0.11% of their overall portfolio. The only other purchases

made in the third quarter include adding to their Wells Fargo (WFC) stake by 5% and boosting their Johnson & Johnson (JNJ) position by 3%. You'll recall that last quarter Buffett boosted his JNJ stake by 73%, taking advantage of the sell-off in shares at the time.

Potentially the most exciting news out of Berkshire recently does not pertain to their portfolio at all, but rather who will manage it. It was recently announced that [Todd Combs would join Berkshire Hathaway](#) next year to manage a portion of their assets. It's believed that he will take over the allocation currently managed by Lou Simpson (who is set to retire). Prior to joining Berkshire, Combs ran a hedge fund focused mainly on the financial sector, Castle Point Capital. This hire makes sense given Berkshire's concentrated ownership of financials including large stakes in Wells Fargo (WFC), American Express (AXP), US Bancorp (USB), M&T Bank (MTB), etc. Investors are anxious to learn more about Mr. Combs and to see what, if any, investments he will make once he takes over his portion of Berkshire's portfolio.

Lastly, keep in mind that Berkshire holds other positions that the SEC doesn't require disclosure of, including positions in foreign markets. This means that some of Berkshire's portfolio positions are not disclosed herein. However, it's known they own the likes of BYD, POSCO, and Tesco in foreign markets.

View Berkshire Hathaway's Updated Portfolio on the Next Page



Berkshire Hathaway

Third Quarter 2010 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	COCA COLA CO THE	KO		24.10%	Unchanged	\$11,704,001	200,000,000
2	WELLS FARGO & CO	WFC		17.40%	Added 5.10%	\$8,448,907	336,408,845
3	AMER EXPRESS INC	AXP		13.12%	Unchanged	\$6,372,197	151,610,700
4	PROCTER GAMBLE CO	PG		9.48%	Cut -1.67%	\$4,603,660	76,766,036
5	KRAFT FOODS INC	KFT		6.69%	Unchanged	\$3,246,922	105,214,584
6	JOHNSON & JOHNSON	JNJ		5.44%	Added 3.16%	\$2,641,018	42,624,563
7	WAL MART STORES	WMT		4.30%	Unchanged	\$2,089,268	39,037,142
8	WESCO FINANCIAL	WSC		4.21%	Unchanged	\$2,042,561	5,703,087
9	CONOCOPHILLIPS	COP		3.44%	Unchanged	\$1,671,766	29,109,637
10	US BANCORP	USB		3.07%	Unchanged	\$1,492,632	69,039,426
11	MOODY'S CORP	MCO		1.49%	Cut -6.20%	\$721,267	28,873,756
12	WASHINGTON POST CO B	WPO		1.42%	Unchanged	\$690,087	1,727,765
13	M&T BANK CORP	MTB		0.90%	Unchanged	\$438,814	5,363,821
14	NIKE INC CL B	NKE		0.60%	Cut -52.32%	\$291,944	3,642,929
15	COSTCO	COST		0.58%	Unchanged	\$279,459	4,333,363
16	U S G CP	USG		0.46%	Unchanged	\$225,182	17,072,192
17	FISERV, INC.	FISV		0.43%	Cut -11.12%	\$210,479	3,910,800
18	NESTLE	NSRGY		0.38%	Unchanged	\$182,189	3,400,000
19	NALCO HOLDING CO.	NLC		0.32%	Cut -32.87%	\$154,847	6,142,300
20	TORCHMARK CP	TMK		0.31%	Unchanged	\$150,062	2,823,879
21	LOWES COMPANIES	LOW		0.30%	Unchanged	\$144,885	6,500,000
22	BECTON DICKINSON	BDX		0.29%	Unchanged	\$140,041	1,889,889
23	SANOFI-AVENTIS SA	SNY		0.28%	Unchanged	\$135,117	4,063,675
24	GEN ELECTRIC CO	GE		0.26%	Unchanged	\$126,391	7,777,900
25	UNITED PARCEL SVC	UPS		0.20%	Unchanged	\$95,313	1,429,200
26	BANK OF AMERICA CP	BAC		0.13%	Unchanged	\$65,512	5,000,000
27	GLAXOSMITHKLINE	GSK		0.12%	Unchanged	\$59,695	1,510,500
28	BANK OF NY MELLON	BK		0.11%	New	\$52,070	1,992,759
29	INGERSOLL RAND LTD	IR		0.05%	Cut -88.71%	\$22,712	636,600
30	EXXON MOBIL CP	XOM		0.05%	Unchanged	\$26,063	421,800
31	GANNETT CO INC	GCI		0.04%	Unchanged	\$21,283	1,740,231
32	COMDISCO HLDG CO	CDCO		0.03%	Unchanged	\$13,846	1,538,377
33	COMCAST	CMCSK		0.01%	Cut -98.44%	\$3,179	186,897
34	REPUBLIC SVCS INC	RSG			Sold		-
35	NRG ENERGY INC	NRG			Sold		-
36	IRON MOUNTAIN	IRM			Sold		-
37	HOME DEPOT INC	HD			Sold		-
38	CARMAX INC	KMX			Sold		-

Next Page: Greenlight Capital

Greenlight Capital

David Einhorn

Has returned 22% annualized

Predicted & profited from the demise
of Lehman Brothers

Author of [Fooling Some of the
People All of the Time](#)



Key Takeaways

New Positions:

Broadridge Financial Solutions (BR)
Ingram Micro (IM)
Verigy (VRGY)

Sold Completely Out Of:

EMC (EMC)
Lockheed Martin (LMT)

While Buffett was selling last quarter, David Einhorn's Greenlight Capital was largely buying. He started brand new stakes in the equities listed above but he was also adding heavily to existing positions. Einhorn boosted his stake in Apple (AAPL) by 168%, a position originally flagged in Hedge Fund Wisdom's previous issue. Greenlight Capital also more than doubled its stake in Symmetricom (SYMM). Additionally, the hedge fund boosted stakes in NVR (NVR), Transatlantic Holdings (TRH), and EnscO (ESV). EnscO was singled out as a hedge fund favorite in the second quarter and an in-depth analysis of the company was featured in [HFWD's issue last quarter](#).

This quarter's issue will also feature an in-depth analysis of another company Einhorn was buying last quarter: CareFusion (CFN). He increased his stake by 53% in Q3 and numerous other prominent managers in this issue added shares as well.

Einhorn didn't do much selling this past quarter. Oddly enough, Greenlight Capital sold completely out of Lockheed Martin (LMT), having just started it as a new position the quarter prior. The hedge fund also exited EMC (EMC) completely, a position labeled as a 'consensus sell' amongst the various hedge funds profiled in this issue.

While the SEC does not require disclosure

of short positions, Einhorn's hedge fund recently revealed their short in St. Joe's (JOE). [Einhorn presented why he is short](#) at the Value Investing Congress and sent shares of JOE tumbling. Essentially, his thesis argues that the company's land is overvalued and that should the company convert to a rural land company, shares would be worth around \$7-10 (JOE currently trades around \$18). You can view his [full presentation here](#). In an industry where short positions are guarded close to the vest, Einhorn has now revealed two shorts: JOE and Moody's (MCO).

Investors must also realize that while the positions listed on the next page are representative of a large portion of Greenlight's holdings, it is not their entire portfolio. They hold positions in numerous other foreign markets that are not disclosed to the SEC. In Greenlight's third quarter letter to investors, they revealed that their five largest positions were (in alphabetical order): Arkema (AKE on foreign exchange, ARKAY on the pink sheets), CIT Group (CIT), EnscO (ESV), physical gold, Pfizer (PFE), and Vodafone (VOD).

Regarding other positions not disclosed to the SEC, Einhorn closed his longstanding and sizable position in Ford Motor Company debt. Also, Greenlight has owned physical gold for a long time now as a hedge against the Federal Reserve's printing presses and the debasement of fiat currency. They prefer physical gold to exchange traded funds due to cost savings (storage fees versus ETF expense ratios). [Einhorn's Vodafone thesis](#) has been posted on MarketFolly.com as well, as Einhorn owns the VOD shares traded in the UK.

View Greenlight Capital's
Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	CIT GROUP INC	CIT		10.76%	Unchanged	\$432,301	10,590,429
2	ENSCO INTL INC	ESV		10.03%	Added 21.50%	\$403,089	9,011,604
3	PFIZER INC	PFE		9.89%	Unchanged	\$397,557	23,154,098
4	CAREFUSION CORP	CFN		8.27%	Added 53.40%	\$332,228	13,374,724
5	APPLE INC.	AAPL		5.91%	Added 168.00%	\$237,641	837,500
6	CARDINAL HEALTH INC	CAH		5.39%	Unchanged	\$216,428	6,550,500
7	MICROSOFT CORPORATION	MSFT		4.67%	Unchanged	\$187,605	7,660,442
8	NCR CP	NCR		3.89%	Unchanged	\$156,317	11,468,658
	MARKET VECTORS - GOLD						
9	MINERS ETF	GDX		3.60%	Unchanged	\$144,488	2,583,371
10	XEROX CP	XRX		3.48%	Unchanged	\$139,725	13,500,000
11	BECTON DICKINSON CO	BDX		3.31%	Unchanged	\$133,121	1,796,500
12	ASPEN INSURANCE HLDG	AHL		3.12%	Unchanged	\$125,359	4,140,000
13	EINSTEIN NOAH RESTRNT	BAGL		2.83%	Unchanged	\$113,775	10,733,469
14	THE TRAVELERS CO	TRV		2.76%	Unchanged	\$111,092	2,132,272
15	RALCORP HOLDINGS INC	RAH		2.57%	Unchanged	\$103,268	1,765,854
16	HEALTH NET INC	HNT		2.37%	Unchanged	\$95,229	3,502,337
17	FOSTER WHEELER LTD.	FWLT		2.19%	Unchanged	\$87,896	3,593,472
18	EVEREST RE GRP LTD	RE		2.11%	Unchanged	\$84,780	980,445
19	N V R L P	NVR		2%	Added 47.62%	\$80,294	124,000
20	MI DEV INC CL A	MIM		1.55%	Unchanged	\$62,151	5,655,235
21	TRANSATLANTIC HLDS	TRH		1.52%	Added 26.53%	\$61,223	1,204,700
22	BROADRIDGE FIN SOL	BR		1.51%	New	\$60,605	2,650,000
23	HLTH MGMT ASSOC A	HMA		1.25%	Unchanged	\$50,090	6,539,241
24	EMPLOYERS HOLDINGS I	EIG		0.91%	Unchanged	\$36,665	2,325,000
25	INGRAM MICRO A	IM		0.74%	New	\$29,764	1,765,386
	REPUBLIC AIRWAYS						
26	HOLDINGS, INC.	RJET		0.70%	Unchanged	\$28,259	3,412,800
27	FIFTH STREET FINANCE	FSC		0.63%	Unchanged	\$25,449	2,284,492
28	VERIGY LTD.	VRGY		0.59%	New	\$23,902	2,940,000
29	ENERGY PARTNERS LTD	EPL		0.52%	Unchanged	\$20,890	1,739,474
30	BIOFUEL ENERGY CORP.	BIOF		0.37%	Unchanged	\$15,009	7,542,104
31	SYMMETRICOM	SYMM		0.24%	Added 113.85%	\$9,781	1,709,846
32	FURIEX PHARMACEUTICALS	FURX		0.14%	Unchanged	\$5,528	490,000
33	FLAGSTAR BANCORP	FBC		0.07%	Unchanged	\$3,003	1,649,998
34	ORITANI FINANCIAL CORP.	ORIT		0.05%	Unchanged	\$1,996	200,000
35	M D C HOLDINGS	MDC		0.05%	Unchanged	\$2,042	70,324
36	LOCKHEED MARTIN CP	LMT			Sold		-
37	E M C CP	EMC			Sold		-

Next Page: Lone Pine Capital

Lone Pine Capital

Stephen Mandel

Seeks to identify companies with good management teams that are trading below intrinsic value

Previously a consumer analyst at Julian Robertson's hedge fund Tiger Management



Key Takeaways

New Positions:

Colgate-Palmolive (CL)
Express Scripts (ESRX)
Charles Schwab (SCHW)
NetApp (NTAP)
TransDigm Group (TDG)
Dick's Sporting Goods (DKS)
Towers Watson (TW)
Informatica (INFA)
Viasat (VSAT)
Home Inns & Hotels (HMIN)

Sold Completely Out Of:

Hewlett-Packard (HPQ)
TD Ameritrade (AMTD)
Pactiv (PTV)
Owens Corning (OC)
Regal Entertainment Group (RGC)
VistaPrint (VPRT)
Cninsure (CISG)
QuinStreet (QNST)

Stephen Mandel's hedge fund Lone Pine Capital boosted its Apple (AAPL) position by 20% in the quarter, bringing it up from their fourth largest holding in Q2 to now their top holding in Q3. Lone Pine's reported positions total \$10.7 billion and their most notable new purchases include Colgate-Palmolive (CL) and Express Scripts (ESRX), the latter of which has been a hedge fund favorite and a 'consensus buy/add' this past quarter. Mandel's firm also added significantly to a few positions they already owned, including Equinix (EQIX), Polo Ralph Lauren (RL), and Dollar General (DG).

Shifting to portfolio sales, Lone Pine sold partial positions in Cognizant Technology Solutions (CTSH), JPMorgan Chase (JPM), and Estee Lauder (EL), all top holdings and sizable stakes for the firm. Of the positions the hedge

fund sold completely out of (listed to the left), only Hewlett-Packard and TD Ameritrade were of any real size, previously garnering 2.8% and 1.4% positions in the portfolio respectively. And while Mandel didn't sell completely out of the following names, he certainly reduced his position sizes severely in Qualcomm (QCOM reduced 74%), McDonald's (MCD reduced 73%), Priceline.com (PCLN reduced 70%), Amazon.com (AMZN reduced 65%), Google (GOOG reduced 49%), Citrix Systems (CTXS reduced 48%), Activision Blizzard (ATVI reduced 47%). As you can see, there was some sizable reduction and portfolio turnover in Lone Pine's portfolio this past quarter.

Last quarter's issue of Hedge Fund Wisdom drew attention to Mandel's brand new position in Crown Castle International (CCI), a wireless tower operator. Lone Pine increased its position by almost 12% again last quarter as they look to capitalize on the rising trend of smartphone data usage. In terms of positions that Lone Pine Capital has continued to buy in the fourth quarter, they've disclosed [additions to their stake in Towers Watson \(TW\)](#) and an [increase in their Polo Ralph Lauren \(RL\)](#) stake, two stocks worth keeping an eye on. And lastly, an interesting fact: Mandel's hedge fund is named after a historical lone pine tree at his alma mater, Dartmouth College.

View Lone Pine Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	APPLE INC.	AAPL		6.75%	Added 20.26%	\$768,141	2,707,106
2	YUM BRANDS INC	YUM		6.09%	Unchanged	\$693,346	15,053,094
3	COGNIZANT TECH SOLUTIONS	CTSH		5.22%	Cut -22.28%	\$594,625	9,223,288
4	CROWN CASTLE INTL	CCI		4.75%	Added 11.77%	\$540,705	12,246,997
5	JP MORGAN CHASE CO	JPM		3.92%	Cut -28.74%	\$445,868	11,711,781
6	STREETTRACKS GOLD TR	GLD	CALL	3.79%	Unchanged	\$431,057	3,370,000
7	ACCENTURE LTD.	ACN		3.45%	Cut -4.42%	\$392,647	9,240,919
8	EQUINIX, INC.	EQIX		3%	Added 92.66%	\$341,493	3,336,520
9	ESTEE LAUDER COS INC	EL		2.98%	Cut -12.21%	\$338,915	5,360,033
10	GOODRICH CORPORATION	GR		2.62%	Added 2.93%	\$298,361	4,046,664
11	AUTODESK, INC.	ADSK		2.44%	Unchanged	\$277,453	8,678,543
12	RALPH LAUREN POLO CP	RL		2.44%	Added 46.66%	\$277,571	3,088,927
13	NEW ORIENTAL EDUCATION	EDU		2.41%	Added 2.64%	\$274,388	2,811,927
14	DOLLAR GENERAL CORP	DG		2.20%	Added 256.50%	\$250,433	8,561,804
15	AMERIPRISE FINANCIAL	AMP		2.19%	Added 20.00%	\$249,844	5,278,758
16	O'REILLY AUTOMOTIVE, INC.	ORLY		2.18%	Added 16.75%	\$247,900	4,659,771
17	AMPHENOL CP	APH		2.17%	Added 17.06%	\$247,598	5,055,079
18	MEAD JOHNSON NUTRITION CO	MJN		2.09%	Cut -4.13%	\$237,760	4,177,816
19	SEARS HOLDINGS	SHLD	PUT	1.94%	Unchanged	\$220,510	3,056,700
20	STRAYER EDUCATION, INC.	STRA		1.90%	Added 3.19%	\$216,666	1,241,638
21	FAMILY DOLLAR STORES	FDO		1.84%	Added 29.04%	\$209,017	4,733,166
22	COLGATE PALMOLIVE	CL		1.83%	New	\$208,151	2,708,179
23	EXPRESS SCRIPTS, INC.	ESRX		1.81%	New	\$206,362	4,237,421
24	DAVITA INC	DVA		1.80%	Cut -32.61%	\$204,645	2,964,583
25	VISA INC.	V		1.77%	Added 23.20%	\$201,735	2,716,607
26	INVESCO LTD	IVZ		1.77%	Added 4.63%	\$201,595	9,495,772
27	CHARLES SCHWAB	SCHW		1.54%	New	\$175,430	12,620,845
28	WYNDHAM WORLDWIDE	WYN		1.52%	Added 139.39%	\$173,087	6,300,947
29	NETWORK APPLIANCE, INC.	NTAP		1.43%	New	\$162,931	3,272,364
30	GREEN MOUNTAIN COFFEE	GMCR		1.43%	Cut -31.31%	\$163,061	5,227,990
31	LINCARE HOLDINGS INC.	LNCR		1.38%	Added 52.44%	\$156,620	6,244,817
32	TRANSDIGM GRP INC	TDG		1.35%	New	\$153,876	2,479,871
33	CITRIX SYSTEMS, INC.	CTXS		1.24%	Cut -48.21%	\$140,837	2,063,852
34	DICK'S SPORTING GOODS	DKS		1.24%	New	\$141,733	5,054,663
35	LIVE NATION, INC.	LYV		1.20%	Added 18.56%	\$137,119	13,878,448
36	PRICELINE.COM	PCLN		1.09%	Cut -69.91%	\$124,563	357,591
37	AMAZON.COM, INC.	AMZN		1.09%	Cut -64.91%	\$124,353	791,755
38	LONGTOP FINL TEC	LFT		1.06%	Added 4.92%	\$120,710	3,067,608
39	QUALCOMM	QCOM		1%	Cut -74.08%	\$113,901	2,523,708
40	SALESFORCE.COM INC	CRM		0.93%	Cut -29.57%	\$105,424	942,973
41	WATSON WYATT WLD WD	TW		0.90%	New	\$102,944	2,093,206
42	VANCEINFO TECH	VIT		0.81%	Added 146.76%	\$91,699	2,835,474
43	CAREER EDUCATION	CECO		0.75%	Added 40.91%	\$85,199	3,968,301
44	GOOGLE INC.	GOOG		0.69%	Cut -49.07%	\$78,745	149,766
45	DEVRY INC	DV		0.69%	Added 23.98%	\$78,464	1,594,469

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	ACTIVISION, INC.	ATVI		0.66%	Cut -46.72%	\$75,687	6,995,112
47	MCDONALDS CP	MCD		0.65%	Cut -72.67%	\$74,379	998,239
48	POPULAR, INC.	BPOP		0.61%	Added 30.96%	\$69,193	23,859,676
49	INFORMATICA CORPORATION	INFA		0.52%	New	\$59,762	1,555,884
50	VIASAT, INC.	VSAT		0.21%	New	\$23,861	580,411
51	SUN TIMES MEDIA GP	SVN		0.19%	Added 44.56%	\$21,900	1,217,331
52	UMPQUA HOLDINGS	UMPQ		0.18%	Unchanged	\$20,534	1,810,735
53	CHINA LODGING GROUP LTD	HTHT		0.18%	Added 46.71%	\$20,393	868,903
54	HOME INNS & HOTELS MGMT	HMIN		0.10%	New	\$11,678	235,870
55	SUNTECH POWER HLDGS	STP	CALL		Sold		-
56	AMPHENOL CP	APH	CALL		Sold		-
57	HEWLETT PACKARD CO	HPQ			Sold		-
58	PACTIV CORP	PTV			Sold		-
59	REGAL ENTERTAINMENT	RGC			Sold		-
60	TD AMERITRADE	AMTD			Sold		-
61	QUINSTREET, INC	QNST			Sold		-
62	VISTAPRINT LIMITED	VPRT			Sold		-
63	CNINSURE INC.	CISG			Sold		-
64	QUALCOMM INCORPORATED	QCOM	CALL		Sold		-
65	UNITED PARCEL SVC	UPS	CALL		Sold		-
66	OWENS CORNING	OC			Sold		-
67	ACCENTURE LTD.	ACN	CALL		Sold		-

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Next Page: Appaloosa Management

Appaloosa Management

David Tepper

Has compounded 30% for investors over 17 years

Takes concentrated positions in distressed debt & equity

Previously a high yield bond trader for Goldman Sachs



Key Takeaways

New Positions:

Hewlett-Packard (HPQ)
Cisco Systems (CSCO)
Medtronic (MDT)
Semiconductor HOLDERS (SMH)
Applied Materials (AMAT)
International Paper (IP)
United Health Group (UNH)
WellPoint (WLP)
KLA-Tencor (KLAC)
Covidien (COV)
Becton Dickinson (BDX)
CIGNA (CI)
Lam Research (LRCX)

Sold Completely Out Of:

Valero Energy (VLO)
Sunoco (SUN)
Tesoro (TSO)
E*Trade Financial (ETFC)
Arkansas Best (ABFS)
YRC Worldwide (YRCW)
OfficeMax (OMX)

There are three main changes worth noting in David Tepper's third quarter portfolio. First, he was buying large cap technology in size. While Stephen Mandel's Lone Pine was selling Hewlett-Packard (HPQ), Appaloosa Management was buying. Tepper also started a new stake in Cisco Systems (CSCO) and added to his pre-existing position in Microsoft (MSFT).

Second, Appaloosa Management also bought a bevy of health related plays in the third quarter. Many medical device makers such as Medtronic (MDT) and Becton Dickinson (BDX) had been trading at low valuations and Tepper was clearly compelled to take advantage. At the same time, he also started stakes in various healthcare providers and servicers such

as United Health (UNH), WellPoint (WLP), Covidien (COV), and CIGNA (CI). Dan Loeb's hedge fund Third Point had previously owned WLP but sold out in quarters prior, citing healthcare reform uncertainty. It appears that Appaloosa sees the uncertainty as an opportune time to purchase shares. While the hedge fund purchased many health-related plays, the size of these positions pale in comparison to Tepper's brand new tech holdings.

Third, Tepper used Q3 to trim his stake in various financial positions. Keep in mind that many of these plays were purchased in the depths of the financial crisis at very depressed levels. Given the fierce rally of 2009, these stakes have appreciated considerably since his purchase. As such, it appears as though they're just taking some profits and reducing position sizes. He sold 18-20% of his position in each of the following financials: Bank of America (BAC), Wells Fargo (WFC), Fifth Third Bancorp (FITB), SunTrust Banks (STI), and Capital One Financial (COF).

During the quarter, Tepper also gave a [rare television interview](#) where he advocated buying stocks because if the economy does well, stocks will do well. Additionally, he sees the Federal Reserve as somewhat of a 'backstop' as they help boost asset prices with quantitative easing. As the old saying goes, "don't fight the Fed." While Appaloosa typically allocates around 70% of its portfolio to debt and 30% to equities, it's clear Tepper has increased exposure to the latter. Assets reported on Appaloosa's third quarter 13F filing totaled \$2.7 billion and at the end of September their Palomino fund was up 15.13% for the year.

View Appaloosa Management's Updated Portfolio on the Next Page



Appaloosa Management

Third Quarter 2010 Portfolio:

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	BANK OF AMERICA	BAC		8.79%	Cut -17.83%	\$294,630	22,473,699
2	WELLS FARGO & CO.PRFD	WFC/PL		8.76%	Cut -3.95%	\$293,771	292,019
3	PFIZER INC	PFE		8.48%	Added 46.00%	\$284,373	16,562,202
4	CITIGROUP INC	C		5.96%	Cut -11.31%	\$199,875	51,250,000
5	WELLS FARGO & CO	WFC		4.80%	Cut -18.86%	\$161,101	6,410,700
6	HEWLETT PACKARD CO	HPQ		4.67%	New	\$156,633	3,723,144
7	MERCK CO INC	MRK		4.04%	Cut -4.16%	\$135,571	3,683,000
8	CISCO SYSTEMS, INC.	CSCO		3.93%	New	\$131,693	6,013,386
9	FIFTH THIRD BANCORP	FITB		3.71%	Cut -18.65%	\$124,240	10,327,506
10	MACY'S INC	M		3.05%	Cut -8.49%	\$102,229	4,427,423
11	SUNTRUST BANKS	STI		2.97%	Cut -18.73%	\$99,474	3,851,090
12	JOHNSON AND JOHNS DC	JNJ		2.44%	Cut -0.28%	\$81,922	1,322,177
13	MICROSOFT CORPORATION	MSFT		2.05%	Added 17.12%	\$68,594	2,800,911
14	E-TRADE **NOTES**	ETFC		1.95%	Unchanged	\$65,280	46,257,000
15	UAL CORPORATION	UAL		1.85%	Added 24.21%	\$61,979	2,622,898
16	CF IND HLDGS INC	CF		1.84%	Cut -46.73%	\$61,856	647,703
17	CAPITAL ONE FINANCIA	COF		1.69%	Cut -19.17%	\$56,510	1,428,817
18	RBS SERIES N ADS PFD	RBS-PN		1.55%	Added 8.15%	\$52,123	3,360,579
19	MEDTRONIC INC	MDT		1.41%	New	\$47,414	1,411,974
20	SEMICONDUCTOR HOLDRS	SMH		1.41%	New	\$47,350	1,710,000
21	AIG (PREFERRED)	AIG-PA		1.39%	Cut -0.87%	\$46,554	5,419,560
22	APPLIED MATERIALS, INC.	AMAT		1.31%	New	\$43,981	3,765,483
23	INTL PAPER	IP		1.26%	New	\$42,159	1,938,332
24	UNITEDHEALTH GROUP	UNH		1.21%	New	\$40,596	1,156,245
25	YAHOO! INC.	YHOO		1.18%	Cut -9.05%	\$39,504	2,787,872
26	ROYAL BANK OF SCOTLAND	RBS-PL		1.07%	Added 8.76%	\$35,806	1,861,961
27	HARTFORD FIN SVC	HIG		1.04%	Cut -75.38%	\$34,919	1,521,535
28	WELLPOINT INC.	WLP		1.03%	New	\$34,420	607,700
29	ROYAL BK PFD	RBS-PT		1.01%	Added 0.81%	\$33,971	2,023,314
30	WILLIS GROUP HOLDING	WSH		1.01%	Cut -18.34%	\$33,720	1,094,080
31	GOODYEAR TIRE RUBBER	GT		0.99%	Added 12.32%	\$33,086	3,077,751
32	ROYAL BK SCOTLAND	RBS-PS		0.95%	Added 0.12%	\$31,689	2,005,614
33	ROYAL BANK ADR	RBS-PQ		0.78%	Added 0.13%	\$26,106	1,609,519
34	ROYAL BANK SCTLND M	RBS-PM		0.72%	Added 7.18%	\$24,174	1,560,596
35	BRUNSWICK CP	BC		0.68%	Cut -8.91%	\$22,645	1,487,864
36	CONTL AIRLINES CL B	CAL		0.67%	Added 40.89%	\$22,544	907,579
37	KLA-TENCOR CORPORATION	KLAC		0.67%	New	\$22,458	637,460
38	COVIDIEN LTD	COV		0.66%	New	\$22,261	553,900
39	US AIRWAYS GROUP INC	LCC		0.63%	Added 29.62%	\$20,981	2,268,266
40	BECTON DICKINSON CO	BDX		0.58%	New	\$19,503	263,200
41	A M R CP	AMR		0.56%	Added 16.36%	\$18,814	3,000,694
42	DELTA AIR LINES	DAL		0.53%	Added 9.06%	\$17,742	1,524,241
43	NAVISTAR	NAV		0.53%	Cut -45.33%	\$17,935	410,974
44	CIGNA CP	CI		0.53%	New	\$17,733	495,624
45	LAM RESEARCH CORPORATION	LRCX		0.45%	New	\$15,208	363,399

Continued on next page...

Appaloosa Management

Third Quarter 2010 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	NEWCASTLE INV CP	NCT		0.36%	Cut -4.78%	\$12,088	3,899,297
47	TERADYNE INC	TER		0.34%	New	\$11,274	1,012,032
48	BB&T CP	BBT		0.33%	Cut -18.24%	\$11,164	463,641
49	TEMPLE INLAND INC	TIN		0.32%	New	\$10,627	569,489
50	MAGUIRE PROPERTIES	MPG		0.28%	Cut -8.14%	\$9,293	3,717,100
51	BANCO SANTANDER	STD		0.23%	Cut -18.32%	\$7,797	615,915
52	SUPERMEDIA INC	SPMD		0.15%	Cut -5.78%	\$4,932	466,564
53	CONSECO INC	CNO		0.15%	Cut -18.47%	\$5,087	918,195
54	STRATEGIC HOTELS INC	BEE		0.14%	Cut -9.12%	\$4,770	1,125,056
55	SMURFIT-STONE CONTAINER	SSCC		0.12%	New	\$3,968	216,000
56	TEXAS INSTRUMENTS	TXN		0.11%	New	\$3,528	130,000
57	INTEL CORPORATION	INTC		0.10%	New	\$3,469	180,400
58	CON-WAY INC	CNW		0.08%	Cut -87.03%	\$2,544	82,075
59	GRAMERCY CAP CORP	GKK		0.07%	Cut -44.45%	\$2,405	1,730,221
60	ANALOG DEVICES	ADI		0.06%	New	\$2,008	64,000
61	ALTERA CORPORATION	ALTR		0.06%	New	\$2,051	68,000
62	CAPITAL ONE WARRANTS	COF/WS		0.06%	Cut -46.29%	\$1,931	136,959
63	ROYAL BK SCOT HADSSC	RBS-PH		0.06%	Unchanged	\$2,096	88,752
64	XILINX, INC.	XLNX		0.05%	New	\$1,517	57,000
65	BROADCOM CORPORATION	BRCM		0.05%	New	\$1,557	44,000
66	ROYAL BANK OF SCOTLAND PFD	RBS-PF		0.04%	Unchanged	\$1,283	53,587
67	LINEAR TECHNOLOGY	LLTC		0.04%	New	\$1,506	49,000
68	UNITED PARCEL SVC	UPS	CALL	0.01%	Cut -50.00%	\$291	3,500
69	DANIEL INDUSTRIES	DAN		0.01%	New	\$431	34,974
70	ROYAL BANK OF SCOTLAND PFD	RBS-PP		0.00%	New	\$37	2,400
71	ROYAL BANK OF SCOTLAND PFD	RBS-PR		0.00%	New	\$75	4,889
72	OWENS CORNING WARRANT 'B'	OC/WS/B		0.00%	Unchanged	\$18	10,644
73	VIRGIN MEDIA INC. - WARRANTS	VMEDW		0.00%	Unchanged	\$7	237,059
74	ARKANSAS BEST CORPORATION	ABFS			Sold		-
75	OFFICEMAX INC.	OMX			Sold		-
76	SUNOCO INC	SUN			Sold		-
77	THE PNC FINANCIAL SVS GRP	PNC/WS			Sold		-
78	TESORO CORP	TSO			Sold		-
79	VALERO ENERGY CP	VLO			Sold		-
80	ETRADE FINANCIAL (COMMON)	ETFC			Sold		-
81	YRC WORLDWIDE, INC.	YRCW			Sold		-

Next Page: Pershing Square

Pershing Square Capital

Bill Ackman

View a [profile of Pershing Square](#)

Subject of the book [Confidence Game: How a Hedge Fund Manager Called Wall Street's Bluff](#)



Key Takeaways

New Positions:

J.C. Penney (JCP)
Fortune Brands (FO)

Sold Completely Out Of:

YUM! Brands (YUM)

The most notable change to Bill Ackman's portfolio is the addition of brand new stakes in J.C. Penney (JCP) and Fortune Brands (FO). Ackman filed activist 13D's on both of these companies as he looks to shake things up and unlock shareholder value. Regarding JCP, it seems as though Pershing Square's thesis is centered on real estate. Vornado (VNO), a publicly traded REIT, also purchased a large stake in JCP and it's likely they will work with Pershing Square toward a mutually beneficial goal. You can view [Ackman's potential real estate thesis here](#). Regarding FO, it appears as though Ackman will try to spin-off some of the company's brands to unlock value. So far, FO seems receptive to Ackman's activist approach.

Pershing Square exited its YUM! Brands (YUM) stake entirely in the third quarter as it reached their price target. The hedge fund runs a highly concentrated portfolio and the only other notable changes in the third quarter were reductions in their Target (TGT) and Kraft Foods (KFT) stakes. Ackman is still fond of his KFT investment (continuing to view it as a margin expansion story), but sold some shares to free up capital in order to build his new positions in JCP and FO.

Ackman recently updated his disclosed position in General Growth Properties (GGP) when he filed a 13G with the SEC. In it, he disclosed that Pershing Square owns 9.34% of

the new company. GGP recently emerged from bankruptcy and spun-off assets in the form of the new Howard Hughes Company (HHC). Ackman has also disclosed a 28% ownership stake in HHC (including stock, warrants, and cash settled total return swaps). Regarding GGP, Ackman feels the company will be an attractive investment over time as it currently trades at a substantial discount to its peer group. Pershing maintains a short position in the REIT index, as well as certain REIT equities (not disclosed, but most likely Simon Property Group ~ SPG) in order to mitigate their exposure to overall REIT valuations.

Regarding his position in Citigroup (C), Ackman feels that the company still trades at a discount to their estimate of fair value, namely due to the overhang of the government's sale of shares. He thinks this will be resolved in the short-term and that regulatory/economic uncertainty will be resolved over the intermediate term. Turning to his stake in Automatic Data Processing (ADP), the Pershing Square manager likes that the company generates stable and predictable free-cash-flow. Lastly, Landry's (LNY) has been removed from the portfolio below as Pershing has since exited the investment due to a management-led buyout in October.

Ackman also offered up his latest investment idea when he declared his [bullishness on housing](#) and recommended buying single-family homes at the Invest For Kids Conference. For the year, Pershing Square is up 7.6%. Since inception in 2004, Pershing has returned 292.7% net of fees.

View Pershing Square's Updated Portfolio on the Next Page



Pershing Square

Third Quarter 2010 Portfolio:

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	KRAFT FOODS INC	KFT		19.76%	Cut -17.9%	\$841,119	27,632,023
2	TARGET	TGT		18.71%	Cut -31.6%	\$796,443	14,143,896
3	CITIGROUP	C		14.69%	Cut -0.2%	\$625,157	146,475,426
4	J.C. PENNEY	JCP		11.86%	New	\$504,826	15,711,994
5	FORTUNE BRANDS	FO		10.55%	New	\$449,128	7,465,555
6	AUTOMATIC DATA PROCESSING	ADP		9.28%	Added 5.21%	\$394,921	8,700,612
7	GENERAL GROWTH PROPERTIES	GGP		8.50%	Unchanged	\$361,702	23,953,782
8	CORRECTIONS CORP AMERICA	CXW		6.20%	Unchanged	\$263,902	10,936,672
9	BORDERS GROUP	BGP		0.28%	Unchanged	\$12,082	10,597,980
10	GREENLIGHT CAPITAL RE	GLRE		0.16%	Unchanged	\$7,085	250,000
11	YUM! BRANDS	YUM			Sold		-

Next Page: Maverick Capital

Maverick Capital

Lee Ainslie

14.1% annualized returns since inception in 1995

Compares a company's enterprise value to sustainable free cash flow

View a [profile of Maverick Capital](#)



Key Takeaways

New Positions:

Hewlett-Packard (HPQ)
Abercrombie & Fitch (ANF)
Bed Bath & Beyond (BBBY)
Goldman Sachs (GS)
Goodrich (GR)
Life Technologies (LIFE)
Oracle (ORCL)
Dell (DELL)
Coca Cola Enterprises (CCE)
America Movil (AMX)
Itau Unibanco (ITUB)
Citigroup (C)

Sold Completely Out Of:

Citrix Systems (CTXS)
Adobe Systems (ADBE)
Kohl's (KSS)
Viacom (VIA.B)
Whiting Petroleum (WLL)
JPMorgan Chase (JPM)
Bank of New York Mellon (BK)
Covidien (COV)
CVS Caremark (CVS)
Express Scripts (ESRX)
Toyota Motors (TM)
Education Management (EDMC)
American Public Education (APEI)

One interesting thing about Maverick's portfolio is that they sold completely out of Hewlett-Packard (HPQ), Dell (DELL), Oracle (ORCL), and Abercrombie & Fitch (ANF) in the second quarter, yet turned around and started them as brand new positions again in the third quarter. Overall, Maverick saw a decent amount of portfolio turnover on a quarter over quarter basis. Brand new positions they started in the second quarter in Citrix (CTXS), Adobe (ADBE), Whiting Petroleum (WLL) and Bank of New York Mellon (BK) have already been sold off just one quarter later. There is some intriguing portfolio maneuvering going on here and it will be interesting to see if the hedge fund maintains this level of turnover in the fourth quarter.

Regarding notable position size changes, Maverick boosted its position in Citigroup by 38% and more than doubled its position in Google (GOOG). While they still own shares of the following companies, they trimmed their stakes by a noticeable margin in VanceInfo Technologies (VIT), Qualcomm (QCOM), Skyworks Solutions (SKWS), and DaVita (DVA).

In [Maverick's latest investor letter](#), they reveal that their main fund is up 8.2% year to date while their levered fund is up 17.3%.

Maverick Capital currently has its [highest exposure to technology ever](#) at 17% net long. That's saying something, especially considering that Lee Ainslie was a technology analyst at Julian Robertson's Tiger Management before founding Maverick. At the Value Investing Congress, Ainslie pitched Commscope (CTV) and the company recently received a buyout offer from the Carlyle Group. Other technology names Maverick currently favors include Marvell Technology (MRVL) ~ their top position, as well as Apple (AAPL), Hewlett-Packard (HPQ), and Corning (GLW).

View Maverick Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	APOLLO GROUP, INC.	APOL		4.28%	Added 2.55%	\$394,095	7,674,685
2	HEWLETT PACKARD CO	HPQ		4.19%	New	\$385,686	9,167,720
3	MARVELL TECHNOLOGY GROUP	MRVL		4.13%	Added 5.42%	\$379,857	21,693,708
4	CORNING INC	GLW		4.11%	Added 1.64%	\$377,905	20,673,150
5	APPLE INC.	AAPL		4.11%	Added 1.68%	\$377,920	1,331,875
6	PFIZER INC	PFE		4.00%	Cut -7.59%	\$368,410	21,456,618
7	CITIGROUP INC	C		3.63%	Added 38.01%	\$333,831	85,378,710
8	EXPEDIA, INC.	EXPE		3.57%	Added 4.12%	\$328,341	11,630,915
9	ABERCROMBIE & FITCH	ANF		2.89%	New	\$266,306	6,772,788
10	GOOGLE INC.	GOOG		2.77%	Added 123.13%	\$255,234	485,429
11	BED BATH & BEYOND INC.	BBBY		2.77%	New	\$254,825	5,870,192
12	Stanley Black & Decker	SWK		2.74%	Cut -13.02%	\$251,759	4,108,346
13	WELLPOINT INC.	WLP		2.73%	Added 1.20%	\$251,376	4,438,129
14	PROGRESSIVE CP	PGR		2.72%	Added 4.59%	\$250,597	12,007,515
15	UNITEDHEALTH GROUP	UNH		2.59%	Added 75.11%	\$238,340	6,788,388
16	THE DIRECTV GROUP, INC	DTV		2.57%	Added 29.81%	\$236,377	5,678,040
17	TYCO INTL LTD	TYC		2.53%	Cut -4.98%	\$232,882	6,340,373
18	COMMSCOPE INC	CTV		2.41%	Added 23.80%	\$221,787	9,342,313
19	MACY'S INC	M		2.24%	Cut -28.65%	\$205,727	8,913,669
20	DOLLAR GENERAL CORP	DG		1.87%	Added 83.53%	\$172,222	5,887,935
21	COMCAST CORPORATION	CMCSK		1.76%	Added 23.18%	\$161,779	9,510,830
22	LONGTOP FINL TEC	LFT		1.67%	Added 8.20%	\$153,948	3,912,267
23	GOLDMAN SACHS	GS		1.60%	New	\$146,907	1,016,095
24	LENDER PROCESSING	LPS		1.58%	Added 26.23%	\$145,305	4,372,703
25	FAMILY DOLLAR STORES	FDO		1.40%	Cut -31.24%	\$129,100	2,923,458
26	ITRON, INC.	ITRI		1.39%	Added 37.04%	\$127,616	2,084,203
27	INVESCO LTD	IVZ		1.38%	Cut -4.53%	\$126,788	5,972,100
28	GOODRICH CORPORATION	GR		1.38%	New	\$127,231	1,725,637
29	GILEAD SCIENCES, INC.	GILD		1.38%	Added 3.93%	\$127,097	3,569,147
30	DAVITA INC	DVA		1.38%	Cut -49.03%	\$127,311	1,844,291
31	COCA COLA ENTRPR INC	CCE		1.37%	New	\$125,955	4,063,073
32	ORACLE CORPORATION	ORCL		1.33%	New	\$122,558	4,564,540
33	LIFELINE SYSTEMS	LIFE		1.33%	New	\$122,123	2,615,613
34	TEVA PHARMACEUTICAL	TEVA		1.30%	Added 81.79%	\$119,333	2,262,238
35	CHILDREN'S PLACE RETAIL	PLCE		1.30%	Added 18.33%	\$119,751	2,455,432
36	LM ERICSSON TELEPHONE	ERIC		1.24%	Added 21.59%	\$114,126	10,403,427
37	DELL INC.	DELL		1.22%	New	\$112,411	8,667,012
38	SOLARWINDS, INC.	SWI		1.12%	Added 91.76%	\$103,433	5,992,657
39	COMCAST CORPORATION	CMCSA		0.99%	Cut -9.22%	\$90,776	5,020,800
40	AMERICA MOVIL, S.A.B	AMX		0.96%	New	\$88,070	1,651,414
41	PERFECT WORLD CO., LTD.	PWRD		0.91%	Cut -2.00%	\$83,283	3,245,652
42	DEVRY INC	DV		0.90%	Cut -11.90%	\$83,249	1,691,715
43	HOME INNS & HOTELS MGMT	HMIN		0.78%	Cut -26.46%	\$71,527	1,444,703
44	SKYWORKS SOLUTIONS, INC.	SWKS		0.77%	Cut -73.37%	\$71,307	3,449,786
45	ITAU UNIBANCO BANCO	ITUB		0.69%	New	\$63,338	2,619,421

Continued on next page...

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	CITIGROUP TANGIBLE DIVIDEND	C/PH		0.64%	New	\$59,020	500,000
47	CAPELLA EDUCATION COMPANY	CPLA		0.62%	Added 21.35%	\$57,310	738,339
48	QUALCOMM INCORPORATED	QCOM		0.57%	Cut -88.49%	\$52,643	1,166,401
49	OWENS CORNING	OC		0.49%	New	\$44,703	1,744,168
50	DIGITALGLOBE INC	DGI		0.43%	Added 13.36%	\$39,664	1,304,729
51	IRONWOOD PHARMACEUTICALS INC	IRWD		0.40%	Added 309.79%	\$37,128	3,647,124
52	SIGNET GRP PLC ADR	SIG		0.37%	Added 52.91%	\$33,716	1,062,249
53	INTERACTIVE BROKERS GROUP, INC.	IBKR		0.28%	New	\$26,035	1,512,767
54	AMDOCS LTD ORD	DOX		0.26%	New	\$24,382	850,722
55	ROYAL BANK OF SCOTLAND PFD T	RBS-PT		0.23%	Added 132.58%	\$20,995	1,250,100
56	MEDIDATA SOLUTIONS, INC.	MDSO		0.21%	Added 58.89%	\$19,626	1,022,190
57	WINNEBAGO IND INC	WGO		0.20%	Added 4.01%	\$18,759	1,800,316
58	ARTIO GLOBAL INVESTORS INC.	ART		0.19%	Added 13.91%	\$17,539	1,146,363
59	KIRKLAND'S, INC.	KIRK		0.17%	New	\$15,296	1,103,628
60	SOUFUN HOLDINGS LIMITED	SFUN		0.15%	New	\$13,495	207,040
61	HISOFT TECHNOLOGY	HSFT		0.14%	New	\$13,025	529,672
62	ROYAL BANK OF SCOTLAND PFD S	RBS-PS		0.10%	Added 1037.12%	\$9,343	591,300
63	ROYAL BANK OF SCOTLAND PFD L	RBS-PL		0.10%	Added 223.60%	\$9,583	498,350
64	ROYAL BANK OF SCOTLAND PFD Q	RBS-PQ		0.10%	Added 229.42%	\$9,570	590,000
65	BLUEFLY, INC.	BFLY		0.09%	Unchanged	\$8,093	3,704,101
66	CARDIOVASCULAR SYSTEMS INC	CSII		0.08%	Unchanged	\$7,162	1,366,817
67	VANCEINFO TECH ADS	VIT		0.08%	Cut -94.16%	\$7,461	230,717
68	ROYAL BANK OF SCOTLAND PFD M	RBS-PM		0.05%	New	\$4,413	284,900
69	ROYAL BANK OF SCOTLAND PFD N	RBS-PN		0.03%	New	\$2,334	150,500
70	CHINA NUOKANG BIO-PHARMA	NKBP		0.03%	Unchanged	\$3,000	600,000
71	ROYAL BANK OF SCOTLAND PFD F	RBS-PF		0.00%	New	\$275	11,500
72	TOYOTA MTR CP ADS	TM			Sold		-
73	CITRIX SYSTEMS, INC.	CTXS			Sold		-
74	ADOBE SYSTEMS INCORPORATED	ADBE			Sold		-
75	CVS CAREMARK CP	CVS			Sold		-
76	BANK OF NY MELLON CP	BK			Sold		-
77	AMERICAN PUBLIC EDUCATION, INC.	APEI			Sold		-
78	WHITING PETE CORP	WLL			Sold		-
79	EXPRESS SCRIPTS, INC.	ESRX			Sold		-
80	KOHL'S CP	KSS			Sold		-
81	VIACOM INC CL B	VIA-B			Sold		-
82	COVIDIEN LTD	COV			Sold		-
83	EDUCATION MANAGEMENT	EDMC			Sold		-
84	JP MORGAN CHASE CO	JPM			Sold		-

Third Point

Dan Loeb

Offshore fund has returned 17.9% annualized since inception

Focuses on event-driven and distressed plays

View his [recommended reading list](#)



Key Takeaways

New Positions:

Potash (POT)
Apple (AAPL)
CareFusion (CFN)
KKR (KKR)
Northern Trust (NTRS)
SPDR Gold Trust (GLD)
Six Flags Entertainment (SIX)
Oneida Financial (ONFC)
Eagle Rock Energy (EROC)
Amedisys (AMED) Puts
American International Group (AIG) Puts

Sold Completely Out Of:

TransDigm Group (TDG)
Macy's (M)
Xerox (XRX)
Coca Cola Enterprises (CCE)
RF Microdevices (RFMD)
Plains Exploration & Production (PXP)
Viewpoint Financial (VPFG)
Advanced Micro Devices (AMD)

Dan Loeb's Third Point started a massive new position in Potash (POT) in the third quarter as it's now their top equity long. Undoubtedly, this was an arbitrage play as POT received a takeover bid from BHP Billiton (BHP) at \$130 per share. Numerous other hedge funds in this issue initiated a position in Potash as well and it was a 'consensus buy/add' last quarter. However, since Third Point took this position, there have been numerous developments as Canada essentially blocked BHP's bid and then BHP pulled the bid. Each company has announced large share buybacks instead. So, if Third Point had purchased shares of POT with the exclusive thesis of an arbitrage of the takeover offer, they could possibly have exited the position, it's tough to say. Many buy-siders agree that Potash is an

attractive takeover target and there are numerous potential suitors. Many hedgies feel that \$160-165 is the right price based on POT's assets. However, given the size of a potential takeover and potential regulatory/approval hurdles, things are very much up in the air. Shares of POT have held up relatively well all things considered as they still trade around the \$135 level of BHP's offer.

Shifting to other activity from Loeb's hedge fund, Third Point also started a new position in Apple (AAPL), joining the hundreds of other hedge funds that own this name. Third Point also initiated a new stake in CareFusion (CFN), a stock HFW has labeled a 'hedge fund favorite.' An [in-depth analysis of CFN](#) is found later in this issue.

Of the positions the hedge fund exited, TransDigm Group (TDG) was the only one of any previous real size. The hedge fund also trimmed positions in CIT Group (CIT), Liberty Media (LINTA), and Madison Square Garden (MSG), but still owns shares of all three.

The other main story in Third Point's portfolio is their new ownership of gold via SPDR Gold Trust (GLD). In previous Offshore Fund disclosures, [Loeb revealed ownership of gold bullion](#), so he owns some physical gold as well. Loeb has initiated this position as part of a basket of tail-risk hedges.

Lastly, keep in mind that Third Point owns numerous positions in other asset classes that the SEC doesn't require disclosure of. They've had exposure to various plays such as mortgage-backed securities (MBS), as well as distressed and performing debt.

View Third Point's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	POTASH	POT		7.15%	New	\$144,040	1,000,000
2	ALCON INC	ACL		5.79%	Added 16.67%	\$116,753	700,000
3	AIRGAS INC	ARG		5.06%	Added 38.89%	\$101,925	1,500,000
4	HEALTH NET INC	HNT		3.78%	Cut -6.67%	\$76,132	2,800,000
5	PHH CORP	PHH		3.66%	Cut -16.07%	\$73,710	3,500,000
6	CIT GROUP INC	CIT		3.14%	Cut -36.64%	\$63,271	1,550,000
7	MEAD JOHNSON NUTRITION	MJN		2.82%	Unchanged	\$56,910	1,000,000
8	LIBERTY MEDIA CORPORATION	LINTA		2.72%	Cut -20.00%	\$54,840	4,000,000
9	APPLE INC.	AAPL		2.11%	New	\$42,562	150,000
10	NXP SEMICONDUCTORS N.V.	NXPI		1.88%	New	\$37,790	3,050,000
11	ASPEN TECHNOLOGY INC	AZPN		1.80%	Added 0.25%	\$36,295	3,500,000
12	DEPOMED, INC.	DEPO		1.51%	Unchanged	\$30,419	6,790,000
13	NABI BIOPHARMACEUTICALS	NABI		1.04%	Cut -5.43%	\$20,880	4,350,100
14	ORITANI FINANCIAL CORP.	ORIT		1.01%	New	\$20,390	2,043,100
15	PHH CORP NOTE 4.000% 4/1	PHH		0.87%	Unchanged	\$17,512	15,000,000
16	CAREFUSION CORP	CFN		0.86%	New	\$17,388	700,000
17	XERIUM TECHNOLOGIES	XRM		0.85%	Cut 0.00%	\$17,062	1,294,505
18	MADISON SQUARE GARDEN	MSG		0.84%	Cut -20.00%	\$16,872	800,000
19	STREETTRACKS GOLD TR	GLD		0.73%	New	\$14,710	115,000
20	NORTHERN TRUST	NTRS		0.72%	New	\$14,472	300,000
21	VIEWPOINT FINANCIAL GROUP	VCFG		0.65%	Added 81.74%	\$13,030	1,408,700
22	ABRAXAS PETROLEUM CORP	ABP		0.63%	Unchanged	\$12,742	4,801,054
23	KKR	KKR		0.63%	New	\$12,720	1,200,000
24	BIOFUEL ENERGY CORP.	BIOF		0.55%	Unchanged	\$11,102	5,578,800
25	SIX FLAGS ENTERTAINMENT	SIX		0.37%	New	\$7,523	171,127
26	EMMIS COMMUNICATIONS	EMMS		0.26%	Added 48.64%	\$5,179	321,057
27	LIGAND PHARMACEUTICALS	LGND		0.16%	Unchanged	\$3,172	2,007,378
28	ONEIDA FINANCIAL CORP.	ONFC		0.11%	New	\$2,307	305,600
29	EAGLE ROCK ENERGY	EROC		0.03%	New	\$672	639,780
30	AMER INTL GROUP INC	AIG	PUT	0.02%	New	\$444	200,000
31	AMEDISYS INC	AMED	PUT	0.00%	New	\$94	200,000
32	VANTAGE DRILLING Warrants	VTG-WS		0.00%	Unchanged	\$38	1,875,000
33	NORTHERN TRUST	NTRS	CALL	0.00%	New	\$75	300,000
34	COCA COLA ENTRPR INC	CCE			Sold		-
35	ALCON INC	ACL	CALL		Sold		-
36	ADV MICRO DEVICES	AMD			Sold		-
37	RF MICRO DEVICES, INC.	RFMD			Sold		-
38	XEROX CP	XRX			Sold		-
39	PLAINS EXPL&PROD	PXP			Sold		-
40	MACY'S INC	M			Sold		-
41	TRANSDIGM GRP INC	TDG			Sold		-

Next Page: Blue Ridge Capital

Blue Ridge Capital

John Griffin

Classifies investments as catalyst driven or time arbitrage

Previously was Julian Robertson's right-hand man at Tiger Management

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Key Takeaways

New Positions:

BP (BP)
Valeant Pharmaceuticals (VRX)
Netflix (NFLX)
Ivanhoe Mines (IVN)
Lululemon Athletica (LULU)
Tesla Motors (TSLA)
Ivanhoe Energy (IVAN)
Level 3 Communications (LVL3)

Sold Completely Out Of:

McDonald's (MCD)
Google (GOOG)
Teradata (TDC)
Morgan Stanley (MS)
EnSCO (ESV)
Monsanto (MON)
Primerica (PRI)

John Griffin's Blue Ridge Capital sold one third of its stake in Apple (AAPL), yet it still stands as their second largest equity long. Their top position in JPMorgan Chase (JPM) remains unchanged. Regarding positions they already owned but added to, Range Resources (RRC), Express Scripts (ESRX), and Credicorp (BAP) garnered new capital from John Griffin and his team.

The most noticeable adjustment to Griffin's book is a brand new position in BP (BP). In the wake of the oil spill, Blue Ridge originally purchased oil driller EnSCO (ESV) in the second quarter as shares were sold off even though the company had no involvement in the oil spill. An in-depth analysis of ESV was featured in last quarter's issue of [Hedge Fund Wisdom](#). Blue Ridge sold its ESV holdings in the third quarter and has now purchased a sizable stake in BP. It appears as though they've let the smoke and waters clear. While some hedge funds like Whitney Tilson's T2 Partners

bought into BP's massive sell-off, taking advantage of the uncertainty, it appears as though Blue Ridge was a bit more cautious. While they potentially might have paid higher prices for their position, they have the added benefit of less uncertainty surrounding the company. Another brand new position of Blue Ridge's worth highlighting is Valeant Pharmaceuticals (VRX).

Of positions Blue Ridge sold completely out of, McDonald's (MCD) and Google (GOOG) had previously been the most sizable for the hedge fund. And regarding stakes they trimmed but still own shares of, Blue Ridge sold partial positions in only a few stocks: CME Group (CME), Western Union (WU) and Apple as referenced earlier.

Last quarter's issue of Hedge Fund Wisdom drew attention to Blue Ridge's large position in Crown Castle International (CCI) as numerous hedge funds are fond of the wireless tower operators. This stake was highlighted as Blue Ridge had built it up and this quarter it remains unchanged as their sixth largest equity long.

This hedge fund is interesting to track due to their long-term focus and propensity to build up larger stakes in companies and hold them, rather than generating obscene turnover each quarter. The key is identifying which companies Blue Ridge classifies as 'time arbitrage' versus event driven. They are obviously more likely to sell-off an event driven holding after the catalyst occurs while time arbitrage plays require them to patiently wait as value is unlocked and assumed.

View Blue Ridge Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	JP MORGAN CHASE CO	JPM		6.48%	Unchanged	\$418,660	11,000,000
2	APPLE INC.	AAPL		5.38%	Cut -35.42%	\$347,622	1,225,100
3	AMAZON.COM, INC.	AMZN		5.16%	Unchanged	\$333,438	2,123,000
4	GOLD MINERS ETF	GDX		4.74%	Added 6.41%	\$306,385	5,478,000
5	CITRIX SYSTEMS, INC.	CTXS		4.61%	Added 14.29%	\$297,526	4,360,000
6	CROWN CASTLE INTL	CCI		4.36%	Unchanged	\$281,843	6,383,750
7	BP PLC	BP		3.20%	New	\$206,673	5,020,000
8	DOLLAR TREE STORES, INC.	DLTR		3.00%	Unchanged	\$193,821	3,975,000
9	EXPRESS SCRIPTS, INC.	ESRX		2.93%	Added 36.39%	\$188,907	3,879,000
10	RANGE RES CORP	RRC		2.91%	Added 49.17%	\$187,981	4,930,000
11	TEVA PHARMACEUTICAL	TEVA		2.81%	Added 3.93%	\$181,460	3,440,000
12	VALEANT PHARMA INTL	VRX		2.81%	New	\$181,638	7,251,038
13	DISCOVERY HOLDING CO	DISCA		2.69%	Unchanged	\$173,438	3,982,500
14	THERMO FISHER SCIENT	TMO		2.49%	Added 2.01%	\$160,877	3,360,000
15	MICROSOFT CORPORATION	MSFT		2.45%	Added 11.17%	\$158,450	6,470,000
16	CIT GROUP INC	CIT		2.43%	Unchanged	\$156,978	3,845,610
17	BANCO SANTANDER BRASIL	BSBR		2.28%	Unchanged	\$147,298	10,697,000
18	CREDICORP LTD	BAP		2.13%	Added 34.44%	\$137,819	1,210,000
19	BLACKROCK INC	BLK		2.11%	Unchanged	\$136,200	800,000
20	COVANTA HLD CP	CVA		2.11%	Unchanged	\$136,428	8,662,117
21	CME GROUP INC CL A	CME		1.98%	Cut -25.15%	\$127,881	491,000
22	PFIZER INC	PFE		1.89%	Added 18.33%	\$121,907	7,100,000
23	DISCOVERY COMMUNICATIONS	DISCK		1.87%	Unchanged	\$120,871	3,165,000
24	WESTERN UNION COMPAN	WU		1.81%	Cut -46.03%	\$117,064	6,625,000
25	LIBERTY GLOBAL, INC.	LBTYA		1.77%	Unchanged	\$114,613	3,720,000
26	GOLDMAN SACHS	GS		1.75%	Added 122.86%	\$112,772	780,000
27	TD AMERITRADE HOLDING	AMTD		1.73%	Unchanged	\$111,758	6,920,000
28	GEN GROWTH PROP INC	GGP		1.69%	Cut -6.67%	\$109,200	7,000,000
29	STARWOOD HOTELS&RESORTS	HOT		1.57%	Cut -14.44%	\$101,159	1,925,000
30	KROGER CO	KR		1.44%	Unchanged	\$92,705	4,280,000
31	M G I C INVEST CP	MTG		1.42%	Added 10.00%	\$91,383	9,900,600
32	ARES CAPITAL CORPORATION	ARCC		1.33%	Unchanged	\$85,919	5,490,000
33	MASTERCARD INC	MA		1.28%	Unchanged	\$82,880	370,000
34	LIBERTY STARZ	LSTZA		1.28%	Unchanged	\$82,461	1,270,000
35	NETFLIX, INC.	NFLX		1.26%	New	\$81,080	500,000
36	N V R LP	NVR		1.05%	Added 18.66%	\$67,537	104,300
37	IVANHOE MINES COM NPV	IVN		0.96%	New	\$61,828	2,641,100
38	VISA INC.	V		0.79%	Unchanged	\$50,868	685,000
39	ECHOSTAR CORPORATION	SATS		0.78%	Cut -14.03%	\$50,276	2,635,000
40	J CREW GROUP INC.	JCG		0.78%	Unchanged	\$50,094	1,490,000
41	LULULEMON ATHLETICA INC.	LULU		0.57%	New	\$37,118	830,000
42	GENPACT LIMITED	G		0.56%	Unchanged	\$36,169	2,040,000
43	INTEROIL CORPORATION	IOC		0.56%	Unchanged	\$35,931	525,000
44	XINYUAN RE CO ADS	XIN		0.53%	Unchanged	\$34,324	13,952,933
45	P M I GROUP INC	PMI		0.45%	Unchanged	\$29,378	8,005,000

Continued on next page...

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	PENNYMAC MORTGAGE	PMT		0.44%	Unchanged	\$28,338	1,584,000
47	GREENLIGHT CAPITAL RE	GLRE		0.34%	Unchanged	\$22,090	882,892
48	THERAVANCE, INC.	THRX		0.19%	Unchanged	\$12,462	620,000
49	TESLA MOTORS INC	TSLA		0.18%	New	\$11,733	575,000
50	JPMORGAN CHASE & CO Warrants	JPM/WS		0.17%	Unchanged	\$10,888	933,000
51	GOLUB CAPITAL BDC, INC.	GBDC		0.16%	Unchanged	\$10,552	689,655
52	WELLS FARGO & CO NEW	WFC		0.16%	Unchanged	\$10,048	1,275,100
53	LEVEL 3 COMMUNICATIONS, INC.	LVLT		0.11%	New	\$7,297	7,785,000
54	IVANHOE ENERGY, INC.	IVAN		0.06%	New	\$3,603	1,732,037
55	TERADATA CORP	TDC			Sold		-
56	MONSANTO COMPANY	MON			Sold		-
57	PRIMERICA, INC.	PRI			Sold		-
58	GOOGLE INC.	GOOG			Sold		-
59	MCDONALDS CP	MCD			Sold		-
60	MORGAN STANLEY	MS			Sold		-
61	ENSCO INTL INC	ESV			Sold		-

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View our in-depth look at [Paulson's gold fund](#)



Key Takeaways

New Positions:

Anadarko Petroleum (APC)
McAfee (MFE)
AON (AON)
Talecris Biotherapeutics (TLCR)
Genzyme (GENZ)
Liberty Media Interactive (LINTA)
Symantec (SYMC)
Potash (POT)
BMC Software (BMC)

Sold Completely Out Of:

Exxon Mobil (XOM)
Devon Energy (DVN)
DirecTV (DTV)
Goldman Sachs (GS)
Schlumberger (SLB)
Macerich (MAC)
Sprint Nextel (S)
Caseys General Stores (CASY)
Hyatt Hotels (H)

While viewing Paulson & Co's collective holdings, keep in mind that this disclosure encompasses the positions of numerous separate hedge funds pursuing different strategies. For instance, Paulson's Recovery fund focuses on assets benefiting from an economic recovery, while Paulson's legacy fund employs a merger arbitrage strategy. Also, each quarter there is inevitably discussion about Paulson & Co's largest disclosed holding: SPDR Gold Trust (GLD). Market prognosticators use this information to proclaim that Paulson is an ardent gold bull, betting on the precious metal's appreciation. However, what many fail to recognize is that Paulson has numerous fund share-class offerings denominated in US dollars, euros, and gold. As such, he has to 'own' a lot of gold to effectively hedge out the share-class exposure. While John Paulson has a gold fund, its purpose is to bet against the US

dollar via acquiring equity stakes in gold miners and owning derivatives on gold. You can view more in-depth information on [Paulson's gold fund here](#).

Shifting to Paulson's recent quarterly activity, a few brand new positions jump out. Firstly, Paulson has taken a position in Anadarko Petroleum (APC), a company affected by the Gulf oil spill. On the merger arbitrage side of things, Paulson's brand new stake in Potash (POT) is a clear takeover play. But as referenced earlier in this issue, a bid for the company has been rescinded. It will be interesting to see if Paulson & Co hold on for potential future suitors or not. Last, but certainly not least, Paulson also initiated a stake in AON (AON). An [in-depth analysis of AON](#) is featured later in this issue, as numerous prominent hedge funds now own shares. Both POT and AON were 'consensus buy/adds' amongst the hedge funds profiled in this issue for the third quarter.

Potentially the most headline-grabbing activity in Paulson's portfolio is their decision to sell 16% of their Citigroup (C) stake and 18% of their position in Bank of America (BAC). These are undoubtedly 'recovery' plays for the hedge fund and it simply looks like they're taking some profits and reducing position sizes. Of the positions Paulson sold completely out of, Goldman Sachs (GS) and Exxon Mobil (XOM) were two positions he had just newly purchased the quarter prior but has already exited.

Lastly, [Paulson advocated buying stocks and selling bonds](#) in a recent speech. He is also bullish on the housing market, calling it the best time to buy a home in fifty years.

View Paulson & Co's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	STREETTRACKS GOLD TR	GLD		17.60%	Unchanged	\$4,029,165	31,500,000
2	ANGLOGOLD ASHANTI LT	AU		8.28%	Cut -6.29%	\$1,895,840	41,000,000
3	BANK OF AMERICA CP	BAC		7.88%	Cut -17.88%	\$1,805,519	137,794,296
4	CITIGROUP INC	C		7.24%	Cut -16.32%	\$1,657,840	424,000,000
5	HARTFORD FIN SVC	HIG		4.41%	Unchanged	\$1,009,800	44,000,000
6	ANADARKO PETROLEUM	APC		3.34%	New	\$764,470	13,400,000
7	SUNTRUST BANKS	STI		3.31%	Cut -3.29%	\$758,903	29,380,700
8	COMCAST CORPORATION	CMCSA		3.16%	Cut -9.09%	\$723,200	40,000,000
9	KINROSS GOLD CP	KGC		2.72%	Unchanged	\$622,532	33,140,000
10	CAPITAL ONE FINANCIA	COF		2.59%	Cut -11.76%	\$593,250	15,000,000
11	MYLAN INC	MYL		2.46%	Unchanged	\$564,300	30,000,000
12	M G M MIRAGE	MGM		2.16%	Unchanged	\$494,064	43,800,000
13	BOSTON SCIENTIFIC CP	BSX		2.14%	Unchanged	\$490,400	80,000,000
14	PFIZER INC	PFE		1.71%	Unchanged	\$391,476	22,800,000
15	WELLS FARGO & CO	WFC		1.70%	Cut -11.43%	\$389,283	15,500,000
16	HEWITT ASSOC INC A	HEW		1.67%	New	\$383,268	7,600,000
17	GOLD FIELDS LTD ADS	GFI		1.60%	Unchanged	\$367,244	24,050,000
18	N B T Y INC	NTY		1.46%	New	\$335,378	6,100,000
19	AMERICAN CAPITAL	ACAS		1.11%	Unchanged	\$254,042	43,725,000
20	CB RICHARD ELLIS GRP	CBG		1.08%	Unchanged	\$246,780	13,500,000
21	MARINER ENERGY INC	ME		1.06%	Unchanged	\$242,300	10,000,000
22	MCAFEE, INC	MFE		1.03%	New	\$236,300	5,000,000
23	TALECRIS BIOTHERAPEUTICS	TLCR		1.00%	Added 100%	\$228,800	10,000,000
24	ALCON INC	ACL		0.99%	Added 40.73%	\$226,868	1,360,200
25	JPMORGAN CHASE Warrants	JPM/WS		0.95%	Unchanged	\$218,556	18,727,997
26	BANK OF AMERICA Warrants	BAC/WS		0.85%	Unchanged	\$194,400	30,000,000
27	POPULAR, INC.	BPOP		0.85%	Added 0.50%	\$194,300	67,000,000
28	JP MORGAN CHASE CO	JPM		0.83%	Cut -28.57%	\$190,300	5,000,000
29	MIRANT CORP	MIR		0.79%	Unchanged	\$181,305	18,203,321
30	NOVELL, INC.	NOVL		0.78%	Unchanged	\$179,100	30,000,000
31	NOVAGOLD RESOURCES, INC	NG		0.77%	Unchanged	\$175,414	20,181,818
32	MARSHALL & ILSLEY CORP	MI		0.68%	Cut -8.32%	\$155,232	22,050,000
33	REGIONS FINANCIAL CP	RF		0.61%	Unchanged	\$140,629	19,343,700
34	CIT GROUP INC	CIT		0.60%	Unchanged	\$136,385	3,341,134
35	GENZYME CORPORATION	GENZ		0.59%	New	\$134,586	1,901,200
36	CONSECO INC	CNO		0.59%	Unchanged	\$135,481	24,455,000
37	BURGER KING HOLDINGS	BKC		0.52%	New	\$119,400	5,000,000
38	LEAR CORP.	LEA		0.48%	Added 0.07%	\$109,145	1,382,812
39	GEN GROWTH PROP INC	GGP		0.45%	Unchanged	\$102,359	6,561,500
40	AIRGAS INC	ARG		0.45%	Added 50%	\$101,925	1,500,000
41	FAMILY DOLLAR STORES	FDO		0.39%	Cut -66.67%	\$88,320	2,000,000
42	FIRST HORIZON NTL CP	FHN		0.38%	Added 1.66%	\$86,033	7,540,184
43	STARWOOD HOTELS	HOT		0.38%	Cut -37.9%	\$86,182	1,640,000
44	VAIL RESORTS INC	MTN		0.37%	Unchanged	\$84,042	2,239,924
45	APOLLO GROUP, INC.	APOL		0.36%	Unchanged	\$82,160	1,600,000

Continued on next page...

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	ZYMOGENETICS, INC.	ZGEN		0.34%	New	\$78,000	8,000,000
47	LIBERTY MEDIA CORPORATION	LINTA		0.34%	New	\$78,147	5,700,000
48	STATE STREET CP	STT		0.33%	Unchanged	\$75,320	2,000,000
49	SYMANTEC CORPORATION	SYMC		0.33%	New	\$75,850	5,000,000
50	POTASH CP SASKATCHEW	POT		0.31%	New	\$71,777	500,000
51	CAPITAL ONE WARRANTS	COF/WS		0.25%	Unchanged	\$56,295	3,992,520
52	B M C SOFTWARE	BMC		0.23%	New	\$52,624	1,300,000
53	RANDGOLD RESOURCES	GOLD		0.22%	Unchanged	\$50,223	495,000
54	QUADREX CORP	QUAD		0.22%	New	\$50,317	1,077,000
55	MEAD JOHNSON NUTRITION	MJN		0.22%	Cut -58.06%	\$51,031	896,700
56	IAMGOLD CORP	IAG		0.21%	Unchanged	\$47,817	2,700,000
57	NORTHERN TRUST COR	NTRS		0.21%	Unchanged	\$48,240	1,000,000
58	DEX ONE CORP	DEXO		0.20%	Unchanged	\$45,146	3,676,394
59	SUNSTONE HOTEL INV	SHO		0.20%	Unchanged	\$45,350	5,000,000
60	TERADATA CORP	TDC		0.16%	New	\$35,668	925,000
61	NETWORK APPLIANCE, INC.	NTAP		0.16%	New	\$35,849	720,000
62	STRATEGIC HOTELS INC	BEE		0.15%	Unchanged	\$33,920	8,000,000
63	INTL TOWER HILL MINES LTD	THM		0.14%	New	\$31,500	5,000,000
64	BOYD GAMING CORP	BYD		0.13%	Unchanged	\$29,000	4,000,000
65	QUEST SOFTWARE, INC.	QSFT		0.13%	New	\$29,508	1,200,000
66	ASHFORD HOSP TR INC	AHT		0.12%	Unchanged	\$27,150	3,000,000
67	SUPERMEDIA INC	SPMD		0.12%	Unchanged	\$27,561	2,607,504
68	BEAZER HOMES USA INC	BZH		0.10%	Cut -1.53%	\$23,954	5,800,000
69	BANK OF AMERICA Warrants	BAC/WS/B		0.10%	Unchanged	\$23,800	10,000,000
70	MCCLATCHY CO HLD	MNI		0.09%	Unchanged	\$19,650	5,000,000
71	FELCOR LODGING TR	FCH		0.09%	Unchanged	\$20,700	4,500,000
72	STARWOOD PROPERTY TRUST	STWD		0.09%	Unchanged	\$20,784	1,046,000
73	BARRICK GOLD CP	ABX		0.08%	Unchanged	\$18,516	400,000
74	ALBERTO-CULVER CO	ACV		0.08%	New	\$18,825	500,000
75	P M I GROUP INC	PMI		0.08%	Unchanged	\$18,350	5,000,000
76	CHENIERE ENERGY, INC	LNG		0.08%	Unchanged	\$18,802	7,461,191
77	BROCADE COMMUNICATIONS	BRCO		0.07%	New	\$16,936	2,900,000
78	FELCOR LODG PR A	FCH-PA		0.05%	Unchanged	\$11,242	524,100
79	BEAZER HOMES 7.5% 01/15/13	BZMD		0.01%	Unchanged	\$3,398	150,000
80	BEAZER HOMES	BZH		0.01%	Cut -98.47%	\$1,755	90,000
81	SYBASE INC	SY			Sold		-
82	CASEY'S GENERAL STORES	CASY			Sold		-
83	DEVON ENERGY CP	DVN			Sold		-
84	SPRINT NXTEL CP	S			Sold		-
85	HYATT HOTELS CORP	H			Sold		-
86	SMITH INTL INC	SII			Sold		-
87	ODYSSEY HEALTHCARE, INC.	ODSY			Sold		-
88	EXXON MOBIL CP	XOM			Sold		-
89	INVENTIV HEALTH, INC.	VTIV			Sold		-
90	MACERICH CO	MAC			Sold		-
91	APACHE CP	APA			Sold		-
92	SONICWALL, INC.	SNWL			Sold		-
93	THE DIRECTV GROUP, INC	DTV			Sold		-
94	GOLDMAN SACHS	GS			Sold		-
95	DYNCORP INTL INC.	DCP			Sold		-

Tiger Management

Julian Robertson

Mentored the 'Tiger Cub' hedge funds & seeded other talented up & coming managers

Featured in the book [A Tiger in the Land of Bulls and Bears](#)

View a [profile of Tiger Management](#)



Key Takeaways

New Positions:

Wuxi Pharmatech (WX)
Cablevision (CVC)
Theravance (THRX)

Sold Completely Out Of:

Priceline.com (PCLN)
eBay (EBAY)
Solutia (SOA)
Itau Unibanco (ITUB)
Talisman Energy (TLM)
Dick's Sporting Goods (DKS)
DirecTV (DTV)
Verisk Analytics (VRSK)
Madison Square Garden (MSG)

For the third quarter, the Tiger Management investment vehicle disclosed a portfolio totaling \$271 million. It's slightly unclear as to whether or not Julian Robertson is actively managing this portfolio or if there is a team behind these trades. This year it has been revealed that Tiger Management is essentially being reborn as a hedge fund investment platform. But for the time being, they are also disclosing direct investments in equities to the SEC. As such, Hedge Fund Wisdom will continue to track the movements of this legendary manager's investment vehicle.

In a recent television interview, Robertson declared his fondness for shares of Apple (AAPL) and it should come as no surprise that the company remains Tiger Management's top holding even though he trimmed 16% of the position in the quarter. His second largest holding is Goldman Sachs (GS), a name he increased his position in by 34%. During Q3, Robertson cut almost half of his stake in Google (GOOG), yet it is still his third largest US equity long.

The Tiger Management hedge fund started a few new positions in the quarter,

including Theravance (THRX), a position held by the esteemed Seth Klarman. Robertson also peculiarly started brand new stakes in Cablevision (CVC) and Wuxi Pharmatech (WX), two positions he had sold completely out of just one quarter prior. But this time around, he's right back in those names again, which is interesting. Tiger Management seems fond of cable service providers with the re-instated Cablevision position and a 23% increase in their Time Warner Cable (TWC) stake. One position Robertson sizably reduced (-70%) but still owns shares of is Alvarion (ALVR). Of positions Tiger sold completely out of, Priceline.com (PCLN) and eBay (EBAY) had previously been sizable stakes for the firm.

In addition to running Tiger over the years, Robertson spawned a vast network of talented hedge fund managers, named 'Tiger Cubs' for their time spent as analysts and managing directors at Tiger Management before heading out to start funds of their own. The Hedge Fund Wisdom newsletter tracks many of these managers such as Stephen Mandel's Lone Pine Capital, John Griffin's Blue Ridge Capital, Lee Ainslie's Maverick Capital, Andreas Halvorsen's Viking Global, and Roberto Mignone's Bridger Management. Also, Robertson has himself seeded various managers, deemed 'Tiger Seeds.' These funds include Chase Coleman's Tiger Global (also detailed in this newsletter) and Bill Hwang's Tiger Asia, amongst many others.

View Tiger Management's
Updated Portfolio on the Next Page



Tiger Management

Third Quarter 2010 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	APPLE INC.	AAPL		12.12%	Cut -16.38%	\$36,201	127,580
2	GOLDMAN SACHS	GS		8.22%	Added 34.02%	\$24,550	169,800
3	BEST BUY CO INC	BBY	CALL	8.20%	Cut -25.00%	\$24,498	600,000
4	GOOGLE INC.	GOOG		6.68%	Cut -46.93%	\$19,954	37,950
5	MASTERCARD INC	MA		6.55%	Cut -8.58%	\$19,573	87,380
6	VISA INC.	V		5.79%	Cut -9.09%	\$17,303	233,000
7	SNAP ON INC	SNA		5.36%	Cut -14.21%	\$15,999	344,000
8	TIME WARNER CABLE	TWC		5.26%	Added 23.83%	\$15,711	291,000
9	GOLDMAN SACHS	GS	CALL	4.96%	Unchanged	\$14,819	102,500
10	CANADIAN NAT RES	CNQ		4.59%	Added 11.84%	\$13,722	396,800
11	WUXI PHARMATECH ADS	WX		4.58%	New	\$13,670	796,621
12	E M C CP	EMC		4.53%	Unchanged	\$13,526	666,000
13	CARDIOME PHARMA	CRME		4.45%	Added 10.01%	\$13,283	2,177,615
14	NEXEN INC	NXY		4.08%	Unchanged	\$12,179	605,600
15	CABLEVISION SYSTEM	CVC		3.96%	New	\$11,838	452,000
16	LCA-VISION INC.	LCAV		3.01%	Added 6.60%	\$8,994	1,614,796
17	THERAVANCE, INC.	THR		1.94%	New	\$5,784	287,763
18	RYANAIR HOLDINGS PLC	RYAAY		1.37%	Unchanged	\$4,098	133,022
19	DIGITALGLOBE INC	DGI		1.27%	Cut -70.19%	\$3,800	125,000
20	APPLE INC.	AAPL	CALL	0.95%	Cut -82.30%	\$2,838	10,000
21	SUNCOR ENERGY	SU		0.75%	Unchanged	\$2,230	68,500
22	ALVARION LTD.	ALVR		0.60%	Cut -24.21%	\$1,799	977,665
23	SEALED AIR CP NEW	SEE		0.37%	Unchanged	\$1,093	48,600
24	SONOCO PRODUCTS	SON		0.27%	Unchanged	\$798	23,870
25	CARNIVAL CORP	CCL		0.13%	Unchanged	\$380	9,950
26	PRICELINE.COM	PCLN			Sold		-
27	FIRST FINL FUND	FOFI.PK			Sold		-
28	TALISMAN ENERGY INC	TLM			Sold		-
29	DICK'S SPORTING GOODS	DKS			Sold		-
30	THE DIRECTV GROUP	DTV			Sold		-
31	EBAY INC.	EBAY			Sold		-
32	MADISON SQUARE GARDEN	MSG			Sold		-
33	WAL MART STORES	WMT	CALL		Sold		-
34	SOLUTIA INC	SOA			Sold		-
35	ITAU UNIBANCO	ITUB			Sold		-
36	VERISK ANALYTICS	VRSK			Sold		-

Next Page: Soros Fund Management

Soros Fund Mgmt

George Soros

Famously broke the Bank of England with a huge bet against the British Pound

Renowned global macro hedge fund

Author of [The Alchemy of Finance](#)



Key Takeaways

New Positions:

iShares Gold Trust (IAU)
Dendreon (DNDN)
Centurylink (CTL)
Dow Chemical (DOW)
Coach (COH)
CSG Systems (CSGS)
Select Sector Healthcare (XLV)
Lazard (LAZ)
Potash (POT)
Salix Pharmaceuticals (SLXP)

Sold Completely Out Of:

Cobalt Energy
Best Buy (BBY)
Ivanhoe Mines (IVN)
Powershares US Dollar Bull (UUP)
AMR (AMR)
International Paper (IP)
Sandridge Energy (SD)
Vulcan Materials (VMC)
Gold Fields (GFI)
Armstrong World (AWI)
AOL (AOL)
China Real Estate Information (CRIC)
Autochina International (AUTC)

First, a disclaimer: global macro funds are not particularly useful to track via 13F filing due to the fact that they move in and out of positions rapidly and invest across multiple asset classes. Hedge Fund Wisdom tracks Soros Fund Management mainly due to reader demand and the fact that people are always interested to see what George Soros has been investing in. But keep in mind also, that Mr. Soros is not involved in the day-to-day activities of the hedge fund. George's son, Robert Soros, manages the Quantum Fund Endowment for the firm. Not to mention, Soros Fund Management often holds in excess of 800

positions. Many of these positions are in convertible notes (denoted as ****NOTES**** in the table below) and other less liquid securities that are harder to track via 13F filing. With that said, Hedge Fund Wisdom will focus on the latest changes to the hedge fund's equity portfolio as that is the pertinent part of their book that is easily tracked over time. And in an effort to extract the most valuable information pertaining to Soros' portfolio, HFW will only focus on the top 40-50 positions, as those are the stakes really of any size.

The first noticeable aspect of the hedge fund's portfolio is the fact that they still own SPDR Gold Trust (GLD) as their top holding, despite selling 10% of their position in the quarter. The fund also initiated a new stake in another gold exchange traded fund, iShares Gold Trust (IAU) as it appears Soros is slightly diversifying its gold fund exposure, perhaps for liquidity or other purposes.

Of Soros' recent portfolio, there are two positions they added to heavily. Soros boosted its stake in Teva Pharmaceutical (TEVA) by almost 48,000% (it was a relatively small position beforehand). TEVA is now their seventh largest US equity long position. Also, Soros raised its stake in Verizon Communications (VZ) to the tune of 13,790% (again, another previously small position ratcheted up last quarter). There are a few other holdings Soros added to in the quarter (but to a lesser extent than those above), including: Monsanto (MON), InterOil (IOC), Plains Exploration & Production (PXP), Weatherford International (WFT), and Westport Innovations (WPRT).

View Soros Fund Management's Updated Portfolio on the Next Page



Soros Fund Mgmt

Third Quarter 2010 Portfolio:

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	SPDR Gold Shares	GLD		8.98%	Cut -10.44%	\$600,794	4,697,008
2	Monsanto Co.	MON		4.67%	Added 15.96%	\$312,638	6,522,804
3	InterOil Corporation	IOC		4.11%	Added 18.50%	\$275,295	4,022,422
4	LINEAR TECH **NOTES**	LLTC		3.28%	Unchanged	\$219,800	219,252,000
5	LAWSON SOFTWARE **NOTES**	LWSN		3.26%	Unchanged	\$218,071	213,795,000
6	Plains Exploration & Production	PXP		2.70%	Added 33.19%	\$180,858	6,781,315
7	EPICOR SOFTWARE **NOTES**	EPIC		2.11%	Added 8.77%	\$141,179	149,002,000
8	Teva Pharmaceutical	TEVA		1.93%	Added 47829%	\$128,942	2,444,400
9	Weatherford International Ltd.	WFT		1.83%	Added 34.59%	\$122,701	7,175,522
10	JDS UNIPHASE **NOTES**	JDSU		1.77%	Added 54.53%	\$118,529	125,428,000
11	RF MICRODEVICES **NOTES**	RFMD		1.75%	Cut -62.74%	\$117,246	116,663,000
12	iShares Russell 2000 Index	IWM	PUT	1.72%	New	\$115,425	1,710,000
13	NovaGold Resources Inc.	NG		1.69%	Unchanged	\$112,791	12,905,142
14	Convertible Notes **NOTES**	CDNS		1.67%	Cut -41.75%	\$111,699	113,544,000
15	BLACKBOARD **NOTES**	BBBB		1.65%	Added 18.7%	\$110,631	109,807,000
16	iShares MSCI Emerging Markets	EEM	PUT	1.60%	New	\$106,888	2,387,500
17	DIODES INC **NOTES**	DIOD		1.50%	Cut -5.03%	\$100,559	100,059,000
18	EMDEON INC.	EM		1.42%	Added 4.19%	\$94,848	7,787,218
19	1.5%13 **NOTES**	CDNS		1.40%	Cut -48.24%	\$93,586	100,901,000
20	SPDR Gold Shares	GLD	Call	1.35%	New	\$90,177	705,000
21	RF MICRODEVICES **NOTES**	RFMD		1.25%	Cut -73.84%	\$83,525	81,887,000
22	A D C TELECOM **NOTES**	ADCT		1.20%	Added 14.13%	\$80,122	80,677,000
23	MENTOR GRAPHICS **NOTES**	MENT		1.19%	New	\$79,535	76,476,000
24	SPDR S&P 500	SPY	PUT	1.15%	Added 237.5%	\$77,038	675,000
25	Dendreon Corp.	DNDN		1.12%	New	\$74,802	1,816,463
26	Kinross Gold Corporation	KGC		1.08%	Cut -0.07%	\$72,597	3,863,600
27	CERADYNE INC **NOTES**	CRDN		1.07%	Added 4.71%	\$71,634	72,085,000
28	Apple Inc.	AAPL		1.05%	Added 13.43%	\$70,252	247,584
29	CommScope, Inc.	CTV		1.03%	Added 39.85%	\$69,137	2,912,272
30	ORBITAL SCIENCES **NOTES**	ORB		0.98%	Added 2025%	\$65,295	65,623,000
31	iShares COMEX Gold Trust	IAU		0.96%	New	\$64,000	5,000,000
32	Verizon Communications Inc.	VZ		0.95%	Added 13790%	\$63,829	1,958,546
33	ARRIS GROUP INC **NOTES**	ARRS		0.93%	New	\$62,236	63,184,000
34	CenturyLink, Inc.	CTL		0.91%	New	\$60,934	1,544,193
35	WESTPORT INNOVATIONS	WPTFF		0.86%	Added 38.93%	\$57,322	3,256,910
36	Allied Nevada Gold Corp.	ANV		0.82%	Cut -8.07%	\$54,887	2,072,215
37	AT&T, Inc.	T		0.77%	Added 255.69%	\$51,365	1,795,982
38	Lawson Software, Inc.	LWSN		0.74%	Added 14.18%	\$49,775	5,876,666
39	Yahoo! Inc.	YHOO		0.72%	Cut -3.42%	\$48,267	3,406,300
40	Mosaic Co.	MOS	Call	0.71%	New	\$47,596	810,000
41	The Dow Chemical Company	DOW		0.64%	New	\$42,593	1,551,100
42	Delta Air Lines Inc.	DAL		0.64%	Added 365%	\$42,963	3,691,000
43	Pfizer Inc.	PFE		0.62%	Added 627%	\$41,433	2,413,100
44	Google Inc.	GOOG		0.60%	Added 1541%	\$40,154	76,368
45	DIRECTV	DTV		0.59%	Cut -35.24%	\$39,513	949,153

Continued on Next Page...

Soros Fund Mgmt

Third Quarter 2010 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	COVANTA HLDG **NOTES**	CVA		0.57%	Added 4.85%	\$38,041	39,319,000
47	Exar Corp.	EXAR		0.57%	Added 64.66%	\$38,136	6,366,666
48	GLOBAL CROSSING **NOTES**	GLBC		0.54%	Unchanged	\$36,187	35,900,000
49	Citi Trends	CTRN		0.50%	Added 17.73%	\$33,523	1,384,686
50	TECH DATA CORP **NOTES**	TECD		0.50%	New	\$33,283	32,590,000
51	Massey Energy Co.	MEE		0.49%	Cut -51.18%	\$32,912	1,061,000
52	QUALCOMM Incorporated	QCOM		0.49%	Added 190.9%	\$32,591	722,311
53	Popular Inc.	BPOP		0.46%	Added 2076%	\$30,807	10,623,200
54	Covanta Holding Corporation	CVA		0.46%	Cut -13.11%	\$31,064	1,972,300
55	3.25%11 **NOTES**	SIRI		0.44%	Added 0.51%	\$29,158	29,268,000
56	JPMorgan Chase & Co.	JPM		0.43%	Added 598%	\$28,579	750,700
57	MAP Pharmaceuticals, Inc.	MAPP		0.42%	Unchanged	\$27,940	1,826,169
58	VERIGY LTD **NOTES**	VRGY		0.41%	New	\$27,771	26,864,000
59	Extreme Networks Inc.	EXTR		0.41%	Added 2.10%	\$27,264	8,766,666
60	LAZARD LTD.	LAZ	Call	0.40%	New	\$26,573	757,500
61	Amazon.com Inc.	AMZN		0.36%	Added 4402%	\$24,046	153,100
62	SANDISK CORP **NOTES**	SNDK		0.34%	New	\$23,063	25,000,000
63	Teradata Corporation	TDC		0.34%	Cut -25.14%	\$22,816	591,700
64	BPZ Resources, Inc.	BPZ		0.33%	Cut -14.60%	\$22,397	5,847,875
65	Lowe's Companies Inc.	LOW	Call	0.33%	New	\$22,123	992,500
66	MERCURY COMPUTER SYS	MRCY		0.31%	Added 28.9%	\$20,878	1,735,466
67	FEI CO **NOTES**	FEIC		0.31%	Added 1586%	\$20,641	20,236,000
68	CSG Systems International	CSGS		0.27%	New	\$18,121	994,000
69	InterOil Corporation	IOC	Call	0.26%	New	\$17,110	250,000
70	Coach Inc.	COH		0.26%	New	\$17,330	403,400
71	SPDR S&P 500	SPY	Call	0.26%	Cut -51.49%	\$17,131	150,100
72	Health Care Select Sector	XLV		0.25%	New	\$17,009	558,053
73	Comcast Corporation	CMCSA		0.25%	Added 29.05%	\$16,883	933,811
74	Potash Corp. of Saskatchewan	POT		0.25%	New	\$16,565	115,000
75	Thermo Fisher Scientific	TMO		0.24%	Added 1054%	\$16,088	336,000
76	LAZARD LTD.	LAZ		0.24%	New	\$15,961	455,000
77	Solutia Inc.	SOA		0.23%	Added 15.35%	\$15,190	948,209
78	Baidu, Inc.	BIDU		0.23%	Added 140.3%	\$15,546	151,493
79	Great Basin Gold Ltd.	GBN		0.22%	Cut -7.67%	\$14,592	5,955,520
80	EURONET **NOTES**	EEFT		0.21%	Unchanged	\$14,061	14,311,000
81	Cooper Tire & Rubber Co.	CTB		0.21%	Added 18.72%	\$13,982	712,302
82	Bluefly Inc.	BFLY		0.20%	Unchanged	\$13,626	5,924,515
83	LIBERTY STARZ	LSTZA		0.20%	Cut -5.45%	\$13,401	206,550
84	Walter Energy, Inc.	WLT	Call	0.20%	Added 37.04%	\$13,535	166,500
85	Time Warner Cable Inc.	TWC		0.19%	Added 282.5%	\$12,660	234,491
86	Hospira Inc.	HSP		0.19%	Added 4003%	\$12,867	225,700
87	Gilead Sciences Inc.	GILD		0.18%	Added 160%	\$12,083	339,310
88	NEWPORT CORP **NOTES**	NEWP		0.18%	New	\$11,815	12,041,000
89	Mindray Medical International	MR		0.17%	New	\$11,089	375,000
90	United Therapeutics Corp.	UTHR		0.16%	Added 1447%	\$10,491	187,300

Next Page: Bridger Management

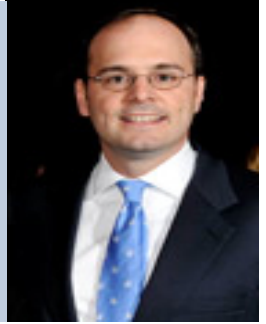
Bridger Management

Roberto Mignone

Typically focuses on the healthcare sector

Utilizes long/short equity and event-driven strategies

Known for his sleuthing abilities on the short side



Key Takeaways

New Positions:

Expedia (EXPE)
Allscripts Healthcare (MDRX)
Activision Blizzard (ATVI)
Amazon (AMZN)
Solarwinds (SWI)
Stratasys (SSYS)
Green Dot (GDOT)
Acorda Therapeutics (ACOR)

Sold Completely Out Of:

SPDR S&P 500 (SPY) Puts
Mastercard (MA)
Madison Square Garden (MSG)
Immucor (BLUD)
JPMorgan Chase (JPM)
Visa (V)
Wyndham Worldwide (WYN)
Aetna (AET)
China Real Estate Information (CRIC)
Jazz Pharmaceuticals (JAZZ)
Bristol Myers Squibb (BMY)
Wright Medical Group (WMGI)
Wonder Auto Technology (WATG)
Fuel Systems (FSYS)
Vivus (VVUS)

cited the company's valuable TripAdvisor asset.

Bridger Management's top US equity long continues to be UnitedHealth Group (UNH), a position they doubled in size back in the second quarter. This time around, they trimmed the stake by 22%. In addition to health plays, another portfolio theme at Bridger seems to be waste management services. Two out of the hedge fund's three largest overall positions are related to this theme: Waste Connections (WCN) and IESI BFC (BIN). Other large holdings of theirs include Morgan Stanley (MS), Pfizer (PFE), and Popular (BPOP). The rest of the upper half of Bridger's portfolio remained largely unchanged in the third quarter. The only other notable transactions were partial sales in their Boston Scientific (BSX) and Genpact (G) positions.

Bridger purchased both of the major credit card processors back in the second quarter but sold completely out of both of them only one quarter later. Of all the equity positions the hedge fund exited last quarter, Mastercard (MA) was the most sizable. However, Bridger's largest absolute sale came in puts on the S&P 500 exchange traded fund (SPY). Bridger bought a massive put position on the market indices in the second quarter but promptly sold it in the third quarter, exiting their hedge or bearish market bet.

Prior to founding Bridger Management, Mignone co-founded Blue Ridge Capital with John Griffin, another hedge fund profiled earlier in this issue. Mignone also worked at Julian Robertson's Tiger Management and received both his undergraduate degree and MBA from Harvard.

View Bridger Management's
Updated Portfolio on the Next Page



Roberto Mignone's Bridger Management typically focuses on the health sector and it's very evident upon glancing at their holdings. The most notable change to their portfolio in the third quarter was an increase in their CareFusion (CFN) stake by 271%. As mentioned previously in this issue, this name was added by numerous other hedge funds in the quarter and an [in-depth analysis of CFN](#) is found later in this issue of Hedge Fund Wisdom. And while not a health-play, Bridger started a sizable brand new position in Expedia (EXPE) in the quarter as well. This is another stock that many funds have been buying as well, as various hedge fund managers have often

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	UNITEDHEALTH GROUP	UNH		6.29	Cut -22.71%	\$106,208	3,025,000
2	WASTE CONNECTIONS	WCN		5.65	Cut -2.43%	\$95,488	2,407,669
3	SAMES CORPORATION	BIN		4.46	Cut -7.06%	\$75,354	3,292,000
4	CAREFUSION CORP	CFN		4.05	Added 272%	\$68,310	2,750,000
5	PFIZER INC	PFE		3.86	Unchanged	\$65,160	3,795,000
6	POPULAR, INC.	BPOP		3.81	Added 0.00%	\$64,258	22,158,081
7	MORGAN STANLEY	MS		3.64	Unchanged	\$61,421	2,488,700
8	GENPACT LIMITED	G		3.43	Cut -33.61%	\$57,849	3,262,780
9	CENTENE CORP	CNC		3.33	Added 0.46%	\$56,262	2,385,000
10	HYATT HOTELS CORP	H		3.32	Unchanged	\$56,085	1,500,000
11	PALL CP	PLL		3.22	Added 6.09%	\$54,394	1,306,300
12	CARDINAL HEALTH INC	CAH		3.13	Added 13.22%	\$52,864	1,600,000
13	HERTZ GLOBAL HOLDING	HTZ		2.78	Cut -11.50%	\$46,861	4,425,000
14	EXPEDIA, INC.	EXPE		2.67	New	\$45,168	1,600,000
15	BOSTON SCIENTIFIC CP	BSX		2.65	Cut -10.15%	\$44,749	7,300,000
16	AVIS BUDGET GROUP, I	CAR		2.61	Unchanged	\$44,100	3,785,374
17	STATE STREET CP	STT		2.52	Unchanged	\$42,556	1,130,000
18	GOOGLE INC.	GOOG		2.34	Unchanged	\$39,434	75,000
19	MARRIOTT INT CL A	MAR		2.12	Unchanged	\$35,830	1,000,000
20	ELECTRONIC ARTS INC.	ERTS		2.12	Unchanged	\$35,773	2,175,000
21	ALLSCRIPTS HEALTHCARE	MDRX		2.0	New	\$33,708	1,825,000
22	NATIONAL CINEMEDIA, INC.	NCMI		1.97	Added 2065%	\$33,240	1,856,969
23	MOBILE TELSYS OJSC	MBT		1.95	Unchanged	\$32,907	1,550,000
24	US AIRWAYS GROUP INC	LCC		1.64	Cut -36.17%	\$27,750	3,000,000
25	GILEAD SCIENCES, INC.	GILD		1.6	Unchanged	\$27,064	760,000
26	FOREST LABS CL A	FRX		1.56	Cut -58.33%	\$26,291	850,000
27	ACTIVISION, INC.	ATVI		1.47	New	\$24,886	2,300,000
28	DAVITA INC	DVA		1.39	Added 15.25%	\$23,470	340,000
29	ONYX PHARMACEUTICALS, INC.	ONXX		1.35	Cut -51.83%	\$22,810	864,685
30	ISTAR FINL INC	SFI		1.34	Added 29.8%	\$22,601	7,385,965
31	PENNYMAC MORTGAGE	PMT		1.17	Unchanged	\$19,679	1,100,000
32	REGAL ENTERTAINMENT	RGC		1.12	Unchanged	\$18,958	1,445,000
33	AERCAP HOLDINGS N.V.	AER		1.02	Cut -9.99%	\$17,194	1,453,388
34	AMAZON.COM, INC.	AMZN		0.98	New	\$16,491	105,000
35	A M R CP	AMR		0.97	Unchanged	\$16,302	2,600,000
36	SYNOVUS FINL CP	SNV		0.96	Unchanged	\$16,140	6,560,800
37	DOLLAR THRIFTY AUTO	DTG	PUT	0.94	New	\$15,859	316,300
38	K12 INC	LRN		0.9	Unchanged	\$15,149	521,823
39	XENOPORT, INC.	XNPT		0.84	Added 42.9%	\$14,220	2,000,000
40	BANK OF AMERICA Warrants	BAC/WS		0.73	Unchanged	\$12,317	1,900,700
41	MEDIFAST INC	MED		0.72	Cut -42.95%	\$12,074	445,044
42	KAPSTONE PAPER & PACKAGING	KS		0.7	Added 24.4%	\$11,769	969,399
43	CARDIOME PHARMA	CRME		0.58	Unchanged	\$9,760	1,600,000
44	PRINCETON REVIEW, INC	REVV		0.48	Added 33.33%	\$8,160	4,000,000
45	ALLERGAN	AGN		0.47	Added 20%	\$7,984	120,000

Continued on next page...

Bridger Management

Third Quarter 2010 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	CASELLA WASTE SYSTEMS, INC.	CWST		0.45	Added 4.91%	\$7,533	1,793,507
47	CRUCCELL NV	CRXL		0.38	Unchanged	\$6,486	195,000
48	BOSTON BEER CO INC	SAM		0.36	Unchanged	\$6,085	91,000
49	ORCHID CELLMARK INC.	ORCH		0.36	Unchanged	\$6,023	3,962,179
50	PHARMASSET, INC.	VRUS		0.31	Added 29.63%	\$5,153	175,000
51	SOLARWINDS, INC.	SWI		0.31	New	\$5,178	300,000
52	STRATASYS, INC.	SSYS		0.26	New	\$4,435	160,000
53	IRONWOOD PHARMACEUTICALS	IRWD		0.25	Added 169.2%	\$4,174	410,000
54	GREEN DOT CORP	GDOT		0.22	New	\$3,636	75,000
55	AFFYMAX, INC.	AFFY		0.15	Cut -18.89%	\$2,556	429,496
56	ACORDA THERAPEUTICS, INC.	ACOR		0.11	New	\$1,912	57,899
57	MTR GAMING GROUP, INC.	MNTG		0.03	Unchanged	\$506	292,739
58	MADISON SQUARE GARDEN, INC.	MSG			Sold		-
59	WYNDHAM WORLDWIDE	WYN			Sold		-
60	BRISTOL MYERS SQIBB	BMJ			Sold		-
61	JAZZ PHARMACEUTICALS, INC.	JAZZ			Sold		-
62	WONDER AUTO TECHNOLOGY	WATG			Sold		-
63	AFFYMAX, INC.	AFFY	PUT		Sold		-
64	SPDR S&P 500	SPY	PUT		Sold		-
65	VIVUS, INC.	VVUS			Sold		-
66	JP MORGAN CHASE CO	JPM			Sold		-
67	WRIGHT MEDICAL GROUP	WMGI			Sold		-
68	CHINA REAL ESTATE INFO	CRIC			Sold		-
69	AETNA INC. NEW	AET			Sold		-
70	FUEL SYSTEMS SOLUTIONS	FSYS			Sold		-
71	MASTERCARD INC	MA			Sold		-
72	IMMUCOR, INC.	BLUD			Sold		-
73	VISA INC.	V			Sold		-

Next Page: Omega Advisors

Omega Advisors

Leon Cooperman

Has returned 16% annualized over 18 years

Prior to founding Omega, he spent 25 years at Goldman Sachs and was Chief Executive Officer of Goldman's Asset Management division



Key Takeaways

New Positions:

Omnicare (OCR)
Wal-Mart (WMT)
KKR (KKR)
Bank of New York Mellon (BK)
Sirius XM Radio (SIRI)
Magellan Health Services (MGLN)
Microsoft (MSFT)
Cisco Systems (CSCO)
Transocean (RIG)

Sold Completely Out Of:

Delta Airlines (DAL)
Bank of America (BAC)
Tellabs (TLAB)
State Street (STT)
Rogers Communications (RG)
Tower Group (TWGP)
eBay (EBAY)
Cadence Design Systems (CDNS)
Eastman Kodak (EK)
Comcast (CMCSA)
Trimble Navigation (TRMB)
Autonation (AN)
Perfect World (PWLD)
Northstar Realty Finance (NRF)
Steel Dynamics (STLD)

The most significant move in the portfolio of Leon Cooperman's Omega Advisors involves Teva Pharmaceutical (TEVA), a position they increased their position size in by 56% (it's now their eighth largest holding). Omega joins the ranks of other hedge funds purchasing TEVA shares in the third quarter, including Soros Fund Management. Other significant maneuvers across Cooperman's equity book include almost a 200% increase in his Plains Exploration & Production (PXP) position. Regarding PXP specifically, many buy-siders have argued that when purchasing it

you get the company's core assets and then are essentially getting the deepwater Gulf of Mexico assets and its 23% stake in McMoRan Exporation (MMR) for free.

Additionally, Cooperman added massively to his previously miniscule stake in 3M (MMM), boosting his position size by over 937%. Cooperman's top five equity longs remain largely unchanged in the third quarter with Atlas Energy (ATLS), SLM (SLM), Linn Energy (LINE), Atlas Pipeline Partners (APL), and KKR Financial Holdings (KFN).

Cooperman is the only hedge fund manager tracked in this issue holding SLM so it's worth examining the investment thesis there. Jon Jacobson of Highfields Capital (previously of Harvard's endowment) has cited his fondness for SLM due to the transition to a fee-based business with a great management team. While he admits this is a risky play, he feels it is undervalued and worth between \$15-25 in a run-off scenario (shares currently trade around \$11).

In the wake of the tragic Gulf oil spill in the second quarter, Leon Cooperman's firm exited its entire stake in driller Transocean (RIG). Yet now that there is less uncertainty surrounding the name, they've added it back as a new position in the third quarter... funny how that works. Regarding stocks Omega sold off entirely in the third quarter, two had just been purchased in the second quarter but only had a short stay in the portfolio, having already been disposed of: Rogers Communications (RG) and Trimble Navigation (TRMB).

View Omega Advisors' Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	SLM CORPORATION	SLM		5.73	Added 0.97%	\$204,672	17,720,500
2	ATLAS AMERICA, INC.	ATLS		5.54	Cut -0.47%	\$197,808	6,906,691
3	LINN ENERGY, LLC	LINE		4.23	Cut -3.85%	\$151,113	4,728,201
4	KKR FINANCIAL CORP.	KFN		3.52	Added 0.08%	\$125,790	14,326,867
5	TEVA PHARMACEUTICAL	TEVA		3.17	Added 56.16%	\$113,057	2,143,264
6	ATLAS PIPELINE PTNRS	APL		2.77	Added 8.12%	\$98,912	5,639,218
7	UAL CORPORATION	UAL		2.77	Added 130.72%	\$98,783	4,175,125
8	XL CAPITAL LTD	XL		2.76	Added 4.05%	\$98,742	4,558,737
9	ENERGY XXI (BERMUDA)	EXXI		2.63	Cut -0.03%	\$93,882	4,062,380
10	BROADRIDGE FIN SOL	BR		2.44	Cut -0.70%	\$87,158	3,811,000
11	PLAINS EXPL&PROD	PXP		2.43	Added 191.38%	\$86,856	3,256,700
12	WELLPOINT INC.	WLP		2.38	Unchanged	\$85,045	1,501,507
13	M G I C INVEST CP	MTG		2.37	Cut -1.02%	\$84,562	9,161,600
14	ETRADE FINANCIAL CORP	ETFC		2.15	Cut -0.34%	\$76,686	5,263,310
15	FORD MOTOR CO	F		2.06	Cut -0.55%	\$73,675	6,019,200
16	OMNICARE INC	OCR		1.98	New	\$70,876	2,968,000
17	3M COMPANY	MMM		1.97	Added 937.26%	\$70,244	810,100
18	STREETTRACKS GOLD TRUST	GLD		1.92	Cut -1.13%	\$68,547	535,900
19	PACTIV CORP	PTV		1.73	Unchanged	\$61,696	1,870,700
20	SPDR LEHMAN HYB ETF	JNK		1.73	Unchanged	\$61,663	1,541,200
21	GIVEN IMAGING LTD.	GIVN		1.45	Added 2.92%	\$51,850	2,880,556
22	WILLIAMS COS	WMB		1.45	Cut -20.00%	\$51,817	2,711,508
23	DOMTAR CORP NEW	UFS		1.44	Cut -0.75%	\$51,360	795,300
24	WAL MART STORES	WMT		1.41	New	\$50,309	940,000
25	MCDONALDS CP	MCD		1.38	Cut -2.20%	\$49,363	662,500
26	LINCOLN NATL CP	LNC		1.35	Unchanged	\$48,163	2,013,500
27	DENBURY RES INC	DNR		1.35	Added 37.40%	\$48,070	3,025,200
28	CABLEVISION SYSTEM	CVC		1.3	Cut -3.31%	\$46,265	1,766,517
29	LORILLARD, INC	LO		1.25	Cut -11.23%	\$44,523	554,390
30	ACE LTD	ACE		1.19	Unchanged	\$42,493	729,500
31	VALIDUS HOLDINGS LTD	VR		1.17	Unchanged	\$41,847	1,587,500
32	JP MORGAN CHASE CO	JPM		1.13	Added 2.38%	\$40,450	1,062,800
33	DISH NETWORK CORP	DISH		1.08	Added 43.37%	\$38,430	2,000,500
34	GEN GROWTH PROP INC	GGP		1.08	Cut -3.89%	\$38,568	2,472,300
35	REGAL ENTERTAINMENT	RGC		1.06	Added 1.95%	\$37,935	2,891,400
36	YAHOO! INC.	YHOO		1.04	Cut -41.32%	\$37,094	2,617,800
37	UNITEDHEALTH GROUP	UNH		1.04	Cut -35.82%	\$37,110	1,056,976
38	BANK OF NY MELLON CP	BK		0.98	New	\$34,884	1,335,000
39	KOHL'S CP	KSS		0.95	Cut -1.51%	\$34,026	645,907
40	KKR	KKR		0.93	New	\$33,357	3,146,887
41	APOLLO INVESTMENT	AINV		0.92	Cut -2.51%	\$32,918	3,217,800
42	CISCO SYSTEMS, INC.	CSCO		0.89	New	\$31,819	1,452,900
43	MAGELLAN HEALTH	MGLN		0.87	New	\$31,188	660,200
44	WELLS FARGO & CO	WFC		0.86	Added 36.35%	\$30,799	1,226,300
45	SIRIUS SATELLITE RADIO INC.	SIRI		0.82	New	\$29,421	24,517,500

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	EXXON MOBIL CP	XOM		0.82	Cut -39.90%	\$29,219	472,876
47	P M I GROUP INC	PMI		0.81	Unchanged	\$29,087	7,925,600
48	MICROSOFT CORPORATION	MSFT		0.79	New	\$28,220	1,152,300
49	VODAFONE GRP PLC	VOD		0.74	Unchanged	\$26,368	1,062,800
50	TRANSOCEAN INC	RIG		0.74	New	\$26,359	410,000
51	Stanley Black & Decker	SWK		0.71	Cut -0.88%	\$25,511	416,300
52	INTL PAPER	IP		0.7	Cut -28.15%	\$24,976	1,148,300
53	THE TRAVELERS CO	TRV		0.62	Unchanged	\$22,090	424,000
54	AES CORPORATION	AES		0.59	Cut -59.58%	\$21,202	1,868,057
55	RELIANT ENERGY INC	RRI		0.57	Cut -9.63%	\$20,277	5,711,700
56	SELECT MEDICAL HOLDINGS	SEM		0.56	Cut -1.19%	\$20,112	2,612,000
57	CARNIVAL CORP	CCL		0.54	Unchanged	\$19,146	501,400
58	THE DIRECTV GROUP, INC	DTV		0.53	Unchanged	\$18,985	456,038
59	GOLDMAN SACHS	GS		0.53	New	\$18,911	130,800
60	MCMORAN EXPLOR CO SC	MMR		0.49	New	\$17,554	1,020,000
61	IBM	IBM		0.47	New	\$16,754	124,900
62	ALTISOURCE PORTFOLIO	ASPS		0.42	Unchanged	\$15,125	485,700
63	UNITED RENTALS INC	URI		0.36	New	\$12,877	867,700
64	CHINA YUCHAI INTL LT	CYD		0.36	Added 257.58%	\$12,710	664,409
65	ADC TELECOM	ADCT		0.36	Cut -8.98%	\$12,837	1,013,200
66	THL CREDIT, INC.	TCRD		0.35	Unchanged	\$12,369	1,050,000
67	PEPSICO INC	PEP		0.33	Cut -2.32%	\$11,727	176,500
68	TIME WARNER INC	TWX		0.32	Added 59.57%	\$11,494	375,000
69	BEST BUY CO INC	BBY		0.29	New	\$10,285	251,900
70	LIBERTY MEDIA	LCAPA		0.29	New	\$10,412	200,000
71	APPLE INC.	AAPL		0.29	New	\$10,357	36,500
72	AXIS CAP HLDGS LTD	AXS		0.27	Cut -33.17%	\$9,485	287,960
73	N B T Y INC	NTY		0.22	Cut -4.93%	\$7,840	142,600
74	RESOURCE AMERICA, INC.	REXI		0.19	Unchanged	\$6,788	1,195,000
75	CENTER BANCORP, INC.	CNBC		0.12	New	\$4,191	545,000
76	CITIGROUP INC	C		0.11	Added 32.68%	\$3,969	1,015,000
77	ICONIX BRAND GROUP, INC.	ICON		0.1	Cut -58.86%	\$3,622	206,960
78	DEAN FOODS CO	DF		0.09	Cut -14.22%	\$3,319	325,030
79	CHARMING SHOPPES, INC.	CHRS		0.08	Added 43.62%	\$2,818	800,563
80	CASUAL MALE RETAIL GROUP	CMRG		0.08	Cut -22.41%	\$2,811	688,969
81	MOODY'S CORP	MCO		0.08	New	\$2,748	110,000
82	TEREX CP	TEX		0.07	Cut -91.01%	\$2,613	114,000
83	SMURFIT-STONE CONTAINER	SSCC		0.07	New	\$2,330	126,833
84	DOMINOS PIZZA INC	DPZ		0.07	Cut -32.18%	\$2,382	180,207
85	MULTIMEDIA GAMES, INC.	MGAM		0.05	Cut -3.90%	\$1,658	448,040
86	HOT TOPIC, INC.	HOTT		0.05	Cut -6.12%	\$1,755	292,994
87	JAKKS PACIFIC, INC.	JAKK		0.03	Cut -40.50%	\$1,056	59,872
88	SKECHERS USA INC	SKX		0.03	Added 672.10%	\$1,117	47,538
89	CONSTELLATION BRD A	STZ		0.01	Cut -57.53%	\$371	20,952
90	SELECT COMFORT CORP	SCSS		0.01	New	\$269	39,675

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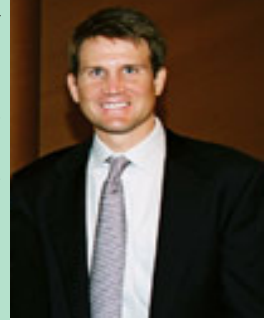
Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
91	1-800 FLOWERS.COM, INC.	FLWS		0.01	Added 373.24%	\$469	248,360
92	KENNETH COLE PROD IN	KCP		0.01	Added 538.90%	\$324	19,429
93	SALLY BEAUTY HLDG	SBH		0.01	Cut -69.30%	\$379	33,817
94	GAMESTOP CORP	GME		0	Cut -99.94%	\$2	93
95	JAMBA, INC.	JMBA		0	New	\$122	55,727
96	TOWER GROUP, INC.	TWGP			Sold		-
97	NORTHSTAR RLTY FIN	NRF			Sold		-
98	SUPERVALU INC	SVU			Sold		-
99	HIMAX TECHNOLOGIES, INC.	HIMX			Sold		-
100	EBAY INC.	EBAY			Sold		-
101	AMERICAN APPAREL INC	APP			Sold		-
102	STEEL DYNAMICS, INC.	STLD			Sold		-
103	PERFECT WORLD CO., LTD.	PWRD			Sold		-
104	MOLSON COORS CO CL B	TAP			Sold		-
105	TRIMBLE NAVIGATION	TRMB			Sold		-
106	ROGERS COMMUNICATIONS	RCI			Sold		-
107	TOWN SPORTS INTL.	CLUB			Sold		-
108	BANK OF AMERICA CP	BAC			Sold		-
109	TELETECH HOLDINGS, INC.	TTEC			Sold		-
110	DELTA AIR LINES	DAL			Sold		-
111	CHARM COMMUNICATIONS	CHRM			Sold		-
112	AMERICAN EAGLE OUTFITTERS	AEO			Sold		-
113	CONTL AIRLINES CL B	CAL			Sold		-
114	EASTMAN KODAK CO	EK			Sold		-
115	STATE STREET CP	STT			Sold		-
116	COMCAST CORPORATION	CMCSK			Sold		-
117	AUTONATION INC	AN			Sold		-
118	CADENCE DESIGN SYSTEMS	CDNS			Sold		-
119	TELLABS, INC.	TLAB			Sold		-

Shumway Capital

Chris Shumway

Previously one of Julian Robertson's right-hand men at Tiger Management

Received his MBA from Harvard Business School & undergraduate degree from the University of Virginia



Key Takeaways

New Positions:

Citigroup (C)
Priceline.com (PCLN)
SPDR Gold Trust (GLD)
Target (TGT)
BP (BP)
Hewlett-Packard (HPQ)
NII Holdings (NIHD)
Potash (POT)
CVS Caremark (CVS)
Sandisk (SNDK)
Genzyme (GENZ)

Sold Completely Out Of:

Baxter International (BAX)
Teva Pharmaceutical (TEVA)
Equinix (EQIX)
Time Warner (TWX)
Kraft Foods (KFT)
Lennar (LEN)
Freeport McMoran (FCX)
Ameriprise Financial (AMP)
Netflix (NFLX)
TD Ameritrade (AMTD)
Sirius XM Radio (SIRI)
Mastercard (MA)
Cisco Systems (CSCO)
DR Horton (DHI)

Shumway Capital Partners' portfolio can be summed up in one word: turnover. The hedge fund started a bevy of brand new positions and completely exited other names en masse. The biggest story in Shumway's equity book is their position in Apple (AAPL). They increased their position by 168% and it is now the firm's top holding. At the same time, Shumway also boosted its stake in Las Vegas Sands (LVS) by 85% (now their second largest position). Rounding out the third and fourth largest stakes in the portfolio, Shumway

initiated brand new positions in Citigroup (C) and Priceline.com (PCLN). Of Shumway's top eleven positions, five of them are brand new. The rest of these new additions include the SPDR Gold Trust (GLD), Target (TGT), and BP (BP). The hedge fund also added shares of Hewlett-Packard (HPQ), a somewhat beaten down tech bellwether.

Like numerous other prominent hedge funds this past quarter, Shumway bought brand new stakes in Potash (POT), most likely to play the takeover arbitrage. But if you look closely at their portfolio, you'll see that Shumway actually holds numerous potential merger arbitrage related plays such as Air Products & Chemicals (APD), Genzyme (GENZ), and Alcon (ACL) as well.

If you were to characterize the hedge fund's holdings, "momentum stocks" would certainly come to mind. Shumway's performance has been subpar this year so you almost have to wonder if they're starting to 'chase' the hot stocks in hopes of riding waves back into the black.

By far the most important recent development at Shumway comes not from a new investment, but rather a shake-up amongst its investment managers. Chris Shumway, who founded the hedge fund in 2002, recently announced he will relinquish duties as Chief Investment Officer and will slide into a less active CEO role. Tom Wilcox, Shumway's head of equities, will take over the investment management duties. Arguably, not a lot will change with regards to investment process as Wilcox has largely been running the show behind the scenes the past two years.

View Shumway Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	APPLE INC.	AAPL		11.49%	Added 168.42%	\$516,367	1,819,797
2	CITIGROUP INC	C		8.74%	New	\$392,543	100,652,169
3	PRICELINE.COM	PCLN		8.02%	New	\$360,289	1,034,304
4	PFIZER INC	PFE		7.96%	Added 51.43%	\$357,824	20,840,044
5	LAS VEGAS SANDS CORP	LVS		7.71%	Added 85.49%	\$346,605	9,945,623
6	BAIDU.COM, INC.	BIDU		7.63%	Cut -7.33%	\$342,754	3,340,029
7	STREETTRACKS GOLD TR	GLD		5.91%	New	\$265,638	2,076,756
8	TARGET CP	TGT		2.95%	New	\$132,482	2,479,088
9	AIR PRODUCTS CHEM	APD		2.57%	Cut -22.64%	\$115,398	1,393,355
10	UNION PACIFIC	UNP		2.56%	Cut -25.97%	\$114,895	1,404,586
11	BP PLC	BP		2.55%	New	\$114,754	2,787,314
12	ILLUMINA, INC.	ILMN		2.48%	Cut -15.77%	\$111,665	2,269,610
13	HEWLETT PACKARD CO	HPQ		2.08%	New	\$93,266	2,216,926
14	EL PASO CORPORATION	EP		1.98%	Cut -23.97%	\$88,863	7,177,916
15	NII HOLDINGS, INC.	NIHD		1.98%	New	\$89,083	2,167,474
16	POTASH CP SASKATCHEW	POT		1.97%	New	\$88,423	613,878
17	P N C FIN SVCS GR	PNC		1.94%	Cut -22.27%	\$87,231	1,680,427
18	CVS CAREMARK CP	CVS		1.94%	New	\$87,023	2,765,257
19	POTASH CP SASKATCHEW	POT	PUT	1.92%	New	\$86,424	600,000
20	SANDISK CORPORATION	SNDK		1.49%	New	\$66,966	1,827,167
21	GENZYME CORPORATION	GENZ		1.42%	New	\$63,819	901,528
22	DOLLAR GENERAL CORP	DG		1.12%	Unchanged	\$50,275	1,718,796
23	UNIVERSAL HLTH SVC B	UHS		1.10%	Cut -59.56%	\$49,388	1,270,920
24	LIVE NATION, INC.	LYV		1.02%	Cut -6.19%	\$45,721	4,627,662
25	YUM BRANDS INC	YUM		0.99%	New	\$44,466	965,400
26	MEAD JOHNSON NUTRITION	MJN		0.98%	New	\$43,840	770,332
27	NOVO NORDISK A S	NVO		0.98%	Cut -7.54%	\$44,160	448,600
28	ALCON INC	ACL		0.96%	New	\$43,321	259,733
29	ISHARES MSCI E.M.I.F	EEM	PUT	0.61%	New	\$27,556	615,500
30	CITIGROUP INC. Unit	C/PH		0.57%	New	\$25,563	216,566
31	SANOFI-AVENTIS SA	SNY		0.52%	New	\$23,288	700,385
32	AIRGAS INC	ARG		0.50%	New	\$22,652	333,368
33	MCAFEE, INC	MFE		0.48%	New	\$21,709	459,355
34	MERCADOLIBRE, INC.	MELI		0.47%	Cut -51.44%	\$21,338	295,625
35	NOVARTIS AG ADS	NVS	PUT	0.46%	New	\$20,761	360,000
36	APACHE CP	APA		0.31%	New	\$13,763	140,783
37	SHIRE PLC	SHPGY		0.28%	New	\$12,384	184,065
38	COMPANHIA BRASIL ADS	CBD		0.23%	New	\$10,532	152,594
39	C S X CP	CSX		0.21%	New	\$9,272	167,600
40	MAKEMYTRIP	MMYT		0.20%	New	\$8,805	227,469
41	PIONEER NATURAL RES	PXD		0.16%	New	\$7,356	113,111
42	WARNER CHILCOTT	WCRX		0.15%	New	\$6,732	300,000
43	EQUINIX NOTES 2.500% 4/1	EQIX		0.14%	Cut -76.70%	\$6,458	12,000,000
44	WILLIAMS COS	WMB		0.09%	New	\$4,164	217,901
45	E M C CP	EMC		0.03%	New	\$1,336	65,800

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	FREEMPORT MCMORAN B	FCX			Sold		-
47	SIRIUS SATELLITE RADIO INC.	SIRI			Sold		-
48	KB HOME	KBH			Sold		-
49	CISCO SYSTEMS, INC.	CSCO			Sold		-
50	TIME WARNER INC	TWX			Sold		-
51	RADIOSHACK CORP	RSH			Sold		-
52	AMERICAN EAGLE OUTFITTERS	AEO			Sold		-
53	HANSEN NATURAL	HANS			Sold		-
54	TD AMERITRADE	AMTD			Sold		-
55	D R HORTON INC	DHI			Sold		-
56	LENNAR CP CL A	LEN			Sold		-
57	GEN DYNAMICS CP	GD			Sold		-
58	NETFLIX, INC.	NFLX			Sold		-
59	BAXTER INTL INC	BAX			Sold		-
60	KRAFT FOODS INC	KFT			Sold		-
61	EQUINIX, INC.	EQIX			Sold		-
62	MASTERCARD INC	MA			Sold		-
63	AMERIPRISE FINANCIAL	AMP			Sold		-
64	TEVA PHARMACEUTICAL	TEVA			Sold		-
65	CEPHALON, INC.	CEPH	CALL		Sold		-
66	PULTE HOMES, INC.	PHM			Sold		-
67	WELLS FARGO & CO NEW	WFC			Sold		-

Fairholme Capital

Bruce Berkowitz

Named Morningstar's Fund Manager of the Decade

Manages over \$10 billion and runs a highly concentrated portfolio, making him ideal to track



Key Takeaways

New Positions:

General Electric (GE)

Reduced Positions In:

BP (BP)

Hertz Global (HTZ)

Comcast (CMCSA)

American International Group (Preferred)

Comcast (CMCSK)

Daily Journal Corp (DJCO)

Bruce Berkowitz's Fairholme Capital has been betting on an economic and financial system recovery as evidenced by his portfolio full of previously distressed financial names. Fairholme's top three holdings remain unchanged with American International Group (AIG), Citigroup (C), and Goldman Sachs (GS). Fairholme owns 24% of the outstanding stock in AIG, 38% of the mandatory convertible bonds and other debt instruments. In total, Berkowitz has invested over \$1.8 billion into the company, more than 10% of his assets under management (AUM). You can view the [company's plan for a road to recovery here](#).

The most notable maneuver in Berkowitz's portfolio in the third quarter was an increase in his Morgan Stanley (MS) position, boosting it by 123%. He also added marginally to his Bank of America (BAC) and CIT Group (CIT) holdings. Berkowitz only started one new position in the quarter: General Electric (GE).

Regarding positions Fairholme reduced, only Humana (HUM) really jumps out as it was cut 73%. It seems the firm was trimming all health related plays as it also sold 21% of its stake in Wellcare Health Plans (WCG) as well. Last quarter's issue of Hedge Fund Wisdom

drew attention to the fact that Berkowitz was reducing his stakes in Hertz (HTZ) and Comcast (CMCSA). This time around, he continued to sell these names and exited them completely.

One other quarter over quarter change worth noting was Berkowitz's sale of BP (BP). Originally purchased in the second quarter amidst the Gulf oil spill crisis, it appears as though Berkowitz was happy to take the short-term move, pocket it, and move on to other investments. This was interesting because while Berkowitz was selling in Q3, various other hedge funds were initiating a position now that there is less uncertainty surrounding the company.

Perhaps the most intriguing thing concerning Berkowitz's portfolio though, were developments regarding his position in St. Joe (JOE). During the quarter, [David Einhorn's Greenlight Capital presented a short thesis](#) on the company that sent shares plunging. JOE is only Berkowitz's tenth largest holding but he actually owns 29% of the company. Back in 2009, Berkowitz entered into a standstill agreement with St. Joe that caps his ownership stake at 30%. So even when Einhorn's presentation provided Berkowitz an opportunity to buy more at cheaper prices, he couldn't. The Fairholme Fund manager obviously [disagrees with Einhorn's thesis](#).

Keep in mind that in addition to the portfolio disclosed below, Fairholme also owns various other debt positions as well.

View Fairholme Capital's Updated Portfolio on the Next Page

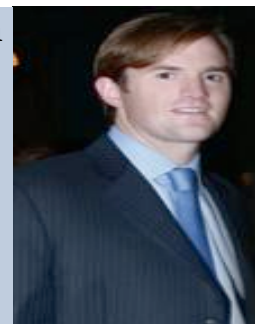


Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	AMER INTL GROUP INC	AIG		11.46%	Added 0.37%	\$1,286,761	32,909,500
2	SEARS HOLDINGS	SHLD		9.42%	Added 4.45%	\$1,057,700	14,661,671
3	CITIGROUP INC	C		8.38%	Added 1.72%	\$941,512	241,413,400
4	BANK OF AMERICA CP	BAC		8.25%	Added 30.66%	\$926,589	70,678,015
5	MORGAN STANLEY	MS		7.99%	Added 123.56%	\$897,002	36,345,300
6	GOLDMAN SACHS GRP	GS		7.74%	Added 0.32%	\$868,897	6,009,800
7	ST JOE CO (THE)	JOE		5.93%	Cut -0.10%	\$665,840	26,772,820
8	CIT GROUP INC	CIT		5.61%	Added 26.17%	\$630,364	15,442,529
9	AMERICREDIT CP	ACF		5.40%	Cut -0.03%	\$606,743	24,804,495
10	REGIONS FINANCIAL CP	RF		4.64%	Cut -0.26%	\$521,451	71,726,404
11	BERKSHIRE HATHAWAY (A)	BRK-A		4.46%	Added 1.41%	\$500,739	4,022
12	LEUCADIA NATL CP	LUK		4.05%	Cut -2.24%	\$455,163	19,269,377
13	BERKSHIRE HATHAWAY (B)	BRK/B		3.49%	Cut -5.49%	\$391,998	4,740,600
14	SPIRIT AEROSYSTEMS H	SPR		3.45%	Cut -14.26%	\$387,903	19,462,920
15	M B I A INC	MBI		2.87%	Added 41.29%	\$322,836	32,123,000
16	GEN ELECTRIC CO	GE		2.08%	New	\$233,915	14,394,800
17	HUMANA INC	HUM		1.55%	Cut -73.49%	\$174,529	3,473,900
18	WELLCARE HEALTHPLANS	WCG		1.50%	Cut -21.61%	\$169,003	5,834,967
19	RSC HOLDINGS INC	RRR		1.00%	Added 1.19%	\$112,014	15,015,300
20	WINTHROP REALTY TR	FUR		0.39%	Cut -14.98%	\$44,202	3,574,285
21	TAL INTERNATIONAL GRP	TAL		0.32%	Cut -21.47%	\$35,562	1,467,388
22	COMCAST CORPORATION	CMCSA			Sold		-
23	HERTZ GLOBAL HOLDING	HTZ			Sold		-
24	COMCAST CORPORATION	CMCSK			Sold		-
25	AIG (PREFERRED 8.5%)	AIG-PA			Sold		-
26	BP PLC	BP			Sold		-
27	DAILY JOURNAL CORP. (S.C.)	DJCO			Sold		-

Mentored and seeded by Julian Robertson of Tiger Management

From 2001-2007, he returned 47% on average

Descendant of Peter Stuyvesant, the man who built the 'wall' in Wall St



Key Takeaways

New Positions:

Amazon.com (AMZN)
MakeMyTrip (MMYT)
Cninsure (CISG)
Sears Holdings (SHLD)
Power One (PWER)
Green Dot (GDOT)
Rubicon Technology (RBCN)

Sold Completely Out Of:

PepsiCo (PEP)
American Tower (AMT)
Lorillard (LO)
Harbin Electric (HRBN)
Shanda Games (GAME)
Dominos Pizza (DPZ)

Chase Coleman's Tiger Global, like so many other hedge funds, owns Apple (AAPL) as its top position (and one they increased by 20% in the third quarter). That said, the biggest change in Tiger Global's portfolio comes in the form of the fund's now second largest position. Coleman ratcheted up his holdings in Viacom (VIA.B) by a whopping 659%.

Upon glancing at Tiger's latest holdings, one prevalent theme is evident: cable/satellite companies. The hedge fund has sizable positions in DirecTV (DTV), Cablevision (CVC), and Liberty Global (LBTYA). Tiger's thesis on these names seems largely predicated on the companies' ability to return cash to shareholders. These companies are free cash flow machines and are leveraging up. In a past investor letter, Coleman singled out DirecTV as an attractive investment as the company increases leverage to buyback shares and uses cashflow to cover current debt.

In the most recent quarter, Tiger trimmed stakes in Priceline.com (PCLN), Liberty Media Capital (LCAPA), Lockheed

Martin (LMT), and Longtop Financial Technologies (LFT). The most notable sale, though, comes in their Apollo Group (APOL) stake as they dumped half of their shares. The for-profit education stocks have been a battleground and it appears as though there's just too much uncertainty right now for Tiger Global, so it makes sense to reduce their position size.

In terms of brand new positions, Chase Coleman's firm bought Amazon.com (AMZN) and MakeMyTrip (MMYT) in the quarter. One facet of Tiger Global's portfolio that must not be overlooked is the two put positions they've disclosed in their latest 13F filing. They own sizable put positions on both the Powershares QQQ Trust (QQQQ) and the SPDR S&P 500 (SPY) exchange traded funds. These appear to be market hedges and are duly noted.

Coleman sold a few stocks in the quarter worth mentioning as well. He no longer owns PepsiCo (PEP), previously a sizable position for his hedge fund. And while he still owns shares of IAC Interactive (IACI) and Live Nation (LYV), he trimmed both stakes substantially.

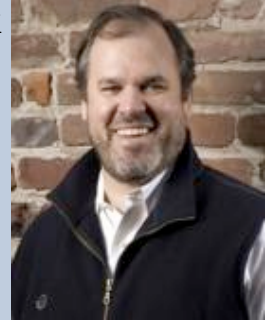
Since the disclosure of their latest portfolio, [Tiger Global has also revealed a stake in TAL Education \(XRS\)](#). Keep in mind as well that part of Tiger's portfolio is allocated to private investments. They recently bought stakes in LinkedIn.com as well as other global web-oriented companies. They seem to be placing an emphasis on social networking and online travel companies.

View Tiger Global's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	POWERSHARES Q's ETF	QQQQ	PUT	11.76%	New	\$547,131	11,150,000
2	APPLE INC.	AAPL		7.66%	Added 20.60%	\$356,363	1,255,904
3	VIACOM INC CL B	VIA-B		6.78%	Added 659.15%	\$315,396	8,715,000
4	THE DIRECTV GROUP, INC.	DTV		6.72%	Added 0.33%	\$312,575	7,508,400
5	MERCADOLIBRE, INC.	MELI		5.89%	Cut -9.51%	\$273,886	3,794,484
6	SPDR S&P 500	SPY	PUT	5.31%	New	\$247,070	2,165,000
7	PRICELINE.COM	PCLN		4.15%	Cut -37.90%	\$193,155	554,500
8	CABLEVISION SYSTEM	CVC		4.08%	Added 17.64%	\$189,644	7,241,080
9	APOLLO GROUP, INC.	APOL	CALL	3.74%	Unchanged	\$173,892	3,386,400
10	LIBERTY GLOBAL, INC.	LBTYA		3.59%	Added 0.77%	\$167,144	5,425,000
11	APOLLO GROUP, INC.	APOL		3.55%	Cut -50.75%	\$165,193	3,217,000
12	MAKEMYTRIP	MMYT		3.44%	New	\$160,152	4,129,760
13	DISCOVERY COMMUNICTNS	DISCK		3.29%	Unchanged	\$153,199	4,011,499
14	LIBERTY MEDIA	LCAPA		2.98%	Cut -29.97%	\$138,821	2,666,563
15	AMAZON.COM, INC.	AMZN		2.80%	New	\$130,360	830,000
16	MASTERCARD INC	MA		2.61%	Cut -7.97%	\$121,632	543,000
17	TRANSDIGM GRP INC	TDG		2.56%	Cut -7.89%	\$118,981	1,917,500
18	LIVE NATION, INC.	LYV		2.54%	Cut -81.57%	\$118,070	1,950,393
19	ELECTRONIC ARTS INC.	ERTS		2.44%	Cut -13.75%	\$113,488	6,900,000
20	LOCKHEED MARTIN CP	LMT		2.28%	Cut -30.39%	\$105,993	1,487,000
21	ELECTRONIC ARTS INC.	ERTS	CALL	2.16%	Unchanged	\$100,330	6,100,000
22	XEROX CP	XRX		1.90%	Added 23.02%	\$88,493	8,550,000
23	LONGTOP FINL TEC	LFT		1.87%	Cut -43.56%	\$86,868	2,207,570
24	GENPACT LIMITED	G		1.70%	Added 74.17%	\$79,200	4,467,000
25	NIKE INC CL B	NKE		0.88%	Unchanged	\$41,113	513,019
26	COMMSCOPE INC	CTV		0.65%	Cut -11.91%	\$30,373	1,279,395
27	IAC/INTERACTIVECORP	IACI		0.59%	Cut -66.92%	\$27,505	1,047,000
28	COMPANIA CERV UNI SA	CU		0.59%	Added 5.60%	\$27,235	489,396
29	CNINSURE INC.	CISG		0.45%	New	\$20,916	900,000
30	SEARS HOLDINGS	SHLD		0.31%	New	\$14,428	200,000
31	POWER-ONE, INC.	PWER		0.26%	New	\$12,272	1,350,000
32	DUOYUAN GLOBAL WATER	DGW		0.24%	Unchanged	\$11,336	870,000
33	RUBICON TECHNOLOGY, INC.	RBCN		0.10%	New	\$4,538	200,000
34	GREEN DOT CORP	GDOT		0.10%	New	\$4,848	100,000
35	SHANDA GAMES	GAME			Sold		-
36	DOMINOS PIZZA INC	DPZ			Sold		-
37	AMER TOWER CP	AMT			Sold		-
38	LORILLARD, INC	LO			Sold		-
39	PEPSICO INC	PEP			Sold		-
40	LIBERTY GLOBAL, INC.	LBTYA	CALL		Sold		-
41	HARBIN ELECTRIC, INC.	HRBN			Sold		-

Next Page: Passport Capital



Key Takeaways

New Positions:

Exxon Mobil (XOM)
Microsoft (MSFT)
Cummins (CMI)
Arcelor Mittal (MT)
Murphy Oil (MUR)
Rockwell Automation (ROK)
Endo Pharmaceuticals (ENDP)
Cytec (CYT)
Vodafone (VOD)

Sold Completely Out Of:

Sigma Aldrich (SIAL)
WW Grainger (GWW)
Praxair (PRX)
Tyco International (TYC)
McKesson (MCK)
Terra Nitrogen (TNH)
Thompson Creek Metals (TCM)
Newmont Mining (NEM)
Fastenal (FAST)
Express Scripts (ESRX)
Mead Johnson Nutrition (MJN)
Sociedad Quimica (SQM)
LogMeIn (LOGM)
ARM Holdings (ARMH)
Archer Daniels Midland (ADM)
Akamai Technologies (AKAM)
Calix (CALX)
Yahoo (YHOO)
Motorola (MOT)
Pride International (PDE)
Petroleum Dev Corp (PETD)

As you can see from above, John Burbank's Passport Capital entered and exited numerous positions in the third quarter. Not to mention, the hedge fund holds far more positions than the average hedge fund tracked in this issue, so focusing on the upper-most echelon of the portfolio makes the most sense as

those positions garner the most capital. Passport's top US equity long continues to be fertilizer play CF Industries (CF) even though they reduced their stake by 23%. They like this company for its exposure to resources that China needs. Passport's second largest US equity long is brand new in the form of Exxon Mobil (XOM). In fact, Passport's top ten US equity holdings are littered with brand new positions, including: Microsoft (MSFT), Cummins (CMI), Arcelor Mittal (MT), and Murphy Oil (MUR).

While the above brand new holdings are sizable, Burbank also added heavily to some smaller existing positions: boosting his stake in Vale (RIO) by over 1,000%, increasing his Smithfield Foods (SFI) position by 827%, and ratcheting up his stake in Cliffs Natural Resources (CLF) by 2,053%. On the selling side of things, Passport Capital dumped half of its holdings in Nevsun Resources (NSU) and over 72% of its position in Apple (AAPL). The hedge fund also exited completely out of some sizable past positions, including Sigma Aldrich (SIAL) and WW Grainger (GWW).

At the recent Value Investing Congress, Burbank noted his fondness for hard assets and commodities. He loves gold, but says to own physical gold rather than the exchange traded funds. Passport currently has an 8% position in the precious metal. Burbank also likes a basket of countries to invest in including Canada, Australia, Singapore, Switzerland, and Hong Kong. Conversely, he likes being short countries with large debt. Overall, Passport's top holding is in foreign-based Riversdale Mining (ASX: RIV).

View Passport Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	SPDR S&P 500	SPY	PUT	17.59%	Added 149.9%	\$564,327	4,944,600
2	ISHARES RUSSELL 2000 INDEX	IWM	PUT	14.01%	Cut -45.06%	\$449,550	6,660,000
3	STREETTRACKS GOLD TR	GLD	PUT	11.96%	New	\$383,730	3,000,000
4	ISHARE MSCI BRAZIL F	EWZ	PUT	7.51%	Added 191.43%	\$240,847	3,130,000
5	PPOWERSHARES QQQ TRUST	QQQQ	PUT	3.06%	New	\$98,140	2,000,000
6	EXXON MOBIL CP	XOM		2.35%	New	\$75,444	1,220,980
7	CF IND HLDGS INC	CF		2.30%	Cut -23.11%	\$73,827	773,059
8	MICROSOFT CORPORATION	MSFT	CALL	2.29%	New	\$73,470	3,000,000
9	LAS VEGAS SANDS CORP	LVS	CALL	2.17%	New	\$69,700	2,000,000
10	SPDR S&P METALS & MINING	XME	PUT	1.42%	New	\$45,458	850,000
11	WALTER INDS INC	WLT		1.15%	Cut -44.06%	\$36,833	453,100
12	WENDYS INTL INC	WEN		1.15%	Added 1.50%	\$36,784	8,120,000
13	TYSON FOODS INC CL A	TSN	CALL	1.03%	Unchanged	\$33,161	2,070,000
14	MICROSOFT CORPORATION	MSFT		1.00%	New	\$32,068	1,309,400
15	PACTIV CORP	PTV		0.94%	New	\$30,157	914,400
16	CUMMINS INC	CMI		0.93%	New	\$29,928	330,400
17	ARCELORMITTAL	MT		0.84%	New	\$26,978	818,000
18	HANSEN NATURAL CORP	HANS		0.81%	Added 11.34%	\$25,954	556,700
19	SMITHFIELD FOODS	SFD		0.80%	Added 827.2%	\$25,517	1,516,200
20	CYTEC IND INC	CYT		0.80%	New	\$25,557	453,300
21	COMPANHIA VALE DO RIO	VALE		0.80%	Added 1079%	\$25,817	825,600
22	MURPHY OIL CP HLDG	MUR		0.77%	New	\$24,849	401,313
23	CLEVELAND CLIFFS	CLF		0.73%	Added 2053%	\$23,401	366,100
24	TYSON FOODS INC CL A	TSN		0.71%	Added 165.19%	\$22,626	1,412,400
25	M G M MIRAGE	MGM	CALL	0.70%	New	\$22,560	2,000,000
26	ROCKWELL AUTOMAT INC	ROK		0.69%	New	\$22,037	357,000
27	ALCON INC	ACL		0.69%	Added 5.44%	\$21,983	131,800
28	DENDREON CORPORATION	DNDN		0.67%	Added 30.38%	\$21,475	521,500
29	NEVSUN RESOURCES LTD	NSU		0.64%	Cut -48.72%	\$20,583	4,220,720
30	ENDO PHARMACEUTICALS	ENDP		0.64%	New	\$20,609	620,000
31	MASTERCARD INC	MA		0.59%	Added 369%	\$18,928	84,500
32	VODAFONE GRP PLC ADS	VOD		0.56%	New	\$18,086	729,000
33	LENDER PROCESSING	LPS		0.54%	Added 30.38%	\$17,329	521,500
34	ALLERGAN INC	AGN		0.54%	Added 335%	\$17,365	261,000
35	TEVA PHARMACEUTICAL	TEVA		0.49%	Unchanged	\$15,825	300,000
36	IMPERIAL SUGAR COMPANY	IPSU		0.49%	Added 11.88%	\$15,601	1,192,713
37	UNITED STATES STEEL	X		0.48%	New	\$15,291	348,800
38	A K STEEL HLDG CORP	AKS		0.48%	New	\$15,489	1,121,600
39	MCKESSON CORP	MCK	PUT	0.48%	New	\$15,445	250,000
40	JOY GLOBAL INC.	JOYG		0.44%	New	\$14,190	201,800
41	PFIZER INC	PFE		0.43%	Added 59.52%	\$13,695	797,600
42	WATSON PHARMACEUTCLS	WPI		0.42%	Added 295.8%	\$13,395	316,600
43	BLACKROCK INC	BLK		0.40%	New	\$12,769	75,000
44	FOCUS MEDIA HOLDING	FMCN		0.40%	New	\$12,984	535,359
45	ECOLAB INC	ECL		0.39%	Cut -52.20%	\$12,553	247,400
46	APPLE INC.	AAPL		0.39%	Cut -72.63%	\$12,428	43,800
47	VIACOM INC CL B	VIA-B		0.37%	New	\$11,773	325,300
48	NORANDA ALUMINUM	NOR		0.35%	Cut -4.91%	\$11,190	1,361,300
49	OIL SERVICE HOLDRS	OIH	CALL	0.35%	New	\$11,298	100,000
50	GOLDMAN SACHS	GS		0.34%	Cut -46.88%	\$10,844	75,000

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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
51	HSN, INC.	HSNI		0.33%	Added 213.92%	\$10,628	355,677
52	GOOGLE INC.	GOOG		0.32%	Added 4.99%	\$10,267	19,528
53	IAMGOLD CORP COM NPV	IAG		0.32%	Cut -24.34%	\$10,150	573,100
54	HUMAN GENOME SCIENCES	HGSI		0.32%	New	\$10,426	350,000
55	ALEXION PHARMACEUTICALS	ALXN		0.31%	New	\$9,872	153,400
56	YAMANA GOLD INC COM NPV	AUY		0.31%	Unchanged	\$9,906	868,934
57	DANAHER CP	DHR		0.31%	Cut -45.84%	\$9,856	242,700
58	VERIZON COMMUN	VZ		0.30%	New	\$9,608	294,800
59	FOREST LABS CL A	FRX		0.30%	New	\$9,743	315,000
60	OMEGA PROTEIN CP	OME		0.30%	Cut -2.09%	\$9,663	1,689,273
61	LONGTOP FINL TEC	LFT		0.29%	Added 573.52%	\$9,362	237,926
62	KINROSS GOLD CP	KGC		0.29%	New	\$9,348	497,500
63	VALEANT PHARMA INTL	VRX		0.26%	New	\$8,412	335,800
64	ZIPREALTY, INC.	ZIPR		0.23%	Unchanged	\$7,281	2,519,550
65	BIOMARIN PHARMACEUTICAL	BMRN		0.22%	New	\$7,040	315,000
66	MOSAIC COMPANY (THE)	MOS		0.21%	Cut -91.28%	\$6,593	112,200
67	INTERCNTNTL EXCHANGE	ICE		0.21%	New	\$6,807	65,000
68	SEABOARD CORP	SEB		0.20%	Cut -5.26%	\$6,376	3,600
69	COSAN LIMITED CL A	CZZ		0.20%	New	\$6,366	549,300
70	PILGRIMS PRIDE CP	PPC		0.19%	Added 167.58%	\$5,973	1,062,687
71	TRANSOCEAN INC	RIG		0.19%	Added 1.05%	\$6,171	96,000
72	BAIDU.COM, INC. - ADS	BIDU		0.18%	Added 4.76%	\$5,644	55,000
73	ASIAINFO HOLDINGS, INC.	ASIA		0.18%	Added 140.2%	\$5,925	300,300
74	NATL OILWELL VARCO	NOV		0.17%	Unchanged	\$5,327	119,779
75	ALPHA NATURAL RESOURCES	ANR		0.17%	New	\$5,399	131,200
76	MONSANTO COMPANY	MON		0.16%	New	\$5,272	110,000
77	VIVUS, INC.	VVUS		0.16%	New	\$5,185	775,000
78	COCA COLA CO THE	KO		0.15%	New	\$4,939	84,400
79	HALLIBURTON CO	HAL		0.13%	Added 11.05%	\$4,054	122,600
80	ACORDA THERAPEUTICS, INC.	ACOR		0.13%	New	\$4,128	125,000
81	OPENTABLE INC	OPEN		0.12%	Added 32.33%	\$3,818	56,076
82	AFFILIATED MGRS GRP	AMG		0.12%	Unchanged	\$3,900	50,000
83	LABRANCHE & CO INC	LAB		0.12%	Unchanged	\$3,900	1,000,000
84	KROGER CO	KR	CALL	0.11%	Unchanged	\$3,665	170,000
85	QUALCOMM INCORPORATED	QCOM		0.11%	Cut -42.28%	\$3,688	81,725
86	VEECO INSTRUMENTS INC.	VECO		0.11%	Cut -38.38%	\$3,677	105,454
87	KOHL'S CP	KSS	PUT	0.10%	New	\$3,161	60,000
88	CREE, INC.	CREE		0.10%	Added 18.99%	\$3,312	61,000
89	TUPPERWARE BRANDS CP	TUP	CALL	0.10%	New	\$3,203	70,000
90	BP PLC	BP	CALL	0.10%	Unchanged	\$3,088	75,000
91	MYR GROUP INC	MYRG		0.10%	Unchanged	\$3,315	202,250
92	SPRINT NEXTEL	S		0.09%	Unchanged	\$2,913	629,100
93	MEAD JOHNSON NUTRITION CO	MJN	CALL	0.09%	New	\$2,846	50,000
94	SOUTHWESTERN ENERGY	SWN		0.09%	New	\$3,010	90,000
95	KRAFT FOODS INC	KFT		0.08%	New	\$2,512	81,400
96	OMNIVISION TECHNOLOGIES	OVTI		0.08%	Added 22.86%	\$2,514	109,100
97	ARRIS GROUP INC	ARRS		0.07%	Unchanged	\$2,132	218,200
98	PROCTER GAMBLE CO	PG	CALL	0.07%	New	\$2,381	40,000
99	CAMERON INTL CP	CAM		0.07%	Cut -28.57%	\$2,148	50,000
100	EQUAL ENERGY LTD	EQU		0.07%	Added 325.19%	\$2,267	490,056

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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
101	KOHL'S CP	KSS		0.07%	New	\$2,371	45,000
102	GEN MILLS INC	GIS	CALL	0.06%	New	\$1,813	50,000
103	GOLAR LNG LIMITED	GLNG		0.06%	New	\$1,843	150,000
104	DEERE CO	DE		0.06%	New	\$2,038	29,200
105	BANRO CORPORATION	BAA		0.05%	Cut -29.00%	\$1,614	710,000
106	NEWFIELD EXP COM	NFX		0.05%	Cut -82.90%	\$1,721	29,970
107	SANDERSON FARMS, INC.	SAFM		0.05%	New	\$1,485	34,300
108	YUM BRANDS INC	YUM		0.05%	New	\$1,727	37,500
109	CAVIUM NETWORKS, INC.	CAVM		0.04%	Unchanged	\$1,438	50,000
110	STR HOLDINGS, INC.	STRI		0.04%	Cut -21.80%	\$1,158	53,800
111	NYSE EURONEXT	NYX		0.04%	Unchanged	\$1,143	40,000
112	GEOKINETICS INC.	GOK		0.04%	Unchanged	\$1,240	200,000
113	PETROLEO BRASILEIRO	PBR		0.04%	New	\$1,270	35,000
114	WUXI PHARMATECH ADS	WX		0.03%	New	\$868	50,600
115	ST MARY LAND EXPL	SM		0.03%	Cut -32.93%	\$936	25,000
116	SUPERIOR ENERGY SV	SPN		0.03%	Cut -33.33%	\$1,068	40,000
117	HEINZ H J CO	HNZ		0.02%	New	\$540	11,400
118	VIVUS, INC.	VVUS	CALL	0.02%	New	\$669	100,000
119	ALLSCRIPTS HEALTHCARE	MDRX		0.02%	New	\$493	26,700
120	TEMPUR-PEDIC INTL	TPX		0.02%	New	\$775	25,000
121	WAL MART STORES	WMT		0.02%	New	\$551	10,300
122	REALNETWORKS, INC.	RNWK		0.02%	Cut -46.56%	\$561	172,175
123	OASIS PETROLEUM INC.	OAS		0.02%	New	\$581	30,000
124	BARRICK GOLD CP	ABX		0.02%	New	\$727	15,700
125	F M C CP	FMC		0.02%	Cut -95.74%	\$520	7,600
126	ULTRASHORT S&P500	SDS		0.01%	Cut -65.57%	\$278	9,400
127	WESTWAY GROUP, INC.	WWAY		0.01%	New	\$458	140,399
128	ULTRASHORT FINANCIALS	SKF		0.01%	Unchanged	\$251	12,650
129	TRANSDIGM GRP INC	TDG		0.01%	New	\$205	3,300
130	ULTRASHORT SMALLCAP600	SDD		0.01%	Unchanged	\$222	11,750
131	ULTRASHORT RUSSELL2000	TWM		0.01%	Cut -44.84%	\$327	18,700
132	ULTRASHORT MIDCAP400	MZZ		0.01%	Cut -46.13%	\$315	20,200
133	COMPANHIA SANEADA ADS	SBS		0.00%	Unchanged	\$29	630
134	ANDERSONS, INC. (THE)	ANDE		0.00%	Cut -14.63%	\$27	700
135	AZZ INCORPORATED	AZZ		0.00%	Unchanged	\$31	720
136	TRINA SOLAR LTD ADR	TSL		0.00%	Cut -47.37%	\$24	800
137	ENERNOC, INC.	ENOC		0.00%	Cut -95.99%	\$155	4,944
138	RUBICON TECHNOLOGY, INC.	RBCN		0.00%	Unchanged	\$136	6,000
139	SUNPOWER CORPORATION	SPWRB		0.00%	Unchanged	\$42	3,000
140	ITC HOLDINGS CORP	ITC		0.00%	Unchanged	\$31	500
141	POLYPORE INTERNATIONAL	PPO		0.00%	Unchanged	\$35	1,150
142	ENERSYS	ENS		0.00%	New	\$30	1,200
143	TRI-TECH HOLDING INC.	TRIT		0.00%	Unchanged	\$53	5,000
144	WATTS WATER TECH A	WTS		0.00%	New	\$27	800
145	JA SOLAR HOLDINGS, CO., LTD	JASO		0.00%	New	\$29	3,100

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
146	STREETTRACKS GOLD TR	GLD			Sold		-
147	PRIDE INTL INC	PDE			Sold		-
148	GERDAU AMERISTEEL CP	GNA			Sold		-
149	ISHARES TR FTSE INDX	FXI	PUT		Sold		-
150	YAHOO! INC.	YHOO			Sold		-
151	TIMBERLINE RES CORP	TLR			Sold		-
152	EXPRESS SCRIPTS, INC.	ESRX			Sold		-
153	RESEARCH IN MOTION COM NPV	RIMM	PUT		Sold		-
154	AGCO CP	AG			Sold		-
155	TYCO INTL LTD	TYC			Sold		-
156	CALIX, INC	CALX			Sold		-
157	DARLING INTL INC	DAR			Sold		-
158	SELECT SECTOR SPDR-UTILITIES	XLU			Sold		-
159	COCA COLA CO THE	KO	CALL		Sold		-
160	EOG RESOURCES INC	EOG			Sold		-
161	QUANTA SERVICES INC	PWR			Sold		-
162	ULTRASHORT REAL ESTATE	SRS			Sold		-
163	WELLS FARGO & CO NEW	WFC	PUT		Sold		-
164	CLAYMORE/MAC GLOBAL	TAN			Sold		-
165	PROSHARES ULTRASHORT	GLL			Sold		-
166	PETROLEUM DEVELOPMENT	PETD			Sold		-
167	FASTENAL COMPANY	FAST			Sold		-
168	ARCHER DANIELS MDLND	ADM			Sold		-
169	SOCIEDAD DE CHILE SC	SQM			Sold		-
170	BARRICK GOLD CP	ABX	CALL		Sold		-
171	PENTAIR INC	PNR			Sold		-
172	RESEARCH IN MOTION COM NPV	RIMM			Sold		-
173	AKAMAI TECHNOLOGIES, INC.	AKAM			Sold		-
174	NEWMONT MIN CP	NEM			Sold		-
175	PRAXAIR INC	PX			Sold		-
176	SIGMA-ALDRICH CORPORATION	SIAL			Sold		-
177	THOMPSON CRK MTLs CO	TC			Sold		-
178	LOGMEIN, INC.	LOGM			Sold		-
179	SELECT SECTOR MATERIALS	XLB	PUT		Sold		-
180	TERRA NITR CO COM UT	TNH			Sold		-
181	MEAD JOHNSON NUTRITION CO	MJN			Sold		-
182	GRAINGER W W INC	GWW			Sold		-
183	A V X CORP	AVX			Sold		-
184	LAS VEGAS SANDS CORP	LVS	PUT		Sold		-
185	BIOVAIL CORP	BVF			Sold		-
186	FIRST SOLAR, INC.	FSLR			Sold		-
187	IMPERIAL SUGAR COMPANY	IPSU	CALL		Sold		-
188	ARM HOLDINGS	ARMH			Sold		-
189	MCKESSON CORP	MCK			Sold		-
190	CHINA VALVES TECHNOLOGY	CVVT			Sold		-
191	PROSH DJ-AIG CRUDE	SCO			Sold		-
192	TRANSOCEAN INC	RIG	CALL		Sold		-
193	MOTOROLA INC	MOT			Sold		-

Next Page: Perry Partners

Perry Capital

Richard Perry

Seeks to deliver strong returns with low correlations to equity markets

The firm is apparently returning to its event-driven, deep-value hedged roots



Key Takeaways

New Positions:

SPDR S&P 500 (SPY) Calls
Potash (POT)
Diamonds (DIA) Calls
Genzyme (GENZ)
Citigroup (C)
iShares Emerging Markets (EEM) Puts
Unisys (UIS)
Alcon (ACL)
Microsoft (MSFT)
Kraft Foods (KFT) Puts
Semiconductor HOLDRs (SMH) Puts
Brocade (BRCD)
Genzyme (GENZ) Puts
iShares Russell 2000 (IWM) Calls

Sold Completely Out Of:

iShares Russell 2000 (IWM)
Questar (STR)
Kulicke & Soffa (KLIC)
Aetna (AET) Calls
UnitedHealth (UNH)
Fidelity National Information (FIS)
Coca Cola Enterprises (CCE)
Gilead Sciences (GILD)
Leap Wireless (LEAP)
Qualcomm (QCOM)
SPDR Gold Trust (GLD) Puts
Eclipsys (ECLP)
Dollar Thrifty (DTG)
Humana (HUM) Calls

The first thing to consider when viewing Perry's portfolio is that the hedge fund holds a lot of options positions. As such, it's much harder to decipher their net position in a given company due to the fact that 13F filings do not reveal the strike price or expiration dates of specific options positions. Thus, Perry's positions must be taken with a grain of salt. In the third quarter, the hedge fund started new

positions in a lot of merger arbitrage related plays via Potash (POT), Alcon (ACL), and Genzyme (GENZ). Many hedge funds are playing the potential spreads in these names and the landscape has certainly shifted since they've taken these stakes. As mentioned earlier in this issue, BHP Billiton (BHP) rescinded its bid for Potash (POT), so it will be interesting to see if any of these buy-side firms maintain their position.

Another point of interest in Perry's portfolio is their new position in Citigroup (C). In the second quarter, Perry previously exited their entire C position due to price appreciation and renewed financial reform concerns. However, they've since re-opened the position in the most recent quarter, which is interesting. You can see their previous thoughts on the position in their [past investor letter](#).

Regarding positions Perry exited in the quarter, Coca Cola Enterprises (CCE) is notable because the company sold its North American bottling operations to Coca Cola (KO) and paid a one-time dividend to shareholders. Also, Perry exited shares of Dollar Thrifty (DTG), which is interesting because many hedge funds have been eyeing consolidation in the car rental space. Doug Silverman of Senator Investment Group was [bullish on the group](#) at the recent Invest For Kids Conference.

Perry's top 3 largest reported holdings are all options positions on various market indices. Whether these are hedges or bearish bets remains to be seen. Richard Perry told investors recently that the firm is returning to its event-driven, deep-value hedged roots. Their last equity specialist just left the firm as well, so the firm is clearly changing course.

View Perry Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	SPDR S&P 500	SPY	PUT	35.69%	Added 68.9%	\$2,270,046	19,890,000
2	ISHARES RUSSELL 2000	IWM	PUT	11.56%	Added 28.2%	\$735,278	10,893,000
3	SPDR S&P 500	SPY	CALL	9.38%	New	\$596,900	5,230,000
4	ENDURANCE SPLTY HLD	ENH		4.47%	Unchanged	\$284,294	7,143,056
5	POTASH CP SASKATCHEW	POT		3.71%	New	\$235,930	1,637,950
6	HUMANA INC	HUM		2.57%	Unchanged	\$163,280	3,250,000
7	MICROSOFT CORPORATION	MSFT	CALL	1.99%	Cut -27.86%	\$126,858	5,180,000
8	DIAMONDS	DIA	CALL	1.79%	New	\$113,845	1,055,000
9	GENZYME CORPORATION	GENZ		1.78%	New	\$113,070	1,597,263
10	CITIGROUP INC	C		1.72%	New	\$109,524	28,011,334
11	UNIVERSAL AMERICAN CORP.	UAM		1.58%	Unchanged	\$100,548	6,816,833
12	ISHARES MSCI E.M.I.F	EEM	PUT	1.41%	New	\$89,540	2,000,000
13	AIRGAS INC	ARG		1.34%	Added 989%	\$85,373	1,256,415
14	UNISYS CP	UIS		1.10%	New	\$69,750	2,500,000
15	ROYAL BANK OF SCOTLAND	RBS-PM		1.09%	Unchanged	\$69,496	4,486,483
16	ROYAL BANK OF SCOTLAND	RBS-PS		0.99%	Unchanged	\$62,988	3,986,560
17	ALCON INC	ACL		0.88%	New	\$55,975	335,602
18	MICROSOFT CORPORATION	MSFT		0.75%	New	\$47,756	1,950,000
19	KRAFT FOODS INC	KFT	PUT	0.67%	New	\$42,587	1,380,000
20	ROYAL BANK OF SCOTLAND	RBS-PQ		0.67%	Unchanged	\$42,905	2,645,164
21	LIZ CLAIBORNE INC	LIZ		0.67%	Unchanged	\$42,523	6,993,834
22	SEMICONDUCTOR HOLDRS	SMH	PUT	0.65%	New	\$41,569	1,500,000
23	ROYAL BANK OF SCOTLAND	RBS-PT		0.65%	Unchanged	\$41,600	2,476,946
24	BROCADE COMMUNICATIONS	BRCD		0.64%	New	\$41,020	7,000,000
25	NORTH AMERICAN ENERG	NOA		0.59%	Unchanged	\$37,477	4,598,466
26	GENZYME CORPORATION	GENZ	PUT	0.56%	New	\$35,395	500,000
27	MOTOROLA INC	MOT		0.54%	New	\$34,340	4,025,747
28	JOHNSON AND JOHNS DC	JNJ		0.53%	Unchanged	\$33,510	540,835
29	ENZON PHARMACEUTICALS	ENZN		0.51%	Added 0.35%	\$32,484	2,890,000
30	MENTOR GRAPHICS CORP	MENT		0.50%	New	\$31,710	3,000,000
31	GENZYME CORPORATION	GENZ	CALL	0.45%	New	\$28,324	400,000
32	ISHARES RUSSELL 2000	IWM	CALL	0.41%	New	\$26,325	390,000
33	QEP RESOURCES, INC.	QEP		0.39%	Cut -64.78%	\$24,625	817,024
34	QUALCOMM INCORPORATED	QCOM	PUT	0.38%	New	\$24,365	540,000
35	EBAY INC.	EBAY	PUT	0.38%	New	\$24,400	1,000,000
36	HEALTHSPRING INC.	HS		0.37%	New	\$23,256	900,000
37	ROYAL BANK OF SCOTLAND	RBS-PN		0.36%	Added 3.96%	\$23,015	1,483,912
38	LIBERTY MEDIA	LINTA		0.35%	New	\$22,104	1,612,240
39	DELL INC.	DELL		0.34%	New	\$21,773	1,680,000
40	SPDR S&P RETAIL ETF	XRT	PUT	0.33%	Cut -85.71%	\$20,910	500,000
41	FORD MTR CO Warrants	F/WS		0.33%	Unchanged	\$20,770	1,696,900
42	SMART TECHNOLOGIES INC.	SMT		0.32%	New	\$20,325	1,500,000
43	KINDER MORGAN ENERGY	KMP	PUT	0.28%	Unchanged	\$17,865	260,800
44	PETROLEO BRASILEIRO	PBR		0.26%	New	\$16,322	450,000
45	PNC FINANCIAL Warrants	PNC/WS		0.24%	New	\$15,573	300,000

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	ARC SIGHT, INC.	ARST		0.24%	New	\$15,246	350,000
47	BANK OF AMERICA Warrants	BAC/WS		0.19%	Unchanged	\$11,892	907,600
48	SYNAPTICS INCORPORATED	SYNA	PUT	0.18%	Unchanged	\$11,256	400,000
49	INTEGRATED DEVICE TECH	IDTI		0.18%	New	\$11,700	2,000,000
50	CHUBB CP THE	CB	PUT	0.18%	Unchanged	\$11,352	200,000
51	CIRRUS LOGIC, INC.	CRUS		0.18%	New	\$11,385	600,000
52	DIAMONDS	DIA	PUT	0.17%	New	\$10,791	100,000
53	EXXON MOBIL CP	XOM		0.16%	New	\$10,072	163,000
54	PACIFIC SUNWEAR	PSUN		0.16%	Cut -36.51%	\$10,460	2,000,000
55	EBAY INC.	EBAY		0.16%	New	\$10,370	425,000
56	CRUCCELL NV	CRXL	PUT	0.16%	New	\$9,978	300,000
57	DORAL FINANCIAL	DRL		0.16%	Added 4733%	\$10,029	6,041,461
58	CRUCCELL NV	CRXL		0.16%	New	\$9,978	300,000
59	KRAFT FOODS INC	KFT		0.15%	New	\$9,721	315,000
60	SYNAPTICS INCORPORATED	SYNA		0.13%	Unchanged	\$8,442	300,000
61	WILLIAMS COS	WMB		0.12%	New	\$7,673	401,505
62	CHARMING SHOPPES, INC.	CHRS		0.12%	New	\$7,744	2,200,000
63	YAHOO! INC.	YHOO		0.11%	New	\$7,085	500,000
64	ROYAL BANK OF SCOTLAND	RBS-PR		0.10%	Added 5.21%	\$6,090	395,699
65	RITE AID CP	RAD		0.10%	New	\$6,678	7,082,000
66	DELL INC.	DELL	PUT	0.09%	New	\$5,832	450,000
67	PETROLEO BRAS PETROB	PBR-A		0.09%	New	\$5,744	175,000
68	ORACLE CORPORATION	ORCL	PUT	0.09%	New	\$5,907	220,000
69	CISCO SYSTEMS, INC.	CSCO	PUT	0.08%	New	\$4,818	220,000
70	STEC, INC.	STEC		0.08%	Unchanged	\$4,981	400,100
71	ROYAL BANK OF SCOTLAND	RBS-PP		0.07%	Added 15%	\$4,741	306,857
72	COINSTAR, INC.	CSTR		0.07%	New	\$4,299	100,000
73	GLOBALSTAR, INC.	GSAT		0.06%	Unchanged	\$3,924	2,255,428
74	ICO GLOBAL COMMUNICATIONS	ICOG		0.04%	Unchanged	\$2,649	1,615,018
75	TERRESTAR CORP	TSTRQ.PK		0.03%	Unchanged	\$1,736	5,000,000
76	CITIGROUP INC PRFD 'I'	C-PI		0%	New	\$209	4,600
77	VIRGIN MEDIA WARRANTS	VMEDW		0%	Unchanged	\$0	17,349
78	ISHARES RUSSELL 2000	IWM			Sold		-
79	QUESTAR CP	STR			Sold		-
80	KULICKE AND SOFFA	KLIC			Sold		-
81	AETNA INC. NEW	AET	CALL		Sold		-
82	UNITEDHEALTH GROUP	UNH	CALL		Sold		-
83	FIDELITY NAT INF SVC	FIS			Sold		-
84	COCA COLA ENTRPR INC	CCE			Sold		-
85	GILEAD SCIENCES, INC.	GILD			Sold		-
86	LEAP WIRELESS	LEAP			Sold		-
87	QUALCOMM INCORPORATED	QCOM			Sold		-
88	STREETTRACKS GOLD TR	GLD	PUT		Sold		-
89	ECLIPSYS CORPORATION	ECLP			Sold		-
90	NET 1 UEPS TECHNOLOGIES	UEPS			Sold		-
91	DOLLAR THRIFTY AUTO	DTG			Sold		-
92	HUMANA INC	HUM	CALL		Sold		-

Next Page: Glenview Capital



Key Takeaways

New Positions:

WellPoint (WLP)
Cisco Systems (CSCO)
Flowerserve (FLS)
Chimera (CIM)
American International Group (AIG)
Staples (SPLS)
EMC (EMC)

Sold Completely Out Of:

Oracle (ORCL)
Google (GOOG)
Bank of America (BAC)
Pfizer (PFE)
American Tower (AMT)
Monsanto (MON)
McAfee (MFE)
Alcon (ACL)
Talecris Biotherapeutics (TLCR)
Lear Corp (LEA)
McDermott (MDR)
Babcock & Wilcox (BWCWI)
Gilead Sciences (GILD)
PSS World (PSSI)
Synovus (SNV)
Fresenius Med Care (FMS)

The biggest change in Larry Robbins' Glenview Capital portfolio was doubling its stake in Express Scripts (ESRX), now the firm's top holding. Robbins sees the company as poised to benefit from the impending generic drug boom in 2012 and likes their \$6 billion in cash. In fact, Glenview has a generous portion of its portfolio allocated to the pharmacy benefit manager (PBM's) sector, owning sizable stakes in ESRX, Medco Health (MHS), and CVS Caremark (CVS).

Since May of this year, Robbins' has been touting ESRX and McKesson (MCK) as his favorite stock picks. At the [recent Invest For Kids Conference in Chicago](#), Robbins continued

to advocate those names. In the third quarter, Glenview increased its holdings in MCK by 58% and believes the company is attractive due to its use of cash to accelerate earnings per share (EPS) growth. At the conference, he also provided bullish comments on Life Technologies (LIFE). Robbins likes LIFE's valuation and thinks the company should buyback shares. It should come as no surprise that the three positions Robbins has been talking about the most are the three largest at his hedge fund. Everyone talks their book and Robbins seems to be focusing on the companies where he's committed the most capital.

Back in May at the Ira Sohn Conference, Robbins spoke positively of Fidelity National Information (FIS). This past quarter he trimmed 19% of his position in the company but obviously still fancies it as an investment due to the fact it remains his sixth largest US equity long. One other interesting change to Glenview's portfolio over the past two quarters involves shares of WellPoint (WLP). Glenview sold all of its position in WLP back in the second quarter but started it as a new stake again in the most recent quarter, indicating a swift change of heart. Some hedge fund managers (most notably Dan Loeb of Third Point) had exited shares of WLP due to healthcare reform uncertainty.

Of positions Glenview Capital exited entirely in the quarter, their no-longer-present position in Oracle (ORCL) is the one most notably absent. And in terms of portfolio activity in the present fourth quarter, Glenview has been [increasing its position in Punch Taverns](#), traded in London.

View Glenview Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	EXPRESS SCRIPTS, INC.	ESRX		7.73%	Added 103.06%	\$424,299	8,712,512
2	LIFELINE SYSTEMS	LIFE		6.87%	Added 10.58%	\$377,128	8,077,282
3	MCKESSON CORP	MCK		6.68%	Added 58.75%	\$366,512	5,932,541
4	DAVITA INC	DVA		5.27%	Added 25.49%	\$289,119	4,188,316
5	FIDELITY NAT INF SVC	FIS		5.17%	Cut -18.77%	\$283,965	10,466,825
6	MEDCOHEALTH SOLUTNS	MHS		4.70%	Added 19.56%	\$257,904	4,953,976
7	THERMO FISHER SCIENT	TMO		4.35%	Added 22.83%	\$238,859	4,988,697
8	XEROX CP	XRX		4.29%	Cut -5.01%	\$235,689	22,771,862
9	AON CORP	AON		3.66%	Added 592.48%	\$201,156	5,143,340
10	B M C SOFTWARE	BMC		3.25%	Added 6.02%	\$178,237	4,403,087
11	CVS CAREMARK CP	CVS		3.15%	Added 21.05%	\$172,868	5,493,095
12	VIACOM INC CL B	VIA-B		2.97%	Cut -3.71%	\$162,917	4,501,703
13	FLEXTRONICS INTL	FLEX		2.79%	Added 21.58%	\$153,146	25,355,320
14	OMNICARE INC	OCR		2.52%	Cut -8.25%	\$138,215	5,787,902
15	TARGET CP	TGT		2.49%	Added 309.41%	\$136,891	2,561,580
16	EXPEDIA, INC.	EXPE		2.43%	Cut -47.93%	\$133,532	4,730,133
17	WELLPOINT INC.	WLP		2.32%	New	\$127,154	2,244,950
18	REPUBLIC SVCS INC	RSG		2.01%	Added 6.20%	\$110,415	3,621,354
19	HEWLETT PACKARD CO	HPQ		1.86%	Cut -69.67%	\$102,311	2,431,917
20	FISERV, INC.	FISV		1.79%	Added 16.00%	\$98,159	1,823,840
21	TYCO INTL LTD	TYC		1.68%	Unchanged	\$92,142	2,508,630
22	HARTFORD FIN SVC	HIG		1.64%	Added 39.81%	\$89,842	3,914,700
23	U R S CP	URS		1.57%	Added 15.72%	\$86,248	2,270,878
24	CITIGROUP INC	C		1.46%	Added 70.89%	\$80,182	20,507,000
25	CIGNA CP	CI		1.45%	Cut -26.76%	\$79,373	2,218,372
26	PITNEY BOWES INC	PBI		1.42%	Cut -0.14%	\$78,126	3,654,148
27	ARVINMERITOR INC	ARM		1.27%	Added 11.57%	\$69,948	4,501,186
28	CISCO SYSTEMS, INC.	CSCO		1.10%	New	\$60,210	2,749,299
29	WATERS CP	WAT		0.94%	Cut -28.95%	\$51,669	730,000
30	GOODRICH CORPORATION	GR		0.87%	Unchanged	\$47,973	650,652
31	WYNDHAM WORLDWIDE	WYN		0.81%	Cut -24.15%	\$44,232	1,610,187
32	LINCARE HOLDINGS INC.	LNCR		0.71%	Cut -32.42%	\$39,219	1,563,742
33	CIT GROUP INC	CIT		0.64%	Cut -49.48%	\$35,089	859,600
34	AIR PRODUCTS CHEM	APD		0.58%	Unchanged	\$31,662	382,300
35	FLOWSERVE CP	FLS		0.55%	New	\$30,094	275,036
36	RADIOSHACK CORP	RSH		0.52%	Cut -51.92%	\$28,510	1,336,637
37	LIVE NATION, INC.	LYV		0.50%	Unchanged	\$27,541	2,787,513
38	COMCAST CORPORATION	CMCSA		0.50%	Added 200.43%	\$27,572	1,525,000
39	CHIMERA INVESTMENT	CIM		0.48%	New	\$26,450	6,696,300
40	DISCOVER FIN SVCS	DFS		0.47%	Unchanged	\$26,056	1,562,100
41	PHH CORP	PHH		0.47%	Cut -55.04%	\$26,026	1,235,792
42	MUELLER WATER PRODUC	MWA		0.41%	Added 9.55%	\$22,528	7,459,493
43	AMER INTL GROUP INC	AIG		0.39%	New	\$21,396	547,200
44	APPLIED MATERIALS, INC.	AMAT		0.38%	Cut -64.44%	\$21,064	1,803,441
45	STAPLES, INC.	SPLS		0.38%	New	\$20,920	1,000,000

Continued on Next Page...

Rank	Company Name	Ticker	Put/ Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	TAKE-TWO INTERACTIVE	TTWO		0.36%	Added 34.34%	\$19,832	1,955,848
47	JP MORGAN CHASE CO	JPM		0.36%	Cut -86.15%	\$19,634	515,860
48	CLEARWIRE CORPORATION	CLWR		0.30%	Added 79.68%	\$16,549	2,045,653
49	TEXTRON INC	TXT		0.30%	Cut -0.01%	\$16,471	801,100
50	LOUISIANA PACIFIC CP	LPX		0.28%	Unchanged	\$15,140	2,000,000
51	E M C	EMC		0.23%	New	\$12,541	617,500
52	OWENS CORNING	OC		0.23%	Cut -54.53%	\$12,815	500,000
53	BROADRIDGE FIN SOL	BR		0.21%	Cut -70.64%	\$11,597	507,065
54	MASCO CP	MAS		0.20%	Unchanged	\$11,010	1,000,000
55	QUEST DIAGNOSTC	DGX		0.01%	Unchanged	\$646	12,800
56	LABORATORY CORP	LH		0.01%	Unchanged	\$690	8,800
57	BANK OF AMERICA Warrants	BAC/WS		0.01%	Cut -82.98%	\$809	124,900
58	TERRESTAR CORP	TSTRQ.PK		0.01%	Unchanged	\$425	1,223,988
59	BANK OF AMERICA CP	BAC			Sold		-
60	MONSANTO COMPANY	MON			Sold		-
61	FRESENIUS MED	FMS			Sold		-
62	PFIZER INC	PFE			Sold		-
63	AMER TOWER CP	AMT			Sold		-
64	MCAFEE, INC	MFE			Sold		-
65	ORACLE CORPORATION	ORCL			Sold		-
66	ALCON INC	ACL			Sold		-
67	GOOGLE INC.	GOOG			Sold		-
68	PSS WORLD MEDICAL INC.	PSSI			Sold		-
69	GILEAD SCIENCES, INC.	GILD			Sold		-
70	TALECRIS BIOTHERAPEUTICS	TLCR			Sold		-
71	LEAR CORP.	LEA			Sold		-
72	MCDERMOTT INT PANAMA	MDR			Sold		-
73	SYNOVUS FINL CP	SNV			Sold		-

This is a free past issue.

You can view the most current issue by clicking here.



Key Takeaways

New Positions:

Citigroup (C)
Viacom (VIA.B)
Guess (GES)
Amazon.com (AMZN)
Exxon Mobil (XOM)
Aon (AON)
Watson Pharmaceuticals (WPI)
WellPoint (WLP)
Crown Castle (CCI)
Potash (POT)
Allscripts Healthcare (MDRX)
Costco (COST)
Apple (AAPL)
CareFusion (CFN)

Sold Completely Out Of:

Xerox (XRX)
Lincare Holdings (LNCR)
News Corp (NWSA)
Colgate Palmolive (CL)
Autodesk (ADSK)
Adobe Systems (ADBE)
Owens Corning (OC)
Time Warner (TWX)
American Express (AXP)
Keycorp (KEY)
Morgan Stanley (MS)
Dollar General (DG)

This quarter, Andreas Halvorsen’s Viking Global has been added to the newsletter. Before founding Viking, Halvorsen plied his trade at Julian Robertson’s Tiger Management. Viking’s portfolio saw some notable activity in Q3, including two brand new large positions in Citigroup (C) and Viacom (VIA.B). The stakes are Viking’s fifth and sixth largest US equity longs and each represent over a 4% position (calculated based on reported 13F assets). In his [second quarter letter to investors](#), Halvorsen revealed that the hedge fund was allocating

more capital to its portfolio managers’ best ideas. As such, the hedge fund is running a more concentrated portfolio than in the past. (It is also worth noting that the firm’s Chief Investment Officer, David Ott, has departed). Viking also initiated brand new positions in Aon (AON) and CareFusion (CFN), two stocks covered in-depth later in this issue in our “Hedge Fund Favorites” section.

Back in the second quarter, HFW profiled American Tower (AMT) in the “Favorites” section, and it was one of Viking’s largest holdings. During the third quarter, they reduced their position by 27% but it still remained their third largest position. And while they reduced their exposure to one wireless tower stock, they started a brand new position in AMT’s competitor, Crown Castle (CCI). John Griffin’s Blue Ridge Capital owns the latter in size.

Regarding positions that Viking already owned but augmented, they doubled their Estee Lauder (EL) exposure and this is worth noting as numerous hedge funds have accumulated shares over the past few quarters (it is a large holding at Stephen Mandel’s Lone Pine Capital). In terms of positions Viking Global exited entirely, Xerox (XRX), Owens Corning (OC), Colgate Palmolive (CL) and Lincare Holdings (LNCR) are the most notable.

Since the third quarter’s expiration, Halvorsen’s hedge fund has been busy [accumulating more shares of Guess \(GES\)](#), a holding that shows up as a new position in this portfolio disclosure.

View Viking Global’s Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	INVESCO LTD	IVZ		8.80%	Added 4.72%	\$812,718	38,281,593
2	COMCAST CORPORATION	CMCSA		4.99%	Added 10.22%	\$461,171	25,507,275
3	AMER TOWER CP	AMT		4.75%	Cut -27.44%	\$438,790	8,560,100
4	ORACLE CORPORATION	ORCL		4.68%	Cut -24.22%	\$432,083	16,092,500
5	CITIGROUP INC	C		4.10%	New	\$378,558	97,066,200
6	VIACOM INC CL B	VIA-B		3.66%	New	\$337,653	9,330,026
7	SHERWIN WILLIAMS CO	SHW		3.47%	Cut -16.74%	\$320,117	4,260,282
8	GOODRICH CORPORATION	GR		3.41%	Cut -13.56%	\$314,539	4,266,100
9	ESTEE LAUDER COS INC	EL		3.30%	Added 113.39%	\$304,859	4,821,441
10	DANAHER CP	DHR		2.71%	Added 39.26%	\$250,307	6,163,700
11	GUESS INC.	GES		2.58%	New	\$238,502	5,870,100
12	HESS CP	HES		2.53%	Added 34.26%	\$233,872	3,955,900
13	AMAZON.COM, INC.	AMZN		2.52%	New	\$232,637	1,481,200
14	FLOWSERVE CP	FLS		2.51%	Added 5.63%	\$231,335	2,114,200
15	TIME WARNER CABLE	TWC		2.51%	Added 101.43%	\$232,226	4,301,285
16	P N C FIN SVCS GR	PNC		2.44%	Cut -6.03%	\$225,517	4,344,400
17	CIGNA CP	CI		2.39%	Added 5.72%	\$220,860	6,172,729
18	E M C CP	EMC		2.38%	Added 56.87%	\$220,129	10,838,472
19	DAVITA INC	DVA		2.09%	Added 66.30%	\$192,551	2,789,382
20	TYCO INTL LTD	TYC		2.05%	Cut -52.05%	\$189,388	5,156,246
21	EXXON MOBIL CP	XOM		2.04%	New	\$188,422	3,049,400
22	AON CORP	AON		1.89%	New	\$174,309	4,456,900
23	UNIVERSAL HLTH SVC B	UHS		1.81%	Added 21.81%	\$167,124	4,300,694
24	VALEANT PHARMA INTL	VRX		1.74%	Added 3522%	\$161,057	6,429,442
25	MEDNAX	MD		1.53%	Cut -0.38%	\$140,833	2,642,287
26	EXPRESS SCRIPTS, INC.	ESRX		1.34%	Cut -28.62%	\$123,488	2,535,689
27	WATSON PHARMA	WPI		1.27%	New	\$117,338	2,773,299
28	WELLPOINT INC.	WLP		1.24%	New	\$114,831	2,027,400
29	CROWN CASTLE INTL	CCI		1.22%	New	\$112,542	2,549,100
30	DEVON ENERGY CP	DVN		1.15%	Added 66.93%	\$106,555	1,645,900
31	Stanley Black & Decker	SWK		1.14%	Added 22.32%	\$105,573	1,722,800
32	METLIFE INC	MET		1.14%	Cut -40.85%	\$105,472	2,743,104
33	POTASH CP SASKATCHEW	POT		1.12%	New	\$103,060	715,500
34	ALLSCRIPTS HEALTHCARE	MDRX		0.91%	New	\$84,408	4,570,052
35	COSTCO WHOLESALE	COST		0.89%	New	\$82,263	1,275,600
36	MEDCOHEALTH SOLUTNS	MHS		0.89%	Added 116.26%	\$82,343	1,581,700
37	JP MORGAN CHASE CO	JPM		0.88%	Cut -65.82%	\$81,169	2,132,100
38	UNITEDHEALTH GROUP	UNH		0.84%	New	\$77,779	2,215,300
39	APPLE INC.	AAPL		0.83%	New	\$76,328	269,000
40	CYTEC IND INC	CYT		0.77%	New	\$70,902	1,257,581
41	CAREFUSION CORP	CFN		0.70%	New	\$64,451	2,594,670
42	HLTH MGMT ASSOC A	HMA		0.70%	Added 68.02%	\$64,244	8,387,033
43	CVS CAREMARK CP	CVS		0.66%	Cut -9.39%	\$61,243	1,946,100
44	C.H. ROBINSON	CHRW		0.62%	Cut -69.61%	\$57,193	817,986
45	GOLDMAN SACHS	GS		0.55%	New	\$51,181	354,000

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	KB HOME	KBH		0.48%	Added 38.31%	\$44,286	3,908,800
47	AMERIGROUP CORP	AGP		0.43%	New	\$39,369	927,000
48	BAIDU.COM, INC. - ADS	BIDU		0.41%	New	\$37,630	366,700
49	CAMERON INTL CP	CAM		0.38%	New	\$34,947	813,500
50	NOBLE ENERGY INC	NBL		0.36%	New	\$33,460	445,600
51	HUMAN GENOME SCIENCES	HGSI		0.34%	Cut -46.97%	\$31,044	1,042,121
52	CHECK POINT SOFTWARE	CHKP		0.33%	New	\$30,260	819,400
53	ILLUMINA, INC.	ILMN		0.30%	Cut -21.93%	\$27,876	566,600
54	GAFISA SA ADR	GFA		0.29%	New	\$26,374	1,702,702
55	CHARLES RIVER LAB	CRL		0.28%	New	\$26,198	790,300
56	UNITED THERAPEUTICS	UTHR		0.24%	New	\$22,067	394,000
57	WELLCARE HEALTHPLANS	WCG		0.17%	New	\$15,954	550,930
58	MAGELLAN HEALTH	MGLN		0.15%	New	\$13,945	295,200
59	HEXCEL CP DELAWARE	HXL		0.10%	New	\$9,184	516,281
60	MODUSLINK GLOBAL	MLNK		0.00%	Unchanged	\$0	146
61	WALGREEN CO	WAG		0.00%	New	\$75	2,250
62	XEROX CP	XXR			Sold		-
63	CORINTHIAN COLLEGES	COCO			Sold		-
64	LINCARE HOLDINGS INC.	LNCR			Sold		-
65	SMITHFIELD FOODS	SFD			Sold		-
66	ACE LTD	ACE			Sold		-
67	NEWS CORP CL A	NWSA			Sold		-
68	COLGATE PALMOLIVE	CL			Sold		-
69	KEYCORP	KEY			Sold		-
70	PRUDENTIAL FINCL INC	PRU			Sold		-
71	UNITED TECH	UTX			Sold		-
72	BIOVAIL CORP	BVF			Sold		-
73	AMER EXPRESS INC	AXP			Sold		-
74	TIME WARNER INC	TWX			Sold		-
75	CHARLES SCHWAB	SCHW			Sold		-
76	EQUITY RESIDENTAL	EQR			Sold		-
77	OWENS CORNING	OC			Sold		-
78	AUTODESK, INC.	ADSK			Sold		-
79	ADOBE SYSTEMS	ADBE			Sold		-
80	DOLLAR GENERAL CORP	DG			Sold		-
81	FRONTLINE LTD	FRO			Sold		-
82	LABORATORY CORP	LH			Sold		-
83	PALM	HPQ			Sold		-
84	MORGAN STANLEY	MS			Sold		-
85	PRECISION CASTPARTS	PCP			Sold		-
86	BAKER HUGHES INTL	BHI			Sold		-
87	HALLIBURTON CO	HAL			Sold		-
88	VIRGIN MEDIA INC.	VMED			Sold		-
89	B R E PROP INC	BRE			Sold		-
90	AGRIUM INC.	AGU			Sold		-

Next: Farallon Capital

Typically focuses on risk arbitrage strategies

Founded Farallon in 1986 & invests in equities, private investments, debt, etc.



Key Takeaways

New Positions:

Hudson Pacific Properties (HPP)
Genzyme (GENZ)
McAfee (MFE)
Target (TGT)
Mariner Energy (ME)
Burger King (BKC)
United Tech (UTX)

Sold Completely Out Of:

Visa (V)
Wal-Mart (WMT)
Quest Diagnostic (DGX)
Carmax (KMX)
Goldman Sachs (GS)
Wuxi Pharmatech (WX)
Signet (SIG)
Gerdau Ameristeel (GNA)

Thomas Steyer's Farallon Capital is also added to the newsletter this quarter. Steyer founded the firm in 1986 and today it is a multi-billion dollar hedge fund. Prior to founding Farallon, Steyer was an analyst in Morgan Stanley's mergers & acquisitions department and also an associate on Goldman Sachs' risk arbitrage desk. Steyer graduated Summa Cum Laude from Yale University and received his MBA from Stanford's Graduate School of Business. And while Steyer founded the firm, Farallon has given "[key man](#)" status to [Andrew Spokes](#) at the firm, enabling a succession plan should Steyer ever depart. Should *both* Steyer and Spokes leave, then the funds would be liquidated.

Farallon Capital typically employs risk arbitrage strategies and you'll see evidence of that in their portfolio below. The hedge fund's largest position is Alcon (ACL), a name they added to by 17.5% in the quarter. Their second largest stake is in puts on Novartis (NVS) and

these two positions are part of a corresponding merger arbitrage trade. The investment thesis behind Alcon is detailed later in this issue in the "Hedge Fund Quick Pitch" section. But basically, Novartis owns a solid amount of ACL and hedge funds have been betting that Novartis will acquire the rest of the company at some point. And, as often is the case in merger arbitrage trades, Farallon has gone long the target company that potentially could be acquired (ACL), and short the company that would be doing the acquiring (NVS via puts). There are other obvious risk arbitrage trades in Farallon's portfolio, including their brand new position in Genzyme (GENZ).

In Farallon's portfolio on the next page, disregard the 'new' position that shows up in Hewitt Associates (HEW) as Aon (AON) has since acquired the company. The investment thesis behind the new Aon entity is detailed later in this issue and Farallon again was playing the takeover arbitrage. Given their strategy's focus, it should also come as no surprise that Steyer's firm ramped up its holdings in Potash (POT) as the company received a takeover bid in the quarter (which has since been rescinded).

Another position Farallon heavily added to was their stake in Allegheny Energy (AYE), boosting their position size by over 2,400%. It is now their third largest US equity long. Regarding positions the hedge fund completely sold out of, their exit from Visa (V) is noted as numerous other hedge funds sold shares of the company as well. In fact, Visa is a "consensus sell" in Q3 by the hedge funds covered in this edition of Hedge Fund Wisdom.

View Farallon Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	ALCON INC	ACL		7.10%	Added 17.55%	\$208,002	1,247,088
2	NOVARTIS AG	NVS	PUT	5.75%	Added 113.22%	\$168,339	2,919,000
3	ALLEGHENY ENERGY INC	AYE		4.46%	Added 2434.5%	\$130,692	5,330,000
4	HUDSON PACIFIC PROPERTIES	HPP		3.97%	New	\$116,372	7,108,860
5	VIACOM INC CL B	VIA-B		3.76%	Cut -1.93%	\$110,199	3,045,000
6	GENZYME CORPORATION	GENZ		3.71%	New	\$108,663	1,535,000
7	HOME DEPOT INC	HD		3.66%	Added 0.98%	\$107,300	3,387,000
8	HEWITT ASSOC INC A	HEW		3.60%	New	\$105,290	2,085,000
9	CHARLES SCHWAB	SCHW		3.53%	Added 5.01%	\$103,486	7,445,000
10	B M C SOFTWARE	BMC		3.24%	Added 2.31%	\$94,926	2,345,000
11	STATE STREET CP	STT		3.13%	Added 10.93%	\$91,702	2,435,000
12	ORACLE CORPORATION	ORCL		2.74%	Cut -29.95%	\$80,147	2,985,000
13	CHECK POINT SOFTWARE	CHKP		2.73%	Cut -22.58%	\$79,917	2,164,000
14	MCAFEE, INC	MFE		2.57%	New	\$75,380	1,595,000
15	WELLS FARGO & CO	WFC		2.33%	Unchanged	\$68,102	2,710,000
16	TARGET CP	TGT		2.12%	New	\$62,097	1,162,000
17	THE DIRECTV GROUP, INC.	DTV		2.04%	Cut -9.46%	\$59,739	1,435,000
18	**NOTES**	SIRI		1.79%	Unchanged	\$52,513	52,888,000
19	MARINER ENERGY INC	ME		1.75%	New	\$51,368	2,120,000
20	MASTER SILICON CARBIDE	MSCI		1.73%	Cut -7.12%	\$50,665	1,525,600
21	CROWN CASTLE INTL	CCI		1.72%	Cut -18.06%	\$50,463	1,143,000
22	POTASH CP SASKATCHEW	POT		1.70%	Added 219.30%	\$49,809	345,800
23	SAMES CORPORATION	BIN		1.66%	Cut -11.35%	\$48,499	2,118,770
24	KNOLOGY, INC.	KNOL		1.63%	Added 0.56%	\$47,843	3,562,394
25	BURGER KING HOLDINGS	BKC		1.61%	New	\$47,163	1,975,000
26	CAPITALSOURCE **NOTES**	CSE		1.39%	Cut -19.61%	\$40,751	41,000,000
27	DISCOVERY COMMUNICATIONS	DISCK		1.34%	Cut -4.63%	\$39,336	1,030,000
28	**NOTES**	YGE		1.29%	Unchanged	\$37,879	32,838,000
29	UNITED TECH	UTX		1.21%	New	\$35,473	498,000
30	ENERGY PARTNERS LTD	EPL		1.17%	Unchanged	\$34,341	2,859,337
31	WHIRLPOOL CP	WHR		1.16%	Added 195.76%	\$33,906	418,800
32	JONES LANG LASALLE	JLL		1.14%	Cut -38.90%	\$33,473	388,000
33	CARRIZO OIL & CO **NOTES**	CRZO		1.13%	Cut -4.04%	\$33,172	35,655,000
34	COVIDIEN LTD	COV		1.04%	Unchanged	\$30,544	760,000
35	LIFELINE SYSTEMS	LIFE		0.99%	Added 21.34%	\$28,994	621,000
36	FREIGHTCAR AMERICA	RAIL		0.99%	Unchanged	\$29,028	1,180,000
37	BEACON ROOFING SUPPLY	BECN		0.93%	Cut -35.48%	\$27,232	1,869,032
38	MI DEV INC CL A	MIM		0.91%	Unchanged	\$26,538	2,419,116
39	GEOEYE, INC.	GEOY		0.86%	Cut -0.40%	\$25,292	624,807
40	EXXON MOBIL CP	XOM		0.85%	Unchanged	\$24,889	402,800
41	TRANSDIGM GRP INC	TDG		0.82%	Cut -51.55%	\$24,013	387,000
42	FEI COMPANY	FEIC		0.78%	Added 6.90%	\$22,725	1,161,200
43	CASEY'S GENERAL STORES	CASY		0.67%	Added 83.41%	\$19,526	467,691
44	BAXTER INTL INC	BAX		0.55%	Unchanged	\$16,221	340,000
45	VERISK ANALYTICS, INC.	VRSK		0.54%	Cut -60.63%	\$15,826	565,000

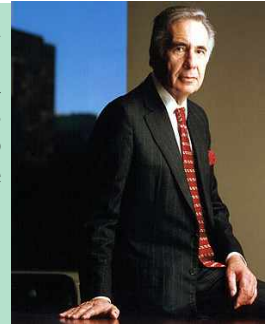
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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	CHIQUITA BRANDS	CQB		0.52%	Unchanged	\$15,226	1,150,000
47	ARC SIGHT, INC.	ARST		0.51%	New	\$14,915	342,500
48	LIVE NATION, INC.	LYV		0.48%	Added 59.29%	\$14,166	1,433,800
49	COMPANIA CERV UNI SA	CU		0.45%	Cut -51.17%	\$13,044	234,386
50	BRINKER INTL INC	EAT		0.43%	New	\$12,681	672,400
51	EXPRESS SCRIPTS, INC.	ESRX		0.42%	New	\$12,224	251,000
52	SANDRIDGE ENERGY INC	SD		0.42%	Unchanged	\$12,361	2,176,298
53	PSYCHIATRIC SOLUTIONS, INC.	PSYS		0.40%	Unchanged	\$11,575	345,000
54	TOWN SPORTS INTL	CLUB		0.38%	Unchanged	\$11,043	4,060,082
55	CAPITALSOURCE **NOTES**	CSE		0.34%	Cut -80.39%	\$9,901	10,000,000
56	COGENT, INC.	COGT		0.33%	New	\$9,523	895,000
57	FRESH DEL MONTE PROD	FDP		0.32%	Unchanged	\$9,316	429,300
58	NRG ENERGY INC	NRG		0.25%	Cut -27.17%	\$7,266	349,000
59	SAVIENT PHARMACEUTICALS	SVNT		0.23%	New	\$6,838	299,000
60	EBAY INC.	EBAY		0.19%	Unchanged	\$5,434	222,700
61	AMAG PHARMACEUTICALS	AMAG		0.18%	New	\$5,335	310,000
62	DOLE FOOD CO INC	DOLE		0.15%	New	\$4,419	483,000
63	LIGAND PHARMACEUTICALS	LGND		0.06%	Unchanged	\$1,613	1,020,634
64	LINKTONE LTD	LTON		0.06%	Unchanged	\$1,829	1,279,000
65	ARQULE, INC.	ARQL		0.05%	Unchanged	\$1,494	290,000
66	RAM ENERGY RESOURCES	RAME		0.02%	Unchanged	\$664	425,416
67	WUXI PHARMATECH ADS	WX			Sold		-
68	GOLDMAN SACHS	GS			Sold		-
69	CARMAX INC	KMX			Sold		-
70	MILLIPORE **NOTES**	MIL			Sold		-
71	E M C CP	EMC			Sold		-
72	QUEST DIAGNOSTC	DGX			Sold		-
73	VISA INC.	V			Sold		-
74	SMITH INTL INC	SII			Sold		-
75	DOLLAR GENERAL CORP	DG			Sold		-
76	SIGNET GRP PLC ADR	SIG			Sold		-
77	GERDAU AMERISTEEL CP	GNA			Sold		-
78	MILLIPORE CP	MIL			Sold		-
79	WAL MART STORES	WMT			Sold		-
80	DRESSER-RAND GROUP	DRC			Sold		-

Icahn Capital

Carl Icahn

Known as a 'rabblrouser' and a corporate raider; typically takes controlling stakes & uses activism to generate shareholder value



Key Takeaways

New Positions:

Mattel (MAT)
Masco (MAS)
Dynege (DYN)
Commercial Metals (CMC)
Cadence Design Systems (CDNS)

Sold Completely Out Of:

Micros Systems (MCRS)
Yahoo! (YHOO)
EnSCO (ESV)
Wendys (WEN)
Blockbuster (BLOAQ.PK)
Smith & Wesson (SWHC)
Anadarko Petroleum (APC)

Last, but certainly not least, Carl Icahn is also added to the Hedge Fund Wisdom newsletter line-up. The well-known investor made a name for himself as a corporate raider and today his shareholder activism is his trademark. He runs a somewhat concentrated portfolio and takes large, controlling stakes in companies he is targeting to shake up.

The first major portfolio theme you'll see in Icahn's portfolio (or lack thereof) for the third quarter is the fact that he sold out of all his (presumed) Gulf oil spill plays. He exited shares of EnSCO (ESV) and Anadarko Petroleum (APC), two stocks hedge funds added heavily to back in the second quarter as shares tanked due to the oil spill. It appears as though Icahn has taken the short-term gain and exited the investments almost as an event-driven play as the well was capped and the leak stopped gushing oil.

Of the positions Icahn already owned, he added heavily to his stakes in Mentor Graphics (MENT), Hain Celestial Group (HAIN), and Lawson Software (LWSN). The activist investor also initiated a few new positions in the quarter,

most notably in Dynege (DYN), a company whose takeover he opposed. Of the newly started stakes, Mattel (MAT) is the largest.

Turning to positions Icahn dumped in the quarter, Yahoo! (YHOO) is worth highlighting. He originally started [selling shares en masse](#) back in the fourth quarter of 2009. And now, he has completely exited his stake in a stock he will want to quickly forget, as it was nothing but a headache for him. Icahn's top holding continues to be Motorola (MOT) as he bets on the company's turnaround after spinning off some of its assets.

Another theme you'll notice in the corporate raider's portfolio is his propensity to own health related companies, and in particular, pharmaceuticals. Genzyme (GENZ), Biogen Idec (BIIB), and Amylin Pharmaceuticals (AMLN) have seemingly been mainstays in Icahn's portfolio as he attempts to work his magic. In other sectors, he maintains his positions in Lions Gate Entertainment (LGF) and Take Two Interactive (TTWO), positions that have been detailed on [MarketFolly.com](#) numerous times.

Keep in mind also that Icahn typically holds investments in other asset classes (especially debt) that do not show up on SEC 13F filings. As such, the snapshot on the next page is by no means his full portfolio. In recent activity since the quarter's end, he's also acquired more Tropicana Entertainment.

View Icahn Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	MOTOROLA INC	MOT		34.04%	Added 12.76%	\$1,708,915	200,341,729
2	GENZYME CORPORATION	GENZ		14.78%	Unchanged	\$741,879	10,480,000
3	BIOGEN IDEC INC	BIIB		14.38%	Unchanged	\$721,715	12,860,205
4	CHESAPEAKE ENERGY CP	CHK		7.51%	Added 30.64%	\$376,965	16,643,030
5	AMYLIN PHARMACEUTICALS	AMLN		5.39%	Unchanged	\$270,452	12,971,328
6	LIONS GATE ENTMT CP	LGF		5.23%	Added 11.60%	\$262,495	35,713,655
7	MENTOR GRAPHICS	MENT		2.72%	Added 107.5%	\$136,313	12,896,232
8	HAIN CELESTIAL GROUP	HAIN		2.41%	Added 73.78%	\$120,873	5,040,577
9	LAWSON SOFTWARE, INC.	LWSN		2.22%	Added 72.96%	\$111,461	13,159,546
10	TAKE-TWO INTERACTIVE	TTWO		1.99%	Added 4.38%	\$99,823	9,844,502
11	REGENERON PHARMA	REGN		1.33%	Unchanged	\$66,968	2,444,081
12	MATTEL INC	MAT		1.13%	New	\$56,903	2,425,520
13	CYBERONICS, INC.	CYBX		1.12%	Unchanged	\$56,241	2,107,972
14	MASCO CP	MAS		1.10%	New	\$55,293	5,022,080
15	NRG ENERGY INC	NRG		0.99%	Unchanged	\$49,487	2,376,880
16	DYNEGY INC CL A NEW	DYN		0.93%	New	\$46,752	9,600,001
17	FOREST LABS CL A	FRX		0.75%	Unchanged	\$37,522	1,213,120
18	COMMERCIAL METALS CO	CMC		0.71%	New	\$35,603	2,457,052
19	ENZON PHARMACEUTICALS	ENZN		0.63%	Unchanged	\$31,690	2,816,861
20	CADENCE DESIGN SYSTEMS	CDNS		0.44%	New	\$21,852	2,864,000
21	EXELIXIS, INC.	EXEL		0.18%	Unchanged	\$9,240	2,357,110
22	LIONS GATE ENTMNT **NOTES**	LGF		0.02%	Cut -27.10%	\$906	923,200
23	LIONS GATE ENTMNT **NOTES**	LGF		0.01%	Cut -72.90%	\$334	343,200
24	ADVENTRX PHARMA	ANX		0.01%	Unchanged	\$281	138,377
25	MICROS SYSTEMS, INC.	MCRS			Sold		-
26	YAHOO! INC.	YHOO			Sold		-
27	ENSCO INTL INC	ESV			Sold		-
28	WENDYS INTL INC	WEN			Sold		-
29	BLOCKBUSTER INC	BLOAQ.PK			Sold		-
30	SMITH & WESSON	SWHC			Sold		-
31	ANADARKO PETROLEUM	APC			Sold		-

***** Please Note: Current & future issues of the newsletter also include portfolio updates on Barry Rosenstein's JANA Partners, Alan Fournier's Pennant Capital, and Philippe Laffont's Coatue Management. In total, we now track 25 top hedge fund managers.**

Up Next: Hedge Fund Quick Pitch

Hedge Fund Quick Pitch: Brief Investment Thesis Summaries

Overview

This quarter's issue of Hedge Fund Wisdom features a new section: the hedge fund quick pitch. Each brief summary below is meant to serve as an elongated "elevator pitch" of a hedge fund's potential investment thesis. Ideas detailed below cover a myriad of investment strategies including value, growth at a reasonable price (GARP), and merger arbitrage. Featured in this issue: Cisco Systems (CSCO), Express Scripts (ESRX), Alcon (ACL), and Sirius XM Radio (SIRI).

Value Play: Cisco Systems (CSCO)

Cisco is a global large-cap leader in the development and sale of internet networking products. It has +\$40bn in sales, a \$110bn market cap, 63% gross profit margin and 26% EBITDA margin. It is projected to grow top and bottom-line by 11% and 18% annually for the next three years, trades at 11.3x forward earnings (excluding net cash) and has a 10% free cashflow yield. It competes with companies like Juniper (JNPR), Aruba (ARUN), F5 (FFIV), NetGear (NTGR), Motorola (MOT), Avaya and Huawei.

David Tepper's Appaloosa Management established an almost 4% new position in Cisco in 3Q, which is now even more interesting considering the company just reported very disappointing guidance and dropped close to 20% to its 52-week lows. So, investors currently have the opportunity to buy the stock at a lower cost-basis than Appaloosa's (assuming they still own the position). The reasons investors were disappointed were weak projected growth and gross margins, driven primarily by softness in Europe, state government spending, and market share loss in the US set-top box business.

Cisco checks off all value-investor requirements:



- Cheap valuation (not paying for growth)
- Strong barriers to entry in a highly concentrated industry (where Cisco is the market leader)
- Solid long-term fundamentals (internet bandwidth usage increases exponentially with mobility and video)
- Fortress balance sheet (\$25bn of net cash)
- High returns on invested capital (30% ROIC).

The criticism is that Cisco's stock hasn't really done much over a 10-year period, so it has somehow failed miserably to realize any value from very strong fundamentals. Also, there are increasing concerns that Cisco will lose market share and/or its gross margin will deteriorate. Finally, Cisco's products and strategy are geared more towards integrated IT infrastructure, which is under attack by cloud computing.

Next: Express Scripts (ESRX)



Hedge Fund Quick Pitch: Brief Investment Thesis Summaries

Growth at a Reasonable Price: Express Scripts (ESRX)



While the last “quick pitch” was only purchased by a few hedge funds in the quarter, Express Scripts (ESRX) garnered more interest from investors. Stephen Mandel’s Lone Pine Capital established a new position in ESRX in 3Q. Larry Robbins’ Glenview Capital doubled its exposure to the stock, John Griffin’s Blue Ridge Capital boosted its holdings by 36%, and Janus increased its ownership by half. Larry Robbins has pitched this name as an attractive investment at two conferences: [Ira Sohn \(notes here\)](#) and then at [Invest For Kids \(notes here\)](#). He sees the company as poised to benefit from the generic drug boom in 2012 and likes their cash stockpile.

Heightened investor concerns around pricing pressures and contract displacement created a buying opportunity in the pharmacy benefit management (PBM) sector during 3Q. Walgreens (WAG) was threatening to stop participating in CVS/Caremark (CVS) network plans as a distributor, but the dispute was also resolved in 3Q.

ESRX is a large-cap pharmacy benefit management (PBM) company. It is the third largest behind Medco Health (MHS) and CVS/Caremark (CVS). It has \$45bn in sales, a \$28bn market cap, 8% gross profit margin and 6% EBITDA margin. It is projected to grow top- and bottom-line by 1% and 16% annually for the next three years, and trades at 18x forward earnings and 6% free cashflow yield.

PBMs contract with healthcare providers and employers and help them control healthcare costs by establishing and managing lists of approved drugs for their clients. They make a spread between their cost and what they charge for prescription drugs. Their economics improve with higher penetration of generic drugs (higher spread) and mail ordering (lower distribution costs). The low gross margin in this business is due to the relatively low value-add to the final product (effectively, PBMs are distributors). On the positive side, PBMs tend to have highly recurring, stable revenues, which reduces their cost of capital.

ESRX is an earnings power story. In December 2009, it acquired WellPoint’s (WLP) PBM business (NetRx), which is expected to create significant synergies that will expand the company’s gross margin and deliver +15% annual earnings growth despite flat revenues. NetRx has a high generics penetration that should boost ESRX gross margins. Also, management’s cost-savings estimates seem conservative, so the company has the potential to surprise substantially (management projected 1% of revenues in cost-cuts versus the CVS/Caremark merger’s 3%).

Each issue of the newsletter analyzes different stocks. To see the latest analysis, head to HedgeFundWisdom.com to subscribe

Up Next: Alcon (ACL)



Hedge Fund Quick Pitch: Brief Investment Thesis Summaries

Merger Arbitrage: Alcon (ACL)



Alcon (ACL) is the largest player in the ophthalmology market with products ranging from surgical equipment to consumer eye-care. It generates \$7bn in annual revenue and has a \$49bn market cap. It is highly profitable with a 75% gross and 35% operating margin, and it has a low-30% return on invested capital.

Alcon was purchased by Nestle in 1977. Nestle floated to the public a 25% stake in the company in 2002. In April 2008, Novartis (NVS) purchased from Nestle a 25% stake in Alcon for \$143 per share. And in August of 2010, Novartis exercised its call option to acquire Nestle's remaining stake at a price of \$181 per share.

In January 2010, Novartis made an offer of 2.8 shares of Novartis stock for each share of Alcon for the stake owned by the public (which currently values Alcon at \$156 per share). Still, Alcon is trading at \$163 because the offer has been rebuffed so far and investors are looking for a more equitable offer to the Nestle stake takeout that was done at \$181. Arbitrageurs are betting that Novartis will increase the effective exchange ratio, so they buy Alcon and short Novartis in order to hedge out the risk that Novartis shares may go down by the time the deal closes.

Novartis closed its acquisition of Nestlé's stake in 3Q, which increased investors' confidence that a buyout of the public shares will happen sooner rather than later. In addition, Alcon's share price is tied to the value implied by the exchange ratio offered by Novartis. So, as Novartis' shares dropped in late 2Q / early 3Q, so did Alcon shares. At \$135, the spread to the Nestle takeout at \$181 was seen as too wide and the value of Alcon's franchise was under-appreciated by the market.

This combination motivated some new funds to add Alcon to their portfolio. Magnetar Capital started a new position in Alcon and made it its top portfolio holding with a 12% weight. Steven Cohen's SAC Capital maintained Alcon as its #1 position and increased its exposure during the quarter by 20%. John Paulson's hedge fund Paulson & Co increased its exposure by 30%. Highbridge Capital doubled its position while Jamie Dinan's York Capital and Thomas Steyer's Farallon Capital also added shares of ACL. And while some funds are obviously short Novartis as part of the arbitrage pair (though they don't disclose it), other funds have elected to purchase puts on Novartis to round out the merger-arb trade.

Up Next: Sirius XM Radio (SIRI)



Hedge Fund Quick Pitch: Brief Investment Thesis Summaries

Sirius XM Radio (SIRI)

Sirius operates a subscription-based high-quality satellite radio network, which is primarily distributed through automakers and comes pre-installed in many cars. It generates \$2.8bn in sales, has a \$5.5bn market cap, and has a 60% gross & almost 20% EBITDA margin. The wide gap between gross and EBITDA margin is attributable to high sales & marketing expenses (~\$35 per gross additional subscriber) and very high subscriber acquisition costs (~\$60 per gross addition).



The business has a high churn rate: Sirius has 20mm customers and is adding 7.5mm new customers every year but loses 6.5mm, so net subscriber additions are 1mm, or 5% growth. (However, churn was only 1.8% last quarter). Another way to grow top-line is by increasing the Average Revenue per User (ARPU), which tends to be fairly stable. After going through the merger with XM Satellite Radio in mid-2008, Sirius became a highly-levered company with relatively low free cashflow, so its equity value has been highly volatile.

Sirius is effectively a very levered call on the rebound of auto sales and management's ability to navigate its precarious financial situation and competitive positioning. The company has both high fixed costs (programming and content, as well as administrative and engineering expenses are highly scalable) and high gearing with debt at 4x EBITDA. Therefore, it has both operating and financial leverage, and operates in a highly cyclical industry.

Given the current low point in the auto sales cycle, Sirius' value could explode, as long as it can defend its market share from the likes of Pandora. Analysts estimate a slow pick-up in auto sales, but even so, Sirius' earnings could jump to 13c by 2013 and it trades at 11x. However, if auto sales rebound much faster, Sirius can surprise investors and show much higher earnings and cashflows, which will allow it to pay back debt much faster and eliminate the overhang of high leverage. The risk is that due to the company's high leverage even small losses in subscribers to competing internet-based radio services could lead to negative cashflows.

Leon Cooperman's Omega Advisors added Sirius as a new position in his portfolio during 3Q, perhaps as commentary on the direction of auto sales started becoming increasingly positive, or after the stock formed a satisfactory base as the company increased its revenue guidance.

Brian Zied, founder of Charter Bridge Capital (and formerly of Maverick Capital), [is bullish on SIRI shares](#) and pitched them at the recent Invest For Kids Conference. He highlights that 60% of new cars have built-in satellite radios and that 46% of those convert into paying customers. He acknowledges the company's leverage but expects them to pay down debt sooner rather than later (noting that there are no major maturities until 2013). Lastly, he feels the company could potentially be acquired, as John Malone (chairman of Liberty Media) is a significant shareholder.

Update: Since publication, shares of SIRI are up almost 60%

Up Next: Hedge Fund Favorites



Hedge Fund Favorites: In-Depth Equity Analysis

Overview

While the previous section focused on quick summaries of an investment thesis, this next area of the newsletter differs in two facets. First, the Hedge Fund Favorites section delves into much greater detail in an attempt to gain a better understanding of a hedge fund's given investment thesis. "Hedge Fund Quick Pitches" are just that: a quick pitch. The "Favorites" section approaches an investment just as a hedge fund analyst would in preparation to present the full idea to a fund manager. Second, the investment ideas detailed in the following pages are much more consensus picks amongst the hedge funds profiled in this newsletter. While various managers purchased the "quick pitch" equities during the quarter, the "favorites" are equities that truly jumped off the page when reviewing the latest portfolio updates (i.e. sizable purchases were made by numerous hedge funds).

When presenting an investment idea to a fund manager, a hedge fund analyst outlines numerous aspects of a thesis. The Hedge Fund Favorites section mirrors this approach and looks at an investment thesis from the following angles:

- **Company background**
- **Business model**
- **Cursory first impressions of the idea**
- **A second, deeper look at the potential of the company**
- **The investment thesis**
- **The contrarian/pessimistic viewpoint**
- **Potential upside of the investment (reward)**
- **Potential downside of the investment (risk)**
- **Market valuation (EV/EBITDA, etc)**
- **Potential catalysts (if any)**
- **Detailed financials (models, etc)**
- **Comparables (comparisons to industry peers/competitors)**

This issue of Hedge Fund Wisdom takes an in-depth look at the following equities in this quarter's "Hedge Fund Favorites" section:

- **Aon (AON)**
- **CareFusion (CFN)**

Up Next: In-Depth Analysis of Aon (AON)



Hedge Fund Favorites: Equity Analysis



Aon Corp (AON)

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Share Price	\$41.01
52-week High	\$44.34
52-week Low	\$35.10
Market Cap	\$11.11B



Hedge Fund Activity

John Paulson's hedge fund firm Paulson & Co started a new position in Aon Corp (AON) in the third quarter. Andreas Halvorsen's hedge fund Viking Global also initiated a new \$183 million position in the company. And while Larry Robbins' Glenview Capital already owned AON, the hedge fund boosted its position size by 592% this past quarter. Needless to say, numerous separate and prominent managers were acquiring shares.

Back in the second quarter of this year, Jay Petschek's Corsair Capital Management singled out this company as a compelling opportunity and laid out the rationale behind the investment. In his letter to investors he wrote, "We have followed AON with interest as part of our work in the insurance sector, and believe it is a high quality franchise which is undervalued due to the weak insurance cycle. The investment recently became compelling when AON announced it was acquiring Hewitt Associates (HEW), one of the largest HR consulting firms."

Petschek sees the risk/reward skew as favorable and goes on to say that, "We estimate 2011 'economic EPS' to be \$4-4.20 per share, growing to approximately \$5 per share in 2012. Investing at less than 9x earnings for a business with a wide moat, low capital needs, strong management, and more cyclical upside than downside seems like excellent risk/reward. There should be limited downside, and we think the upside opportunity is to get 13-14x our estimate of \$5/share in two years, or almost a double in the stock."

Company Background



Company Background

Aon is the largest insurance broker and one of the largest business process consultants with 35,000 employees in 120 countries that generates \$7.5+bn in annual revenues and \$600-700mm net income for a low-mid teens return on equity (ROE). Aon was incorporated in 1979 and it has developed through a roll-up strategy in the insurance brokerage industry, which is evidenced by the sizeable goodwill on its balance sheet.

Its main line of business is insurance brokerage in the P&C industry, which accounts for 83% of revenues and 85% of operating income. This segment consists of retail brokerage, which accounts for 75% of the revenue, and reinsurance, which accounts for the remaining 25%.

In retail brokerage, Aon's brokers spend time to understand clients' complex insurance needs and then utilize their extensive network of insurance carriers and knowledge of the different programs and pricing structures in order to most effectively and cost-efficiently match the clients' needs with the carriers' capabilities. These insurance contracts can be fairly complex, which makes it a time-consuming proposition for a client to communicate the business' needs to the many insurers and then try to compare the usually non-uniform rate quotes. Aon takes a lot of the inefficiency and guesswork out of the system. The reinsurance part of the business provides similar services to insurance customers, by helping them efficiently offload parts of their risks to reinsurers.

The remaining less-than-20% part of Aon's business is consulting and outsourcing services, often to many of the commercial clients that receive insurance through Aon. Aon provides advice and execution services to companies on structuring health and benefits, retirement and compensation programs, but also

on managing employees. Aon's consulting services account for 85% of the sales in this segment (with the rest contributed by benefits outsourcing services).

Hewitt Associates (old ticker: HEW) was one of the largest pure-play public companies competing with Aon in the consulting segment. On July 12th, Aon announced the acquisition of Hewitt in a \$4.9bn transaction (at a ~40% premium) that was financed 50% with cash (debt issued by Aon) and 50% equity (Aon stock) and closed on October 1st. Hewitt merged with Aon's consulting division. The transaction valued Hewitt at 7.5x 2010 EBITDA and Aon's management expects it will generate \$1.5bn in shareholder value.

With the integration of Hewitt, Aon adds \$3.0bn in revenue in its consulting division, balancing the two segments more evenly. The revenue contribution mix will shift from 83% insurance brokerage (75% retail vs 25% reinsurance) and 17% consulting (85% consulting vs 15% benefits outsourcing) to 60% insurance brokerage (same split as before on retail vs reinsurance) and 40% consulting (49% consulting vs 40% benefits outsourcing vs 11% HR outsourcing).

The rationale for the transaction – and the source of the increased shareholder value – was simple: to leverage clients and products across the two franchises. Aon has historically targeted smaller to mid-size companies, whereas Hewitt has developed strong relationships with larger corporations. The combined entity could leverage these relationships to sell each other's products, thus capturing a larger share-of-wallet without adding significant costs (which should translate into higher profit margins). Aon's management anticipates that operating margins in that segment will improve from 17% for Aon and 14% for Hewitt to 20% combined.



Hedge Fund Favorites: Equity Analysis

Aon Corp (AON)

Business Model

Aon has a very human capital-intensive business model that is highly recurring, has significant entry barriers, as well as economies of scale and scope. Aon charges commissions for its insurance sales and fees for its consulting and outsourcing services.

The company functions as the interface between a client and an insurance carrier for which it earns commissions. Every time a client makes a premium payment, Aon collects the money and then remits it to the insurance carrier, net of its commissions. On the opposite side of the cashflows, when the client experiences an event that is covered by the carrier, the latter sends a payment to Aon, which then remits the claims payment to the client. This is a highly recurring business model, as Aon's clients sign multi-year contracts that are likely to renew, and Aon collects commissions throughout the duration of the contract. Offsetting these

commissions are the commissions it pays out to its employees. Fees from consulting and outsourcing services are also offset primarily by compensation payments to its consultants. Aon's largest cost of goods sold is its employee compensation.

The brokerage industry is generally characterized by low barriers to entry, but Aon's business model is defensible by virtue of its scope. It has a global reach that can satisfy the largest clients, and it has the largest network of connections with insurance carriers that allow it to customize service and product offerings for its clients with the highest cost-efficiency. At the same time, the expanded scope of its business generates significant cost savings as the largest cost of this business – the human capital – can be leveraged more efficiently, so Aon can be cost-competitive. The cost of selling additional services to one client is relatively small, so the game is about gaining a larger share of the

client's wallet, so that costs (primarily salespeople) are spread across more services. The result is higher profitability and market share.

Service business models are generally more capital efficient, but Aon requires a lot of capital and has a relatively low return on its capital. This is the result of its strategic decision to execute a roll-up in its industry. The evolution of a low-barrier industry like brokerage often stabilizes with a few players with sufficient scale and scope to effectively compete with each other and with a larger number of small players that cater to local and much smaller customers, who perhaps cannot be

serviced as efficiently by the larger players (for example, because their requirements are not complex enough to benefit from the increased scope and sophistication of the larger providers, so the cost of offering additional service offerings is wasted

on these customers, who can be serviced more cost-effectively by niche players).

Another way insurance brokers make money is by investing the funds that they hold either for their clients or for the insurance companies for the time between receipt and remittance. They may collect premiums early or insurance companies may send the funds before they need to be disbursed to the clients. This float fluctuates around ~\$3.5bn and can add \$200mm of income that flows straight to the bottom line since there are no costs attached to it. However, at the current low rates Aon only generates ~\$60mm of float investment income. As interest rates rise, Aon's profitability will expand meaningfully, since operating income is in the \$1.5bn range (pro forma with Hewitt) and higher rates can add 10% on top.



At First Glance

Aon diversified its main line of business by acquiring Hewitt and paid for it at a multiple that was higher than Aon's own. The higher multiple is a problem, because it will take longer for the benefits from revenue cross-selling and cost-cutting to show through to the company's earnings. In fact, all Aon accomplished in the short term was to increase its leverage (by issuing debt to finance half of the transaction price) and decrease its return on equity, since it added a lower-ROE business and paid a high price for it. The transaction worsened Aon's fundamentals and increased its risk profile, so Aon perhaps deserves its discount multiple of approximately 1x EV / EBITDA.

Digging Deeper

Aon's sub-par profitability is only temporary, and in the next couple of years it may surpass the profitability of its peers while developing a higher-quality (i.e. less volatile) earnings stream as it will balance its two main business lines of P&C insurance brokerage and consulting/outsourcing more evenly. Even though in the short term Aon looks more volatile (because of integration risk) and less profitable (because of a seemingly pricey transaction), both criticisms are likely to reverse course in the medium term. Therefore, the current valuation discount is an opportunity for outperformance as the company delivers on its plan of profitable growth and diversification.

Investment Thesis

Transformational merger to deliver superior diversification, growth and profits.

Aon's merger with Hewitt will shift its revenue exposure to the insurance brokerage industry from more than 80% down to 60%, helping to diversify its revenue mix. At the same time, the addition of Hewitt presents significant efficiency opportunities as the two operations can leverage each other's selling infrastructure in order to deliver superior growth and profitability.

Investment Summary

Aon has a defensible business model characterized by highly recurring revenues. However, in 3Q10, it announced its merger with Hewitt in a transaction financed 50-50 with debt and equity at 7.5x forward EBITDA (when Aon was trading at <7x). It seemed to have overpaid and merger-arbitrageurs shorted the stock, which dropped 7% in one day. On the other hand, the merger diversified its revenue stream away from the P&C industry (Aon's primary revenue contributor), which has been plagued by excess capital and the attendant pricing pressure, squeezing P&C carriers' margins and growth, and Aon's commissions. Trading on the announcement day at 6.8x EBITDA versus peers' 7.8 – 8.0x was justified by bearish investors because the transaction will produce the earnings benefits in a couple of years so in the meantime Aon's margins will lag peers'.

More optimistic investors are willing to look through these years and welcome the diversification brought on by the merger as well as the opportunity to buy into such a great franchise at a discount. Aon continues to trade at a discount to peers: it has an EV / EBITDA of 7.6x versus Marsh & McLennan's 8.5x and Willis Group's 8.8x (using trailing-twelve-months EBITDA and adjusting Aon's figures to reflect results pro forma with Hewitt). Even though part of the discount is attributable to a higher contribution to earnings by float investment income which is more volatile (therefore, lower quality and deserves a lower multiple), the large discount is evidence that investors still see Aon as a "wait and see" story.

Contrarian View



Aon is the new sponsor of English Premier League team Manchester United, whose jersey is pictured above

Aon overpaid for Hewitt, effectively increasing its leverage while lowering its return on equity. Merging Hewitt may distract management, which increases the risk of losing market share to its formidable competitors. Also, the benefits of the merger may not be realized: Aon relies on cost-cutting and top line growth from leveraging each franchise's selling infrastructure and product set. However, the uncertainty may create gaps and lack of motivation in the sales culture, and the two organizations may prove less compatible than management thought. There is high execution risk that can reduce the value creation of the transaction. Fundamentally, Aon became a higher-risk entity in a market environment that penalizes risk heavily.

Upside / Downside



Upside

The company's peers trade at more than 1x EV / EBITDA higher than Aon. Aon trades at 7.2x versus MMC's 8.5x and WSH's 8.8x. At the same EBITDA multiple, Aon would be a \$47 - \$50 stock (15-20% upside). However, there is additional value creation from \$355mm in transaction synergies (revenue and expenses), which is worth ~\$2bn at 7x less integration costs, or \$6 per share. Therefore, the upside is that in 2-3 years Aon will be a \$53 - \$56 stock (30%-35% upside).

The combination of the valuation discount and management's assertion that it is creating \$1.5bn (\$4.50 per share) in DCF terms probably was what caught the eye of some value investors. A few percentage points ought to be shaved off from the return calculations in order to account for the lower quality of Aon's earnings profile due to a higher contribution of float investment income (it earns more money from the funds it holds "in transit" between payments it receives from clients or insurance companies, and remittances to the corresponding party).

Downside

Aon traded at trough LTM EBITDA multiples in the range of 4-6x for the period from late 2002 to the middle of 2005. However, back then Aon was more of a turnaround story. Since then, management has delivered on efficiency and profitability improvements, so it should not trade at similar levels. At 4x pro forma 2012 EBITDA, Aon could be trading at ~\$20 per share, and at 6x it would be trading at \$36 (10-15% downside).

The 4x multiple for a high-quality business with the majority of its revenues highly-recurring is potentially a temporary-only risk. Aon could trade there, but should generally bounce back to at least the industry-aggregate trough level of ~6x, which would also imply a downside share price of \$36. Of course, Aon has traded below that level recently, so given the heightened uncertainty related to this stock, an additional discount of say 10% is not unreasonable to the low \$30s. This price might indicate that something is going wrong with the Hewitt integration or Aon is experiencing market share losses.

Hedge Fund Favorites: Equity Analysis

Aon Corp (AON)

Market Valuation

The key players in the P&C insurance brokerage segment are: Aon, Marsh & McLennan (MMC), Willis Group Holdings (WSH), Arthur J. Gallagher (AJG), and Brown & Brown (BRO). Investors value this industry on an EV / EBITDA basis (8x historical average) primarily in order to account for different capital structures, and on a P/E basis secondarily (15x historically).

Historically, it has traded at ~8x EV / EBITDA, with a trough at 6x and peak of 12x. The trough occurs when P&C insurance pricing softens (capital overcapacity and benign catastrophe season that signals lower forward prices and increased competition), and the peak occurs as the P&C industry starts increasing prices (“hard” pricing environment). One reason for different multiples across brokers is the mix of business as well as the contribution of the float investment income, which is more volatile and thus lower quality than the core business (so it deserves a lower multiple). Aon’s float investment income can account for 10% or more of operating income vs ~5% for other brokers. Leverage tends to be ~1.5x EBITDA, with lower levels indicating flexibility (usually towards M&A for growth) and levels above 2.5x indicating lack of flexibility to support strategic growth.



AON 1 year chart

Update: Since publication, shares of AON are up over 25%

Catalysts

There are no hard-date catalysts for Aon. Aon’s value will thus take some time to become realized by the market. It is a process of gaining investor confidence and proving to the community that management is executing successfully on the merger integration and is realizing the benefits it outlined after the announcement of the transaction. Each quarter, investors will focus on the performance of the transaction and Aon will have to deliver each time for the valuation gap with its peers to narrow.

Financials & Comparables



Hedge Fund Favorites: Equity Analysis

Aon Corp (AON)

Financial Snapshot & Comparables

	AON pro forma w/ HEW				Comps* Aggregate			
price	\$41.00				\$22.32			
shares	331				1,000			
market cap	\$13,556				\$22,320			
net debt	3,757				3,758			
EV	\$17,313				\$26,078			
(\$ in millions)	fiscal year end Dec 30,							
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>CAGR</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>CAGR</u>
Revenues	\$8,178	\$9,934	\$10,671	14.2%	\$15,900	\$16,509	\$17,393	4.6%
Expense	\$6,499	\$7,703	\$8,040	11.2%	\$12,856	\$13,249	\$13,847	3.8%
EBITDA	\$1,679	\$2,231	\$2,631	25.2%	\$3,044	\$3,260	\$3,546	7.9%
EBIT	\$1,207	\$1,570	\$1,961	27.5%	\$1,792	\$2,410	\$2,656	21.7%
Net Income	\$867	\$1,102	\$1,349	24.7%	\$1,437	\$1,654	\$1,850	13.5%
EPS	\$2.62	\$3.33	\$4.08	24.7%	\$1.44	\$1.65	\$1.85	13.5%
P / E	15.6x	12.3x	10.0x		15.5x	13.5x	12.1x	
EV / EBITDA	10.3x	7.8x	6.6x		8.6x	8.0x	7.4x	
net debt / EBITDA	2.2x	1.7x	1.4x		1.2x	1.2x	1.1x	
Book Value	\$7,058	\$7,227	\$8,207	7.8%	\$10,040	\$10,407	\$11,049	4.9%
Book Value per share	\$21.35	\$21.86	\$24.82		\$10.04	\$10.41	\$11.05	
P / BV	192%	188%	165%		222%	214%	202%	
Margins								
Expense	79.5%	77.5%	75.3%		80.9%	80.3%	79.6%	
EBITDA	20.5%	22.5%	24.7%		19.1%	19.7%	20.4%	
EBIT	14.8%	15.8%	18.4%		11.3%	14.6%	15.3%	
Net Income	10.6%	11.1%	12.6%		9.0%	10.0%	10.6%	
D&A	\$472	\$661	\$670		\$1,252	\$850	\$890	
% of sales	5.8%	6.7%	6.3%		7.9%	5.1%	5.1%	
% of EBITDA	28%	30%	25%		41%	26%	25%	

* Comps include: Marsh & McLennan (MMC), Willis Group Holdings (WSH), and Arthur J Gallagher (AJG)

Up Next: In-Depth Analysis of CareFusion (CFN)



Hedge Fund Favorites: Equity Analysis



CareFusion (CFN)

CareFusion (CFN)

Share Price	\$23.50
52-week High	\$30.08
52-week Low	\$20.63
Market Cap	\$\$5.24B



Hedge Fund Activity

In the third quarter, numerous hedge funds purchased shares of CareFusion (CFN) in the \$21-24 per share range. In late September, David Einhorn's Greenlight Capital disclosed a 6% ownership stake in the company, increasing their position size by 56%. Additionally, Andreas Halvorsen's Viking Global initiated a new CFN position and Roberto Mignone's Bridger Management almost tripled its position in the company.

CareFusion is a recent spin-off in the medical technology space and a turnaround story that can deliver significant operating leverage. Investors are already paying for the low-hanging fruit of efficiency improvements that management has already identified, but get any meaningful convergence to the lower industry-average operating costs for free. The rationale for the spin was the different R&D and growth profile of the parent's business; management can now streamline its operations and save costs in order to invest behind R&D. Therefore, outperformance will have to come from operational improvements that surprise analysts and from gaining market share from Baxter (dealing with a product recall). In addition, the entire sector is trading at ~10% free cashflow yields and has minimal leverage; there is significant opportunity to return capital to shareholders or invest for faster growth but the market currently does not ascribe much value to the sector's financial flexibility until there is more clarity on how the cash will be used.

Potential reasons for the hedge fund purchases during 3Q may be that the perception of industry growth headwinds peaked in the quarter following disappointing guidance adjustments and the first decline in hospital CPI in 35 years, potentially setting at least a short-term floor in the stock. More specific to CFN, its ex-parent, Cardinal Health (CAH), sold out of its remaining post-spin 19% stake by mid-September, eliminating the overhang of a large seller.

Company Background



Company Background

CareFusion was Cardinal Health's (CAH) roll-up of niche medical products and technologies. It came to its current state through 6 acquisitions since 1996 of companies which themselves were a result of other parent's roll-ups and/or spin-offs. Cardinal Health created a diversified business with leading market shares in all its businesses.

CareFusion operates in two main business lines: Critical Care Technologies (2/3 of sales and >85% of operating income) and Medical Technologies and Services (1/3 of sales and 15% of operating income). The difference between the two segments is that Critical Care develops primarily capital equipment (and related supplies) that are sold to critical care units in hospitals and are used long term, whereas MedTech develops disposable products that are used primarily in the operating rooms at hospitals.

In the Critical Care Technologies segment, CFN sells equipment that help hospitals improve safety by reducing errors and improving administrative controls. The equipment is sold to hospitals and requires a sizeable capital investment, so sales-cycles tend to be longer and sales rely more heavily on a captive and (generally) more sophisticated salesforce. The main products are: infusion pumps and disposables that account for 23% of sales (estimated 55% gross margin and high-teens operating margin based on financials of predecessor acquired companies and sell-side analysts) and where CFN has a 40% market share (competes with Baxter and Hospira); dispensing equipment for medication and medical supplies that accounts for 25% of sales and where CFN has a leading market share of 70% against competitors that include McKesson (MCK) and Cerner (CERN); and respiratory

diagnostic equipment and supplies that accounts for 20% of sales (estimated 50% gross margin and high single-digits operating margin) and where CFN has a 10% market share (and competes primarily with Covidien).

In the Medical Technologies and Services segment, CFN sells disposable and single-use products that help hospitals reduce the occurrence of infections from procedures. These are smaller dollar-amount sales that don't need a sophisticated salesforce, so sales are managed by both its captive force and third-party distributors. The main products are infection prevention products, such as skin disinfectants and surgical preparation (6% of sales) and specialty products and services, including surgical equipment, catheters, etc. (26% of sales). CFN competes primarily with Covidien and Johnson & Johnson (JNJ) in this segment.

In September 2008, Cardinal Health announced its plans to spin off its clinical and medical products businesses. Carefusion was formed in January 2009 to hold these assets, and the spin-off was completed almost a year after its announcement, in August 2009. CAH shareholders received half a share of CFN for each CAH share owned, while CAH itself retained a 19% stake in CFN (to qualify as a tax-free spin-off, the parent needs to distribute at least 80% of the shares in order to "lose" control). As of September 15, 2010, CAH had disposed of its entire stake in CFN, eliminating the potential overhang.



Business Model

CFN hires scientists to develop intellectual property through R&D, manufactures products using its own machinery and equipment in its own buildings based on its intellectual property, and sells these products to hospitals through its captive salesforce or third-party distributors. It has to balance its gross profit margin with its operating costs, in order to have enough money to invest in research and development in order to keep its products up to date and competitive, as well as to generate an adequate return for investors.

The products are generally large equipment that requires a substantial capital outlay by the hospital, a long sales-cycle, and a sophisticated captive salesforce; or disposables and single-use products (catheters, disinfectants, etc.) that can be sold via third-party distributors.

CFN's aggregate gross profit margin fluctuates in the 45-50% range depending on the product mix, SG&A eats up 27-30% from that and R&D another 4-5%, leaving a residual 14-15% operating margin. CFN commits an amount equal to 4-5% of sales (25% of its EBITDA) to capital investments that consist of machinery purchases and trademarks or patents or customer relationships, and spends approximately 5% of its sales on research and development, in order to come up with superior supplies and devices that help hospitals perform operations better and safer.

Market Valuation

The MedTech segment trades at 13x forward P/E, 8x forward EBITDA, and 13x forward FCFE (a 13.2% free cashflow yield to equity). Companies with higher operating margins and growth profiles generally trade at higher multiples, but in this environment the market rewards those companies that have less exposure to the hospital CAPX cycle and favor products that involve a smaller capital outlay and a simpler decision process. Also, the companies at the top of the valuation range tend to return capital to shareholders, whereas the companies at the bottom of the range make acquisitions.

Covidien is the cheapest in the group because of its slower growth profile and lower profit margins. Also, its gross margin is already at the top end of the range, so it is susceptible to declines (e.g., from price competition to maintain market share). Perhaps equally important though for valuation purposes is management's strategy to utilize excess cash for M&A instead of returning it to shareholders, even while investors question industry growth prospects. C.R. Bard is in a similar financial profile with Covidien with the highest gross profit margins and operating expenses which in combination result in in-line operating margins; it trades at a premium multiple due to its more attractive growth profile. Hospira has an in-between valuation as it delivers its high profitability through low-gross margin products but efficient operations.

Baxter and Becton Dickinson trade at the highest multiples in the industry as they have high gross margins and low operating expenses, but perhaps the premium valuation is ascribed more to management's inclination to return capital to shareholders (share repurchases to augment operating leverage, and dividends) instead of utilizing it for M&A (which has delivered arguably mixed results in the space) as more optimistic industry players do.



Hedge Fund Favorites: Equity Analysis

CareFusion (CFN)

At First Glance

CFN appears expensive, trading at 15.1x P/E vs 13.2x for the MedTech peers aggregate consisting of Baxter (BAX), C.R. Bard (BCR), Becton Dickinson (BDX), Covidien (COV) and Hospira (HSP). Fundamentally, the business appears mismanaged, as CFN has lagging gross profit (48% vs 53% for peers) and operating margins (15% vs 23% for peers). In addition, the company disappointed analysts with its top-line performance in fiscal 1Q11 (ended September 30), as it faces headwinds in some of its segments. More recently, CFN's CEO announced his departure at an arguably critical time for CFN given that it is a turnaround story and thus needs investors to have faith in the management team.



Digging Deeper

Indeed CFN appears expensive and operationally challenged, but therein lies the opportunity. There is significant upside in the company's earnings power if the company captures even part of the 10-point deficiency of its operating margin versus the industry. The Street is not factoring in any meaningful margin convergence, but rather an industry-wide margin expansion. Still, improving from a smaller base, the impact is larger percentage-wise for CFN. This means that simply following an industry-wide margin expansion, CFN's P/E multiple is expected to converge by 2014. Using free cashflows to equityholders as a valuation metric instead, CFN will reach industry averages by 2013. Therefore, investors pay the same 3-year forward multiple for an operation with the same growth profile as the industry, which can also have substantial incremental cashflows in the case that management executes a successful turnaround.



Investment Thesis

Buying a cheap call on the return of hospital capital expenditures (CAPX) and getting the potential margin convergence to the industry-average for free.

CFN is a call on the return of hospital capital expenditures, which were originally curtailed by the lack of financing during the credit market freeze, then by deteriorating hospital economics (due to slower admission trends and more bad debts from uninsured patients) that may persist for some time, and more recently by pressures from healthcare regulatory reform. Industry reports indicate that hospital CAPX is near its trough and will grow in the next couple of years. This is a sector call, which is relatively cheap when free cashflow generation and leverage/financial flexibility are taken into consideration. Even more specific to CFN, its operating margins are significantly below the industry aggregate by 9-10 points. The fact that it was recently spun off suggests that there may be an opportunity for efficiency improvements, and there is no evidence that CFN's business is structurally materially different than the rest of the industry. Nevertheless, there is a risk that management will fail to realize margin expansion or that the business will have to be radically restructured in order to achieve industry margins. Regardless, investors are not paying much for the potential incremental cashflows to equityholders from meaningful margin convergence.



CareFusion's Alaris device used for infusion

Contrarian View

CFN's outperformance from its peers is predicated on improving operating margins and market share gains, neither of which may be realized. So far, there is no evidence that CFN is not structurally different so as to justify permanently lower operating margins than the rest of the industry. In fact, CFN's cost structure is similar to Covidien's (COV), a 2007 spin-off whose cost-structure still has not normalized. The difference though is that Covidien is selling much higher gross margin products, so its operating margins are in line with the rest of the industry. So, the question is whether CFN has a lower-margin product set that requires the same cost structure as Covidien's higher-margin products. In addition, a larger portion of CFN's revenues come from equipment sales relative to the industry, which are large capital investments for hospitals and are more susceptible to budget postponements in this environment.

Upside / Downside



Hedge Fund Favorites: Equity Analysis

CareFusion (CFN)

Upside

CFN is projected to earn \$2.10 in EPS and \$2.20 in FCFE for the year ending in mid-2013, so it is trading at 11.4x EPS (versus 10.8x for peers, some of which has a December year-end, so a small discount is justified due to timing) and 10.8x FCFE (versus 10.7x for peers). So, the company generally trades in line with peers as long as investors are willing to look through a couple of years of overvaluation. The valuation catch-up is the result of CFN expanding its operating margins by the same number of points as its peers, but expanding from a smaller base.

CFN's outperformance potential will come from expanding its operating margin by more points than the rest of the industry, since it is currently lagging by so much. CFN will be generating \$4.6bn in sales in 2013, so a 10-point improvement in its EBITDA margins (the amount by which they are currently deficient vs the industry) to match the industry average would generate \$455mm of incremental EBITDA or ~\$1.30 per share after taxes, which is worth \$14 per share at the industry P/E multiple, and that is on a \$24 stock. This would be the maximum value creation from the turnaround, but a more reasonable expectation could be a fraction of that.

Downside

The downside is that CFN fails to deliver even on its short-term turnaround plan (outlined by management and factored into sell-side analysts' models), loses market share, or stronger industry headwinds materialize due to healthcare reform. CFN's P/E could collapse to the industry average for starters, and industry P/Es could compress further if the industry faces slower growth. At the industry forward P/E multiple of 13.2x, CFN could trade down 13% to \$21 using 2011 earnings. Industry multiples should not have much risk of meaningful compression because a lot of pessimism is already baked into the stock. Besides, medical technology companies are more defensive because they help hospitals save money. Also, the industry has been dealing with growth headwinds for a couple of years already.

Conclusion

Given a projected 15% growth in EPS, the upside without further margin recapture is ~15% and the downside is a similar 13%, so the upside-to-downside ratio does not appear compelling. However, considering there is potential for a \$14 upside and limited downside makes the stock a more interesting investment. When the large hedge funds were buying, the stock was trading around \$21, so their risk-reward was much better than the current price of \$24.

Hedge Fund Favorites: Equity Analysis

CareFusion (CFN)

Financial Snapshot & Comparables

	CareFusion (CFN)	Comps* Aggregate
price	\$24.00	\$90.16
shares	224	1,000
market cap	\$5,376	\$90,162
net debt	\$48	\$7,075
EV	\$5,424	\$97,237

(\$ in millions)

fiscal year end Jun 30,

	2011	2012	2013	CAGR	2011	2012	2013	CAGR
Revenues	\$4,103	\$4,336	\$4,555	5.4%	\$40,163	\$42,518	\$44,803	5.6%
gross profit	\$1,962	\$2,099	\$2,230	6.6%	\$21,342	\$22,887	\$24,320	6.7%
cash SG&A	\$1,158	\$1,197	\$1,266	4.6%	\$9,632	\$10,191	\$10,605	4.9%
EBITDA	\$804	\$902	\$964	9.5%	\$11,710	\$12,696	\$13,715	8.2%
EBIT	\$600	\$680	\$744	11.4%	\$9,330	\$10,275	\$11,171	9.4%
Net Income	\$355	\$420	\$471	15.2%	\$6,837	\$7,569	\$8,338	10.4%
EPS	\$1.58	\$1.88	\$2.10	15.2%	\$6.84	\$7.57	\$8.34	10.4%

P / E	15.1x	12.8x	11.4x	13.2x	11.9x	10.8x
EV / EBITDA	6.7x	6.0x	5.6x	8.3x	7.7x	7.1x

net debt / EBITDA	0.1x	0.1x	0.0x	0.6x	0.6x	0.5x
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Margins

gross profit	47.8%	48.4%	49.0%	53.1%	53.8%	54.3%
cash SG&A	28.2%	27.6%	27.8%	24.0%	24.0%	23.7%
EBITDA	19.6%	20.8%	21.2%	29.2%	29.9%	30.6%
EBIT	14.6%	15.7%	16.3%	23.2%	24.2%	24.9%
Net Income	8.7%	9.7%	10.3%	17.0%	17.8%	18.6%

D&A	\$204	\$222	\$220	\$2,380	\$2,421	\$2,544
% of sales	5.0%	5.1%	4.8%	5.9%	5.7%	5.7%
% of EBITDA	25%	25%	23%	20%	19%	19%

CAPX	\$171	\$181	\$191	\$2,397	\$2,458	\$2,485
CAPX / Sales	4.2%	4.2%	4.2%	6.0%	5.8%	5.5%

net income	\$355	\$420	\$471	\$6,837	\$7,569	\$8,338
plus: D&A	\$204	\$222	\$220	\$2,380	\$2,421	\$2,544
less: CAPX	\$(171)	\$(181)	\$(191)	\$(2,397)	\$(2,458)	\$(2,485)
FCFE	\$388	\$461	\$500	\$6,820	\$7,532	\$8,397
per share	\$1.73	\$2.06	\$2.23	\$6.82	\$7.53	\$8.40

P / FCFE	13.9x	11.7x	10.8x	13.2x	12.0x	10.7x
FCFE yield	7.2%	8.6%	9.3%	7.6%	8.4%	9.3%

* Comps include: Baxter (BAX), Becton Dickinson (BDX), C.R. Bard (BCR), Covidien (COV), and Hospira (HSP)

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