

hedge fund wisdom

a quarterly publication by marketfolly.com

Q2 2012

*** **FREE ISSUE for Idea Farm readers. The next issue comes out on November 21st**

Background:

Each quarter, hedge funds and institutional managers are required to disclose their portfolios to the SEC via 13F filing. These filings disclose 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 June 30th, 2012. Keep in mind these updates are not reflective of a fund's entire overall portfolio.

In This Issue:

- Portfolio updates on **25** prominent hedge fund managers
- Investment thesis summaries written by hedge fund analysts that examine **3** stocks hedge funds were buying
- Expert commentary & historical context on each fund's portfolio moves

Second Quarter Summary:

The table below outlines the most frequent buys & sells this quarter among the 25 prominent hedge funds profiled in this issue.

Consensus Buy/Add:

VeriSign (VRSN)
Sirius XM Radio (SIRI)
DaVita (DVA)
Walt Disney (DIS)
AIG (AIG)

Consensus Sell/Reduce:

RBS Preferred Securities
Las Vegas Sands (LVS)
Green Mountain Coffee
Roasters (GMCR)
Kraft Foods (KFT)

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- p.77 AIG (AIG)

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:

Oracle (ORCL)
Genworth Financial (GNW)
Hess Corp (HES)
NovaCopper ~ received from NG stake

Sold Completely Out Of:

Multimedia Games (MGAM)
Alere (ALR)

Baupost's lack of buying in the first quarter is replaced with a slew of buying in the second quarter. The most notable of these positions is Oracle (ORCL), which represents 12% of their long US equity allocation. It's important to note that when looking at Seth Klarman's portfolio on the next page, equities only represent around 20% of his overall assets under management. According to fund exposure reports, Klarman is currently holding around 28% in cash while distressed debt accounts for 22% of his assets. He's also been fond of private real estate investments and has some hedges on as well. While Baupost's new stake in Oracle certainly is large relative to their equity book, it's a bit smaller when compared to their overall AUM. As always, Klarman keeps an ample amount of cash on hand to deploy when various opportunities arise.

He's clearly seen some sign of opportunity in equities with the new ORCL stake. Klarman also added to existing positions in BP (BP) and Hewlett Packard (HPQ) by 44% and 55%, respectively. Additionally, Baupost Group continues to buy NovaGold Resources (NG). Last quarter's newsletter highlighted Baupost's fondness for the name and they

continued to buy as shares dipped lower during the summer. Since quarter close, shares are down even further so it will be interesting to see if they continue to buy (after all, they love to buy things on sale).

According to Baupost's second quarter letter, the firm has returned almost 1.4% year to date. Given the uncertainty and turmoil in Europe, one would assume that Klarman is looking there for opportunities. After all, Baupost opened an office in London in 2011 for precisely this reason. While they've dipped their toe in the European water, they by no means have made sizable bets (yet). In his letter, Klarman notes that government bonds are not the place to be looking for safety, despite tons of investors doing so. This massive shift toward fixed income has made equity valuations slightly more appealing and has made government bonds quite expensive. With the low interest rate policy, Klarman is concerned that these government actions have led to speculation in markets.

In terms of foreign investments, it's worth noting that Klarman has a longheld position in Chargeurs (CRI:PAR) that has largely gone unnoticed. Baupost has held this investment for over 16 years, highlighting just how much Klarman focuses on the long-term. Further details on this position can be [found here](#).

Baupost Group this year was named one of the [top 10 hedge funds by net gains since inception](#) and comes in at number four on the list. To learn from this great investor, be sure to check out [notes from Seth Klarman's Margin of Safety](#).

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	BP plc	BP		14.2%	Added 44%	\$545,502	13,455,900
2	Hewlett-Packard	HPQ		14.1%	Added 56%	\$539,966	26,850,601
3	Oracle Corp.	ORCL		12.2%	New	\$469,260	15,800,000
4	ViaSat Inc.	VSAT		10.5%	Added 1%	\$401,816	10,638,488
5	News Corp.	NWSA		8.7%	Unchanged	\$335,279	15,041,665
6	Theravance Inc.	THRX		8.4%	Unchanged	\$323,385	14,553,800
7	News Corp.	NWS		6.3%	Unchanged	\$240,026	10,658,335
8	Microsoft Corporation	MSFT		5.6%	Unchanged	\$214,130	7,000,000
9	Allied Nevada Gold	ANV		3.7%	Added 26%	\$143,420	5,053,550
10	Idenix Pharmaceuticals	IDIX		2.7%	Added 21%	\$102,800	10,000,000
11	Genworth Financial	GNW		2.2%	New	\$84,900	15,000,000
12	NovaGold Resources	NG		2.2%	Added 60%	\$84,480	16,000,000
13	AVEO Pharmaceuticals	AVEO		1.6%	Unchanged	\$61,829	5,084,652
14	Enzon Pharmaceuticals	ENZN		1.6%	Unchanged	\$61,836	9,000,878
15	Theravance NOTE	THRX		1.4%	Unchanged	\$54,251	51,000,000
16	Hess Corporation	HES		1.1%	New	\$43,450	1,000,000
17	Syneron Medical Ltd.	ELOS		1.1%	Unchanged	\$41,520	4,000,000
18	Alliance One Intl	AOI		0.8%	Unchanged	\$30,402	8,786,700
19	Central Pacific Financial	CPF		0.7%	Unchanged	\$25,416	1,800,000
20	Ituran Location & Control	ITRN		0.5%	Unchanged	\$18,492	1,685,666
21	Sycamore Networks Inc.	SCMR		0.2%	Unchanged	\$7,708	530,871
22	NOVACOPPER INC	NCQ		0.2%	New	\$6,332	3,150,318
23	Alere Inc.	ALR			Sold		-
24	Multimedia Games Inc.	MGAM			Sold		-

Idea Farm Readers: Thank you for checking out a free issue of the Hedge Fund Wisdom newsletter!

This premium research is published four times a year. Our next issue will be published on November 21st and will reveal the latest hedge fund portfolios for the third quarter, provide expert commentary on their moves, and will feature brand new equity analysis.

To subscribe: Please click here

Next Page: Berkshire Hathaway

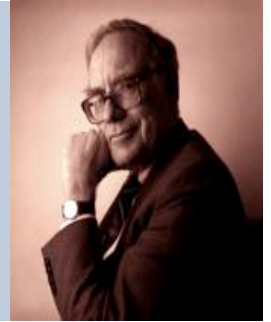
Berkshire Hathaway

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 Positions:

Phillips 66 (PSX) ~ spin-off from COP
National Oilwell Varco (NOV)

Sold Completely Out Of:

Intel (INTC)

Given that Warren Buffett's new portfolio managers Todd Combs and Ted Weschler have settled in, it should come as no surprise that there's more activity in the Berkshire Hathaway portfolio than normal. Activity from Buffett's protégés can be attributed to investments requiring less than \$1 billion of capital each, while Buffett makes the big moves. For instance, in this latest quarter, Buffett looks to have trimmed his stakes in consumer products substantially. He sold 18% of his Procter & Gamble (PG) position. (Bill Ackman's Pershing Square Capital recently started a stake in this company which is detailed later in this issue). Buffett also trimmed 24% of his stake in Kraft (KFT), despite the fact that the company has the spin-off catalyst coming up. The most notable move from the Oracle of Omaha, however, was his reduction in Johnson & Johnson (JNJ) shares as he sold 64% of the stake. All of these have been sizable legacy Berkshire positions.

On the buying side of the equation, Buffett added slightly to his stake in Wells Fargo (WFC). Of the bank, Buffett recently said: "I like Wells Fargo better than anything by far ... I like Wells Fargo better than [JPMorgan]. We have been buying Wells Fargo month after month for a lot of years. Among the big banks, I think it is the best." In other buying activity outside of public markets, Berkshire's leading man has also been buying small newspapers. He says that, "newspapers used to be primary virtually everything. They have lost their

primacy in many areas. If you lived in Nebraska and you are interested in Nebraska football or your high school and what is going on with your neighbors, you are only going to find it in the independent papers. The smaller paper is still primary to many areas of interest." Buffett also recently made numerous comments about the economy and [other topics here](#).

Turning to portfolio activity presumably attributed to Ted Weschler, it's clear that Berkshire is fond of shares of DaVita (DVA). One of Weschler's previous holdings at his hedge fund, Berkshire added to the DVA position by 55% in the second quarter. It also appears as though Weschler was the one out buying shares of Viacom (VIA.B) en masse for the second straight quarter, increasing their position size by 328%.

Berkshire also received shares of Phillips 66 (PSX) in a spin-off from their holdings in Conoco Phillips (COP). However, Buffett said recently that one of his portfolio managers has reduced holdings in COP and has bought into the refining operations of PSX. Owners of COP originally received 1 share of PSX for every 2 shares of COP owned on April 16th. This calculation means that Berkshire received just under 14.5 million shares of PSX from the split. Since Berkshire reported owning 27.1 million shares at the end of the second quarter, this means they purchased an additional 12.7 million shares or so after the split.

For more resources on this legendary investor, be sure to check out [notes from Buffett's meeting with MBA students](#).

View Berkshire Hathaway's Updated Portfolio on the Next Page



Berkshire Hathaway

Second Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	The Coca-Cola Company	KO		21.0%	Unchanged	\$15,637,999	200,000,000
2	Wells Fargo & Company	WFC		18.5%	Added 4%	\$13,745,352	411,045,245
3	IBM	IBM		17.5%	Added 3%	\$13,034,507	66,645,396
4	American Express Company	AXP		11.9%	Unchanged	\$8,825,260	151,610,700
5	Procter & Gamble Co.	PG		4.9%	Cut -19%	\$3,650,635	59,602,203
6	Wal-Mart Stores Inc.	WMT		4.4%	Unchanged	\$3,256,491	46,708,142
7	Kraft Foods Inc.	KFT		3.1%	Cut -25%	\$2,271,875	58,826,390
8	U.S. Bancorp	USB		2.9%	Cut -4%	\$2,122,583	66,000,713
9	ConocoPhillips	COP		2.2%	Cut -1%	\$1,613,180	28,868,637
10	DIRECTV	DTV		1.9%	Added 24%	\$1,387,498	28,420,700
11	Moody's Corp.	MCO		1.4%	Unchanged	\$1,038,577	28,415,250
12	DaVita, Inc.	DVA		1.2%	Added 55%	\$913,353	9,300,000
13	PHILLIPS 66	PSX		1.2%	New	\$902,928	27,163,918
14	Johnson & Johnson	JNJ		0.9%	Cut -64%	\$698,105	10,333,128
15	The Washington Post	WPO		0.9%	Unchanged	\$645,874	1,727,765
16	Liberty Media	LMCA		0.7%	Added 83%	\$483,505	5,500,000
17	M&T Bank Corp.	MTB		0.6%	Unchanged	\$444,395	5,382,040
18	Bank of New York Mellon	BK		0.6%	Added 234%	\$410,893	18,719,515
19	Costco Wholesale Corp	COST		0.6%	Unchanged	\$411,669	4,333,363
20	USG Corp.	USG		0.4%	Unchanged	\$325,225	17,072,192
21	Viacom Inc 6.85% Pfd	VIAB		0.4%	Added 328%	\$320,357	6,813,200
22	Visa, Inc.	V		0.4%	Cut -27%	\$257,108	2,079,659
23	General Dynamics Corp.	GD		0.3%	Unchanged	\$255,735	3,877,122
24	CVS Caremark Corporation	CVS		0.3%	Cut -25%	\$247,759	5,301,916
25	Torchmark Corp.	TMK		0.3%	Unchanged	\$214,120	4,235,818
26	General Motors Company	GM		0.3%	Unchanged	\$197,200	10,000,000
27	National Oilwell Varco	NOV		0.3%	New	\$183,087	2,841,200
28	Dollar General Corporation	DG		0.2%	Cut -9%	\$180,623	3,320,885
29	Mastercard Incorporated	MA		0.2%	Unchanged	\$174,195	405,000
30	Sanofi-Aventis	SNY		0.2%	Unchanged	\$153,526	4,063,675
31	General Electric Co.	GE		0.1%	Cut -36%	\$104,380	5,008,625
32	Verisk Analytics, Inc.	VRSK		0.1%	Cut -16%	\$92,208	1,871,871
33	GlaxoSmithKline plc	GSK		0.1%	Unchanged	\$68,833	1,510,500
34	Gannett Co., Inc.	GCI		0.0%	Unchanged	\$25,634	1,740,231
35	United Parcel Service	UPS		0.0%	Cut -82%	\$20,627	261,900
36	Lee Enterprises Inc.	LEE		0.0%	Added 95%	\$5,226	3,225,822
37	Ingersoll-Rand Plc	IR		0.0%	Cut -97%	\$860	20,400
38	Intel Corporation	INTC			Sold		-

Next Page: Greenlight Capital

Greenlight Capital

David Einhorn

Has returned 21.5% annualized

Predicted & profited from the demise
of Lehman Brothers

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



Key Takeaways

New Positions:

Cigna (CI)
Coventry Health Care (CVH)
Microsoft (MSFT) Calls
UnitedHealth (UNH)
Humana (HUM)
Wellpoint (WLP)
Aetna (AET)
Virgin Media (VMED)

Sold Completely Out Of:

Dell (DELL)
HCA (HCA)
CA Technologies (CA)
Research in Motion (RIMM)

David Einhorn will be presenting investment ideas at the Value Investing Congress in NYC in October and newsletter readers can receive a [discount to the event by clicking here](#) and using discount code: N12MF7.

Right off the bat, the most noticeable aspect of David Einhorn's portfolio is his new basket of healthcare purchases. Greenlight's Coventry Health Care (CVH) position has already paid off as the company received a takeover offer from Aetna (AET). Einhorn addressed one of these buys in his most recent letter to investors, writing: "Cigna is a managed care company with three primary divisions: Cigna HealthCare, Cigna Group Disability & Life, and Cigna International. HealthCare, which comprises about 70% of CI's profits, offers medium and large companies traditional risk-based insurance, in addition to administering plans for those that prefer to self-insure. Cigna HealthCare recently bought HealthSpring to enter the fast-growing Medicare Advantage market. Cigna Group Disability and

Life is a low-growth, stable business. Cigna International, which provides insurance policies for individuals, as well as insurance and administrative services for multinational companies and governments, is growing at more than 20% per year. We believe that CI deserves a higher multiple because the plan administration business is a service business that doesn't take risk, and the other divisions do not warrant discounted values. Our purchase price of \$45.42 per share valued CI at less than 8x estimated 2012 EPS and approximately 6x our forecast of post Obamacare 2014 EPS." Shares currently trade below Einhorn's purchase price at \$43.xx for those interested.

On the selling side of things, please note that Einhorn has since sold completely out of Best Buy (BBY) even though the portfolio on the next page says otherwise. He also threw in the towel on "cheap" stocks in the tech space by also selling Dell and Research in Motion.

On the buying side, Einhorn added to his Seagate Technology (STX) stake by 59% in the quarter and shares have already traded sharply higher since then. It's his second largest position. In portfolio activity since the close of the second quarter, it should be noted that Greenlight has continued to buy shares of Marvell Technology (MRVL) and now owns a 5.3% ownership stake in the company with over 29.5 million shares. Einhorn likes that the company trades at around 5x next year's earnings (net of cash) and he's hoping the company's repurchase plan will be aggressive. Einhorn also recently commented on Apple, Green Mountain Coffee Roasters, and Amazon in an interview you can [watch here](#).

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	Apple Inc.	AAPL		13.3%	Cut -1%	\$849,438	1,454,520
2	Seagate Technology PLC	STX		9.0%	Added 60%	\$573,711	23,199,026
3	General Motors Company	GM		5.4%	Added 18%	\$343,658	17,426,863
4	Marvell Technology Group	MRVL		4.5%	Added 39%	\$288,796	25,602,479
5	CIGNA Corporation	CI		4.5%	New	\$283,140	6,435,000
6	Gold Miners ETF	GDX		4.2%	Cut -17%	\$268,843	6,004,971
7	Sprint Nextel Corp.	S		3.7%	Added 6%	\$236,271	72,475,900
8	Microsoft Corporation	MSFT		3.7%	Added 2%	\$234,407	7,662,895
9	Coventry Health Care Inc.	CVH		3.3%	New	\$211,722	6,660,000
10	DELPHI AUTOMOTIVE	DLPH		3.2%	Cut -2%	\$204,808	8,031,661
11	Xerox Corp.	XRX		3.2%	Added 69%	\$204,599	25,997,417
12	Einstein Noah Restaurant	BAGL		3.0%	Unchanged	\$188,479	10,733,469
13	NCR Corp.	NCR		3.0%	Cut -1%	\$187,973	8,269,790
14	Ensco plc	ESV		2.8%	Cut -1%	\$178,282	3,795,665
15	Microsoft Corporation	MSFT	CALL	2.4%	New	\$152,951	5,000,000
16	CBS CORP CL B	CBS		2.2%	Cut -4%	\$141,894	4,328,681
17	Unitedhealth Group, Inc.	UNH		2.1%	New	\$133,672	2,285,000
18	Humana Inc.	HUM		2.0%	New	\$127,388	1,645,000
19	Aetna Inc.	AET		1.9%	New	\$122,898	3,169,925
20	WellPoint Inc.	WLP		1.9%	New	\$123,159	1,930,689
21	Virgin Media, Inc.	VMED		1.9%	New	\$119,999	4,920,000
22	CareFusion Corporation	CFN		1.9%	Cut -56%	\$117,843	4,588,902
23	Aspen Insurance Holdings	AHL		1.8%	Cut -1%	\$116,745	4,039,600
24	HUNTINGTON INGALLS	HII		1.6%	Cut -8%	\$102,237	2,540,696
25	DST Systems Inc.	DST		1.6%	Added 19%	\$101,016	1,860,000
26	Hess Corporation	HES		1.4%	New	\$90,593	2,085,000
27	Computer Sciences Corp	CSC		1.4%	Added 51%	\$89,899	3,622,023
28	Legg Mason Inc.	LM		1.4%	Cut -1%	\$88,837	3,368,900
29	Liberty Media Corp	LMCA		1.3%	Cut -1%	\$85,422	971,700
30	Barrick Gold Corporation	ABX		1.2%	Added 94%	\$73,919	1,967,500
31	OAKTREE CAPITAL	OAK		1.0%	New	\$65,359	1,851,812
32	NVR Inc.	NVR		0.9%	Unchanged	\$54,443	64,050
33	Expedia Inc.	EXPE		0.8%	Cut -1%	\$47,493	988,000
34	STATE BANK FINANCIAL	STBZ		0.5%	Unchanged	\$31,836	2,100,000
35	Best Buy Co. Inc.	BBY		0.4%	Cut -84%	\$25,341	1,209,000
36	Fifth Street Finance Corp.	FSC		0.3%	Unchanged	\$19,946	1,998,692
37	Republic Airways	RJET		0.3%	Unchanged	\$18,941	3,412,800
38	Chipotle Mexican Grill, Inc.	CMG	PUT	0.3%	New	\$18,997	50,000
39	Compuware Corporation	CPWR		0.2%	Cut -73%	\$11,158	1,201,080
40	Tessera Technologies Inc.	TSRA		0.2%	Unchanged	\$10,692	695,580
41	SYMMETRICOM, INC.	SYMM		0.2%	Unchanged	\$10,242	1,709,846
42	BioFuel Energy Corp.	BIOF		0.1%	Cut 0%	\$4,836	1,358,437
43	Genworth Financial Inc.	GNW		0.1%	New	\$3,727	658,700
44	Junior Gold Miners ETF	GDXJ			Sold		-
45	Dell Inc.	DELL			Sold		-
46	CA Technologies	CA			Sold		-
47	HCA HLDGS INC COM	HCA			Sold		-
48	Research In Motion Limited	RIMM			Sold		-
49	ROUNDY'S, INC.	RNDY			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:

eBay (EBAY)
News Corp (NWSA)
Liberty Global (LBTYA)
DaVita (DVA)
HCA (HCA)
Kohl's (KSS)
Cooper (COO)
Monsanto (MON) Calls
Kinder Morgan Warrants (KMIIV ~ received from old El Paso stake)
Disney (DIS) Calls

Sold Completely Out Of:

Las Vegas Sands (LVS)
Green Mountain Coffee (GMCR)
Fossil (FOSL)
TripAdvisor (TRIP)
CTrip (CTRP)
Wynn (WYNN)
El Paso ~ acquired by Kinder Morgan

Steve Mandel's Lone Pine Capital made some intriguing changes in the second quarter. The big news is their new position in eBay (EBAY), now their seventh largest holding, and a stock numerous other hedge funds were also buying. In fact, many of Lone Pine's top new buys are either hedge fund favorites or were consensus buys this quarter. DaVita is a favorite of Warren Buffett's Berkshire Hathaway, along with Andreas Halvorsen's Viking Global, and Roberto Mignone's Bridger Management. And while not as many funds were out buying Liberty Global (LBTYA) during this particular quarter, it's still a core position for many funds that continue to hold a stake.

In other portfolio notes, the next page shows Lone Pine increased their stake in Kinder

Morgan (KMI) by 315%, but this is due to the fact that KMI purchased El Paso (EP), a previously sizable holding of Mandel's. In the transaction, Lone Pine received KMI shares, Kinder Morgan Warrants, and cash for their EP stake.

The prior issue of Hedge Fund Wisdom briefly mentioned that Mandel had gone long shares of Kohl's (KSS). The most recent portfolio disclosure on the next page shows that Lone Pine owns just over 4.2 million shares of the company. Providing some color on his thesis, Mandel at the Ira Sohn Conference this summer noted he likes "share count shrinkers," or companies that use free cashflow to shrink the number of shares outstanding by 8% to 10% annually. He cited KSS as an example as the company has gone from 30 stores to national over 20 years and have higher sales than competitor J.C. Penney (JCP). At \$46 per share, KSS traded at less than 10x 2012 EPS and he obviously likes that the company is buying back stock (shares now trade around \$50). Drilling down some numbers on the company's buyback, KSS bought 19 million shares (worth \$1 billion) in 2010. In 2011, the company purchased 46 million shares, worth \$2.3 billion. In the first quarter of 2012, they bought back \$325 million worth of shares and expect to buy \$1 billion total in 2012. Mandel is a seasoned consumer analyst and portfolio manager and this particular investment is a play on the company's financials.

Other notable buys by Lone Pine in the quarter include adding to their stakes in Ralph Lauren (RL), The Gap (GPS), and Disney (DIS).

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		4.9%	Added 13%	\$831,154	1,423,209
2	Google Inc.	GOOG		4.6%	Added 2%	\$774,580	1,335,321
3	Priceline.com Incorporated	PCLN		4.4%	Added 4%	\$749,704	1,128,189
4	Monsanto Co.	MON		3.9%	Added 24%	\$667,044	8,058,039
5	Polo Ralph Lauren Corp.	RL		3.6%	Added 46%	\$616,562	4,402,128
6	Gap Inc.	GPS		3.5%	Added 92%	\$588,310	21,502,575
7	eBay Inc.	EBAY		3.4%	New	\$584,095	13,903,725
8	SPDR Gold Shares	GLD		3.4%	Unchanged	\$582,017	3,750,348
9	Walt Disney Co.	DIS		3.4%	Added 101%	\$573,706	11,828,989
10	KINDER MORGAN	KMI		3.4%	Added 316%	\$567,864	17,624,581
11	Equinix, Inc.	EQIX		3.3%	Unchanged	\$555,779	3,164,127
12	NETEASE INC	NTES		3.0%	Cut -2%	\$516,692	8,779,807
13	Cognizant Tech Solutions	CTSH		3.0%	Added 46%	\$509,960	8,499,329
14	TransDigm Group	TDG		2.8%	Added 4%	\$466,302	3,472,092
15	Crown Castle International	CCI		2.7%	Cut -5%	\$459,712	7,836,898
16	QUALCOMM Incorporated	QCOM		2.5%	Unchanged	\$427,530	7,678,339
17	Visa, Inc.	V		2.4%	Cut -27%	\$407,040	3,292,401
18	Express Scripts Inc.	ESRX		2.4%	Cut -6%	\$399,455	7,154,848
19	Wyndham Worldwide Corp	WYN		2.3%	Added 8%	\$384,430	7,289,162
20	MICHAEL KORS	KORS		2.3%	Added 75%	\$385,012	9,202,011
21	Oceaneering International, Inc.	OII		2.0%	Cut -3%	\$347,019	7,250,714
22	AutoZone Inc.	AZO		2.0%	Cut -12%	\$343,844	936,470
23	Ulta Salon	ULTA		1.9%	Added 163%	\$326,703	3,498,638
24	News Corp.	NWSA		1.8%	New	\$304,834	13,675,800
25	Teradata Corporation	TDC		1.8%	Cut -41%	\$304,894	4,234,044
26	Liberty Global Inc.	LBTYA		1.8%	New	\$301,796	6,080,909
27	DaVita, Inc.	DVA		1.8%	New	\$299,456	3,049,139
28	Lululemon Athletica Inc.	LULU		1.5%	Added 11%	\$251,263	4,213,709
29	Tractor Supply Company	TSCO		1.5%	Add 1146%	\$245,576	2,956,606
30	Ross Stores Inc.	ROST		1.3%	Cut -9%	\$227,219	3,637,252
31	HCA HLDGS INC COM	HCA		1.3%	New	\$224,177	7,366,988
32	WABCO Holdings Inc.	WBC		1.3%	Unchanged	\$220,736	4,170,336
33	Dollar General Corporation	DG		1.2%	Cut -73%	\$200,997	3,695,483
34	B/E AEROSPACE INC	BEAV		1.2%	Added 6%	\$197,730	4,528,853
35	Kohl's Corp.	KSS		1.2%	New	\$194,438	4,274,293
36	New Oriental Education&Tech	EDU		1.2%	Cut -18%	\$195,862	7,994,383
37	Estee Lauder Companies Inc.	EL		1.0%	Unchanged	\$171,216	3,163,643
38	The Cooper Companies Inc.	COO		1.0%	New	\$160,928	2,017,657
39	Monsanto Co.	MON	CALL	0.8%	New	\$129,137	1,560,000
40	Banco Santander (Brasil) S.A.	BSBR		0.7%	Added 29%	\$125,474	16,190,134
41	Kinder Morgan Warrants	KMIIV		0.7%	New	\$116,978	54,156,255
42	Sears Holdings Corp	SHLD	PUT	0.7%	Added 3%	\$112,433	1,883,300
43	V.F. Corporation	VFC		0.6%	Cut -39%	\$107,079	802,389
44	Accretive Health, Inc.	AH		0.6%	Added 6%	\$102,883	9,387,133
45	W.R. Grace & Co.	GRA		0.5%	Cut -46%	\$90,946	1,802,702

Continued on next page...

Lone Pine Capital

Second Quarter 2012 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Walt Disney Co.	DIS	CALL	0.4%	New	\$74,205	1,530,000
47	VanceInfo Technologies Inc.	VIT		0.4%	Unchanged	\$72,977	7,617,690
48	Sensata Technologies	ST		0.4%	Cut -54%	\$72,645	2,712,645
49	QUALCOMM Incorporated	QCOM	CALL	0.3%	New	\$57,907	1,040,000
50	Anheuser-Busch InBev	BUD		0.3%	New	\$56,118	704,561
51	VIX Short-Term Futures ETN	VXX	PUT	0.3%	Unchanged	\$48,672	3,200,000
52	Weyerhaeuser Co.	WY	PUT	0.3%	Unchanged	\$48,521	2,170,000
53	ISOFTSTONE HOLDINGS	ISS		0.2%	Unchanged	\$29,946	5,253,739
54	Owens Corning	OC		0.2%	Cut -62%	\$26,850	940,800
55	Intel Corporation	INTC	PUT	0.2%	Unchanged	\$25,184	945,000
56	Netflix, Inc.	NFLX		0.2%	New	\$24,722	360,988
57	China Lodging Group	HTHT		0.1%	Added 84%	\$20,526	1,748,393
58	Frontier Communications	FTR	PUT	0.1%	New	\$21,065	5,500,000
59	Google Inc.	GOOG	CALL	0.1%	New	\$18,562	32,000
60	CenturyLink, Inc.	CTL	PUT	0.1%	New	\$11,847	300,000
61	7 Days Group Holdings	SVN		0.1%	Cut -6%	\$10,968	1,038,628
62	Fossil, Inc.	FOSL			Sold		-
63	TRIPADVISOR INC	TRIP			Sold		-
64	El Paso Corp.	EP			Sold		-
65	Liberty Media	LMCA			Sold		-
66	Las Vegas Sands	LVS			Sold		-
67	Wynn Resorts Ltd.	WYNN			Sold		-
68	Ctrip.com International	CTRP			Sold		-
69	Green Mountain Coffee	GMCR			Sold		-
70	MedcoHealth Solutions	MHS	CALL		Sold		-
71	Ariba Inc.	ARBA			Sold		-

Next Page: Appaloosa Management

Appaloosa Management

David Tepper

Has compounded 30% for investors over 17 years

Takes concentrated positions in distressed debt & equity

Profiled in the new book: [The Alpha Masters](#)



Key Takeaways

New Positions:

Whirlpool (WHR)
MGM (MGM)
Lam Research (LRCX)
SPDR S&P 500 (SPY) Calls
Celanese (CE)
JetBlue (JBLU)

Sold Completely Out Of:

Select Sector Financials (XLF)
SPDR S&P 500 (SPY)
CVR Energy (CVI)
Oracle (ORCL) Calls

Last quarter's newsletter drew attention to the fact that David Tepper's Appaloosa Management had placed numerous new bets on various equities. This time around, the hedge fund firm continued to buy by adding to existing positions. Of his most sizable stakes, Tepper added to fifteen positions, the most notable being Citigroup (C), which he bought an additional 3 million shares of. Appaloosa now owns over 9.2 million shares of C and it is their third largest position. Additionally, Tepper purchased more Google (GOOG ~ increased by 36%), Qualcomm (QCOM ~ boosted by 52%), Delta Airlines (DAL ~ increased by 41%), and General Motors (GM ~ over doubled their stake). The first quarter issue of the newsletter highlighted how numerous hedge funds had placed heavy wagers on Google, and many also added to their bet again in the second quarter as shares dipped. In the month of July, GOOG has rallied ferociously, hitting a new 52-week high. It's also worth singling out Appaloosa's activity in shares of Qualcomm, mainly because this chip manufacturer was a borderline-consensus buy among major buyside managers

in the second quarter.

Appaloosa also trimmed its top two positions in the summer: PowerShares QQQ (QQQ) and Apple (AAPL). They sold over half of their QQQ position and 24% of their AAPL stake. Despite these sales, these two names remain Appaloosa's top two holdings as technology garners a huge portion of the hedge fund's long US equity book. The two positions combined still represent around 26% of the firm's reported US assets. And given that AAPL is a major component of the QQQ exchange traded fund, Tepper is certainly betting big on AAPL (as are countless other managers).

David Tepper is profiled and interviewed in the new book [The Alpha Masters](#). In it, Tepper reveals why he named his firm Appaloosa: "Greek mythology was popular at the time and they first decided on Pegasus, the flying horse, before discovering it was already taken. They knew they needed a name that started with 'A' to be first to receive faxes on trades, which was how orders were processed back then. They had learned well from their stints at Goldman that two minutes could make or break you. The first name they came across was 'Achaikos' but they found it too hard to pronounce. So they skipped ahead and settled on 'Appaloosa.' And the fund was born." It's funny to look back at how far markets have come technology-wise as faxes are rarely used anymore. But the process behind selecting the firm's name also reinforces a hedge fund's main focus: money.

View Appaloosa Management's Updated Portfolio on the Next Page



Appaloosa Management

Second Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	PowerShares QQQ	QQQ		16.7%	Cut -55%	\$539,533	8,409,182
2	Apple Inc.	AAPL		9.3%	Cut -25%	\$301,541	516,338
3	Citigroup, Inc.	C		7.9%	Added 52%	\$253,982	9,266,022
4	United Continental Holdings	UAL		7.1%	Added 19%	\$230,759	9,484,558
5	US Airways Group, Inc.	LCC		5.3%	Added 21%	\$172,313	12,926,695
6	Goodyear Tire & Rubber Co.	GT		4.1%	Added 30%	\$132,745	11,240,072
7	QUALCOMM Incorporated	QCOM		4.0%	Added 52%	\$128,330	2,304,786
8	Google Inc.	GOOG		4.0%	Added 37%	\$128,449	221,437
9	Delta Air Lines Inc.	DAL		3.2%	Added 41%	\$104,283	9,523,569
10	General Motors Company	GM		2.9%	Added 114%	\$92,947	4,713,316
11	Oracle Corp.	ORCL		2.9%	Added 33%	\$92,004	3,097,779
12	Broadcom Corp.	BRCM		2.6%	Added 3%	\$84,197	2,491,023
13	Huntsman Corporation	HUN		2.5%	Added 23%	\$81,781	6,320,011
14	Ford Motor Co.	F		2.3%	Added 17%	\$73,406	7,654,450
15	EMC Corporation	EMC		2.2%	Added 66%	\$69,592	2,715,261
16	Owens Corning	OC		2.0%	Added 54%	\$64,391	2,256,151
17	Valero Energy Corp.	VLO		1.7%	Cut -10%	\$55,718	2,307,161
18	Masco Corporation	MAS		1.7%	Cut -8%	\$53,242	3,838,622
19	Whirlpool Corp.	WHR		1.3%	New	\$43,006	703,180
20	Dean Foods Co.	DF		1.3%	Cut -46%	\$40,909	2,402,175
21	Microsoft Corporation	MSFT		1.1%	Cut -10%	\$34,536	1,129,000
22	Bank of America Corporation	BAC		1.0%	Cut -48%	\$31,550	3,857,008
23	Mueller Water Products, Inc.	MWA		1.0%	Cut -5%	\$31,077	8,981,831
24	FUSION-IO, INC.	FIO		0.9%	Added 23%	\$29,705	1,421,954
25	Calumet Specialty Products	CLMT		0.9%	Cut -8%	\$28,105	1,181,885
26	Two Harbors Investment	TWO		0.9%	Cut -10%	\$28,076	2,710,000
27	Marvell Technology Group	MRVL		0.8%	Cut -10%	\$26,807	2,376,524
28	NetApp, Inc.	NTAP		0.8%	Add 675%	\$24,673	775,399
29	SanDisk Corp.	SNDK		0.8%	Cut -2%	\$24,399	668,821
30	RBS PLC Pfd N	RBS-PN		0.7%	Cut -53%	\$23,642	1,370,542
31	MGM Resorts International	MGM		0.7%	New	\$22,346	2,002,293
32	Hartford Financial Services	HIG		0.6%	Cut -62%	\$18,916	1,072,956
33	Lam Research Corporation	LRCX		0.5%	New	\$16,424	435,200
34	RBS PLC Pfd Q	RBS-PQ		0.4%	Cut -47%	\$14,040	779,137
35	Hartford Financial Warrants	HIG/WS		0.4%	Unchanged	\$12,946	1,275,475
36	Boyd Gaming Corp.	BYD		0.4%	Added 141%	\$12,055	1,674,323
37	CF Industries Holdings, Inc.	CF		0.3%	Cut -20%	\$10,747	55,470
38	Chimera Investment Corp	CIM		0.3%	Cut -10%	\$9,424	3,993,384
39	SPDR S&P 500	SPY	CALL	0.3%	New	\$9,300	48,000
40	International Paper Co.	IP		0.3%	Cut -45%	\$8,746	302,537
41	MPG Office Trust, Inc.	MPG		0.3%	Cut -2%	\$8,457	4,207,354
42	RBS PLC Pfd S	RBS-PS		0.3%	Cut -78%	\$8,170	460,787
43	MFA Financial, Inc.	MFA		0.2%	Cut -6%	\$7,652	969,783
44	RBS PLC Pfd L	RBS-PL		0.2%	Cut -31%	\$7,202	399,671
45	Nuance Communications	NUAN		0.2%	Cut -69%	\$6,903	289,780

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	DELPHI AUTOMOTIVE	DLPH		0.2%	Cut -4%	\$5,622	220,466
47	Celanese Corp.	CE		0.2%	New	\$5,193	150,000
48	RBS PLC Pfd M	RBS-PM		0.2%	Cut -79%	\$4,693	267,889
49	JetBlue Airways	JBLU		0.1%	New	\$4,332	817,374
50	Macy's, Inc.	M		0.1%	Cut -78%	\$3,533	102,865
51	RBS PLC Pfd T	RBS-PT		0.1%	Cut -92%	\$2,544	129,450
52	SPDR S&P 500	SPY	PUT	0.1%	New	\$2,450	50,000
53	GM Warrant (07/10/2016)	GM/WS/A		0.1%	Unchanged	\$1,935	175,561
54	iSharesUSHomeConstruction	ITB		0.1%	Cut -67%	\$1,772	105,499
55	GM Warrants (07/10/2019)	GM/WS/B		0.0%	Unchanged	\$1,190	175,561
56	Beazer Homes USA Inc.	BZH		0.0%	Cut -11%	\$827	254,614
57	Google Inc.	GOOG	CALL	0.0%	New	\$520	500
58	CVR Energy, Inc.	CVI			Sold		-
59	SPDR S&P 500	SPY			Sold		-
60	Oracle Corp.	ORCL	CALL		Sold		-
61	Financial Select Sector SPDR	XLF			Sold		-

To see what hedge funds have been buying in the current quarter, please subscribe for our next issue at www.hedgefundwisdom.com

Check out Ackman's [recommended reading list](#)

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



Key Takeaways

New Positions:

Procter & Gamble (PG)
Procter & Gamble (PG) Calls

Sold Completely Out Of:

Family Dollar (FDO)
Fortune Brands Home & Security (FBHS)
Kraft Foods (KFT)

Joining David Einhorn and Barry Rosenstein, Pershing Square's Bill Ackman will be presenting investment ideas at the Value Investing Congress in two months in New York City. Newsletter readers receive a discount to the event by [clicking here and using discount code: N12MF7](#).

The big story from Ackman's portfolio during the second quarter is what he calls the biggest initial investment he's ever made: Procter & Gamble (PG). While Pershing Square spent over \$1.3 billion to acquire their common stock stake, they only have around a 1% ownership stake in the company. But don't let that percentage fool you. Considering that Pershing Square manages around \$10 billion and they've invested well over a billion in one stock, this is quite a large bet for them. Procter & Gamble is the definition of a behemoth with a \$182 billion market cap and over 2.74 billion shares out. While Ackman's typical style is to take a controlling stake in a company and promote change through activist intervention, it's hard to see how he goes that route with PG since his stake is small on a percentage ownership basis. That said, analysts have still postulated that Ackman will angle to shake-up management and examine splitting the business

up. Touching on his new stake, Ackman recently said that, "We think it's a great company ... it's a cheap stock, but it's cheap for a reason. We own the stock, we like the company, we own about \$1.8 billion in equity and options."

While Pershing Square sold its stakes in Family Dollar (FDO), Fortune Brands Home & Security (FBHS) and Kraft (KFT), they did so not because they dislike the companies, but rather because they needed to fund their purchase of a more compelling opportunity in PG. Ackman commented on his other holdings in his first quarter [letter to investors](#).

When viewing the hedge fund's portfolio on the next page, also keep in mind that Ackman has a 12% interest in Burger King Worldwide (BKW) as the company began trading publicly again. Ackman received this stake from his prior ownership of Justice Holdings in the UK, a SPAC that bought a stake in Burger King.

Also worth highlighting is the fact that while the next page shows Ackman owning Alexander & Baldwin (ALEX), this is no longer the case. In SEC filings made recently, Ackman's firm disclosed that it no longer owns a stake in Alexander & Baldwin (ALEX). However, they own an 8.6% stake in Matson (MATX), which split up from ALEX. This catalyst was part of the reason Pershing owned ALEX initially.

To learn how to become a better investor, be sure to check out Bill Ackman's [recommended reading list](#) of books he suggested to an analyst.

View Pershing Square's Updated Portfolio on the Next Page



Pershing Square

Second Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Canadian Pacific Railway	CP		23.3%	Unchanged	\$1,769,954	24,159,888
2	Procter & Gamble Co.	PG		17.7%	New	\$1,342,368	21,916,208
3	General Growth Properties	GGP		17.2%	Unchanged	\$1,306,707	72,233,712
4	Beam, Inc.	BEAM		17.1%	Unchanged	\$1,300,951	20,818,545
5	J. C. Penney Company, Inc.	JCP		12.0%	Unchanged	\$910,857	39,075,771
6	Procter & Gamble Co.	PG	CALL	6.8%	New	\$513,747	8,387,700
7	Howard Hughes Corp	HHC		2.9%	Unchanged	\$219,932	3,568,017
8	Alexander & Baldwin, Inc.	ALEX		2.6%	Unchanged	\$194,089	3,644,870
9	Citigroup, Inc.	C		0.4%	Cut -96%	\$30,151	1,100,000
10	Family Dollar Stores Inc.	FDO			Sold		-
11	Fortune Brands Home&Security	FBHS			Sold		-
12	Kraft Foods Inc.	KFT			Sold		-

Next Page: Maverick Capital

Maverick Capital

Lee Ainslie

14.0% 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:

Schlumberger (SLB)
Ralph Lauren (RL)
Visa (V)
NVR (NVR)
Yahoo (YHOO)
Liberty Media (LMCA)
Disney (DIS)
Arcos Dorados (ARCO)
Amazon (AMZN)
Polycom (PLCM)
Nike (NKE)

Sold Completely Out Of:

CVS Caremark (CVS)
Green Mountain Coffee (GMCR)
Macy's (M)
JPMorgan Chase (JPM)
Sallie Mae (SLM)
Teradata (TDC)
McKesson (MCK)
Sears Holdings (SHLD)
Pfizer (PFE)
Sara Lee (SLE) ~ split up

buying over 2.5 million shares to bring their ownership total to over 3.2 million shares. On the selling end of things, Maverick didn't reduce many positions. Instead, they decided to exit many names entirely. Of the positions they exited listed in the column on the left, stakes in CVS Caremark (CVS), JPMorgan Chase (JPM), and McKesson (MCK) had all been core positions for the hedge fund and are noteworthy exits.

Back in the first quarter, Maverick sent out an intriguing research piece about zagging while other investors zig. In short, they point to the overwhelming amount of money flowing into bond funds and believe a change in trend lies ahead. Maverick's Steve Galbraith writes, "Having had my investment education at the University of Mean Reversion, it strikes me we are due for some pretty significant reversals in the years ahead. Bond yields in the 98th percentile, 9 consecutive years of active management underperformance, record high correlations despite continuing dispersion in company economic returns, unprecedented flows into an asset class with rapidly diminishing expected returns... it certainly strikes me that it is time to zag." Both Elliott Management's Paul Singer and Omega Advisors' Leon Cooperman also have spoken out at the absurdity in the bond markets, cautioning investors that they're chasing risk without much of a return.

Lee Ainslie's hedge fund ramped up various stakes in a big way during the second quarter. Now their second largest holding, they boosted their stake in Cognizant Technology Solutions (CTSH) by almost 660% during Q2. This stock has also been a longtime favorite of Steve Mandel's Lone Pine Capital. Maverick also increased its position size in NetApp (NTAP) by 245% as it is now their sixth largest US long. Sticking with the technology theme, it's certainly worth pointing out Maverick's top holding: Qualcomm (QCOM). Ainslie's firm increased its position size by 39% in the quarter and numerous other hedge funds were out buying as well. Additionally, Maverick purchased Family Dollar (FDO) in a big way,

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	QUALCOMM Incorporated	QCOM		5.2%	Added 39%	\$354,733	6,370,927
2	Cognizant Tech Solutions	CTSH		4.9%	Added 660%	\$335,265	5,587,749
3	Avago Technologies	AVGO		4.7%	Added 10%	\$318,534	8,872,812
4	Apple Inc.	AAPL		4.6%	Added 5%	\$315,483	540,211
5	CIGNA Corporation	CI		4.6%	Added 9%	\$313,328	7,121,086
6	NetApp, Inc.	NTAP		4.3%	Added 245%	\$291,173	9,150,627
7	Skyworks Solutions Inc.	SWKS		3.6%	Added 53%	\$243,991	8,930,839
8	CareFusion Corporation	CFN		3.4%	Added 6%	\$232,727	9,062,564
9	Google Inc.	GOOG		3.2%	Cut -12%	\$221,604	382,030
10	Family Dollar Stores Inc.	FDO		3.2%	Added 384%	\$216,269	3,253,151
11	YOUKU.COM INC.	YOKU		2.9%	Cut -1%	\$199,058	9,181,641
12	Endo Health Solutions	ENDP		2.9%	Added 17%	\$199,433	6,437,482
13	Dollar General Corp	DG		2.8%	Cut -1%	\$189,122	3,477,139
14	Fomento Econ	FMX		2.6%	Added 65%	\$176,220	1,974,449
15	Schlumberger Limited	SLB		2.4%	New	\$166,620	2,566,940
16	TransDigm Group	TDG		2.4%	Added 24%	\$163,055	1,214,107
17	Oracle Corp.	ORCL		2.3%	Added 31%	\$159,203	5,360,370
18	Credicorp Ltd.	BAP		2.3%	Added 33%	\$154,943	1,230,777
19	H&R Block, Inc.	HRB		2.2%	Added 195%	\$153,149	9,583,790
20	Polo Ralph Lauren	RL		2.0%	New	\$136,304	973,184
21	Tyco International Ltd.	TYC		1.8%	Added 11%	\$123,948	2,345,286
22	Owens Corning	OC		1.8%	Added 106%	\$123,833	4,338,920
23	Comcast Corporation	CMCSA		1.8%	Added 19%	\$122,457	3,830,372
24	Priceline.com	PCLN		1.8%	Added 3%	\$121,341	182,600
25	Visa, Inc.	V		1.7%	New	\$119,461	966,275
26	Valeant Pharmaceuticals	VRX		1.7%	Added 18%	\$115,326	2,572,498
27	Aeropostale, Inc.	ARO		1.7%	Added 36%	\$114,756	6,436,112
28	Progressive Corp.	PGR		1.6%	Added 122%	\$112,263	5,389,463
29	NVR Inc.	NVR		1.4%	New	\$94,635	111,335
30	Yahoo! Inc.	YHOO		1.3%	New	\$88,061	5,562,932
31	Liberty Media	LMCA		1.2%	New	\$80,233	912,673
32	Walt Disney Co.	DIS		1.2%	New	\$79,323	1,635,518
33	Anheuser-Busch InBev	BUD		1.1%	Added 0%	\$72,742	913,268
34	DaVita, Inc.	DVA		1.0%	Added 18%	\$67,825	690,616
35	Comcast Corporation	CMCSK		1.0%	Added 7%	\$66,594	2,120,835
36	ARCOS DORADOS	ARCO		0.9%	New	\$62,455	4,225,657
37	Citigroup, Inc.	C		0.9%	Added 39%	\$62,632	2,285,000
38	Amazon.com Inc.	AMZN		0.9%	New	\$62,111	272,000
39	Polycom, Inc.	PLCM		0.9%	New	\$60,712	5,771,123
40	J. C. Penney Company	JCP		0.9%	Added 164%	\$60,795	2,608,112
41	Nike Inc.	NKE		0.7%	New	\$45,189	514,795
42	Liberty Global Inc.	LBTYA		0.7%	Cut -39%	\$44,259	891,776
43	DIRECTV	DTV		0.6%	Cut -63%	\$43,790	896,973
44	News Corp.	NWSA		0.6%	Cut -61%	\$42,888	1,924,080
45	RENREN INC	RENN		0.6%	Added 204%	\$42,078	9,329,941

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	OAKTREE CAPITAL	OAK		0.5%	New	\$37,277	1,110,000
47	Berkshire Hathaway Inc.	BRK-B		0.5%	New	\$37,082	445,000
48	SolarWinds, Inc.	SWI		0.5%	Added 133%	\$36,505	838,043
49	Ironwood Pharma	IRWD		0.4%	Unchanged	\$28,961	2,101,695
50	Berkshire Hathaway Inc.	BRK-A		0.4%	New	\$24,989	200
51	GROUPON	GRPN		0.3%	Cut -69%	\$21,040	1,979,310
52	Molina Healthcare Inc.	MOH		0.3%	New	\$20,994	894,878
53	Liquidity Services, Inc.	LQDT		0.2%	New	\$12,643	247,031
54	BANKRATE INC	RATE		0.2%	Unchanged	\$11,048	600,764
55	DANGDANG INC.	DANG		0.2%	New	\$10,352	1,554,346
56	HILLSHIRE BRANDS	HSH		0.1%	New	\$8,654	298,505
57	BRIGHTCOVE INC	BCOV		0.1%	Unchanged	\$7,305	502,252
58	PACIFIC BIOSCIENCES	PACB		0.1%	Cut 0%	\$7,664	3,531,953
59	Avery Dennison Corp	AVY		0.1%	Cut -94%	\$6,234	228,009
60	Bluefly Inc.	BFLY		0.1%	Unchanged	\$4,630	3,704,101
61	SUPERVALU Inc.	SVU		0.1%	New	\$3,800	733,600
62	HSN, Inc.	HSNI		0.0%	Cut -94%	\$1,416	35,095
63	icad Inc.	ICAD		0.0%	Unchanged	\$83	184,141
64	MEDLEY CAPITAL	MCC			Sold		-
65	Urban Outfitters Inc.	URBN			Sold		-
66	Caribou Coffee	CBOU			Sold		-
67	Sears Holdings Corp	SHLD			Sold		-
68	Pfizer Inc.	PFE			Sold		-
69	Citrix Systems, Inc.	CTXS			Sold		-
70	RBS PLC Pfd Q	RBS-PQ			Sold		-
71	Wet Seal Inc.	WTSLA			Sold		-
72	RBS PLC Pfd S	RBS-PS			Sold		-
73	CVS Caremark Corp	CVS			Sold		-
74	TriQuint Semiconductor	TQNT			Sold		-
75	Amdocs Ltd.	DOX			Sold		-
76	Teradata Corporation	TDC			Sold		-
77	Sirona Dental Systems	SIRO			Sold		-
78	SLM Corporation	SLM			Sold		-
79	Aetna Inc.	AET			Sold		-
80	McKesson Corporation	MCK			Sold		-
81	Sanderson Farms, Inc.	SAFM			Sold		-
82	Six Flags Entertainment	SIX			Sold		-
83	Macy's, Inc.	M			Sold		-
84	Capital One Financial Corp.	COF			Sold		-
85	Signet Jewelers Limited	SIG			Sold		-
86	Sara Lee Corp.	SLE			Sold		-
87	CARBO Ceramics Inc.	CRR			Sold		-
88	RBS PLC Pfd M	RBS-PM			Sold		-
89	Express Scripts Inc.	ESRX			Sold		-
90	JPMorgan Chase & Co.	JPM			Sold		-
91	China Lodging Group	HTHT			Sold		-
92	Green Mountain Coffee	GMCR			Sold		-

Next Page: Third Point

Offshore fund has returned 18.4% annualized since inception

Focuses on event-driven and distressed plays

View his [recommended reading list](#)



Key Takeaways

New Positions:

UnitedHealth (UNH)
News Corp (NWSA)
Cabot Oil & Gas (COG)
Plains Exploration (PXP)
Coca Cola Enterprises (CCE)
CIGNA (CI)
American International Group (AIG)
Liberty Interactive (LINTA)
WellPoint (WLP)
Lyondell Basell (LYB)
Advance Auto Parts (AAP)
Liberty Global (LBTYK)

Sold Completely Out Of:

Goldman Sachs (GS)
Abercrombie & Fitch (ANF)
Liberty Media (LMCA)
El Paso ~ bought out by Kinder Morgan
MedcoHealth ~ bought by ExpressScripts
Sara Lee ~ split up

Dan Loeb's Third Point bought a bevy of names in the second quarter in an effort to ramp up net long equity exposure. Of the names listed above, UnitedHealth (UNH) and News Corp (NWSA) are the largest new positions. News Corp announced it would be splitting into two companies: entertainment and publishing. And while not reflected on the next page, Loeb's firm has continued to buy equities into the third quarter. The firm's July exposure report revealed a new stake in Kraft (KFT), now their fifth largest position, so definitely keep that in mind when viewing the next page. They're undoubtedly playing the catalyst here as KFT is set to split into a North American grocer business (cashflow) and an emerging snacks business (growth). Third Point is just over 35% net long after their buying spree in Q2 and into Q3. Looking at Loeb's

updated portfolio as of the end of July, his top five holdings in order are Yahoo (YHOO), Gold, Apple (AAPL), Delphi (DLPH), and Kraft (KFT).

Regarding Third Point's ownership stake in Delphi, the hedge fund addressed this position in their recent letter to investors, writing: "In our view, Delphi is a best-in-class supplier which still trades at the valuation of more commoditized and disadvantaged comparable companies. Delphi has premium business lines, an excellent geographic customer base, no need for further deleveraging, virtually no North American unionized labor, and significantly smaller pension liabilities than almost all of its peers. Using multiples closer to the upper quartile of suppliers – where we feel Delphi belongs and is headed – Delphi's stock should be worth \$35-40 per share, or a 30-40% upside from current levels." Loeb's firm originally purchased the company's DIP loan facility back in June 2009 and continue to hold well after the company has re-emerged and completed its re-entrance to the equity market. Given Delphi was a distressed play, it should come as no surprise that numerous credit-focused hedge funds are still some of the largest owners including: Elliott Management, Paulson & Co, Silver Point Capital, Greenlight Capital, Perry Capital, and Senator Investment Group (though the first three have been selling).

Dan Loeb is profiled in the excellent new book [The Alpha Masters](#) along with numerous other top managers.

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	Yahoo! Inc.	YHOO		34.1%	Unchanged	\$1,116,021	70,500,400
2	DELPHI AUTOMOTIVE PLC	DLPH		9.0%	Cut -14%	\$293,250	11,500,000
3	Apple Inc.	AAPL		7.6%	Added 17%	\$248,200	425,000
4	United Technologies Corp.	UTX		3.6%	Cut -30%	\$117,072	1,550,000
5	Unitedhealth Group, Inc.	UNH		3.2%	New	\$105,300	1,800,000
6	News Corp.	NWSA		2.7%	New	\$89,160	4,000,000
7	Capital One Financial Corp.	COF		2.5%	Cut -31%	\$80,624	1,475,000
8	Cabot Oil & Gas Corporation	COG		2.4%	New	\$78,800	2,000,000
9	Plains Exploration & Prod	PXP		2.4%	New	\$77,396	2,200,000
10	Coca-Cola Enterprises Inc.	CCE		2.4%	New	\$77,110	2,750,000
11	CIGNA Corporation	CI		2.3%	New	\$74,800	1,700,000
12	AmericanInternationalGroup	AIG		2.2%	New	\$72,202	2,250,000
13	Liberty Global Inc.	LBTYA		2.0%	Added 262%	\$64,519	1,300,000
14	Liberty Media Interactive	LINTA		1.8%	New	\$57,769	3,250,000
15	DISH NETWORK	DISH		1.7%	Unchanged	\$57,100	2,000,000
16	WellPoint Inc.	WLP		1.7%	New	\$54,222	850,000
17	LyondellBasell	LYB		1.6%	New	\$52,351	1,300,000
18	Advance Auto Parts Inc.	AAP		1.5%	New	\$50,558	741,100
19	Liberty Global Inc.	LBTYK		1.5%	New	\$47,750	1,000,000
20	Weatherford International	WFT		1.4%	Cut -20%	\$46,731	3,700,000
21	ENPHASE ENERGY, INC.	ENPH		1.4%	New	\$45,314	7,448,987
22	Sensata Technologies	ST		1.3%	New	\$40,840	1,525,000
23	Humana Inc.	HUM		1.1%	New	\$36,784	475,000
24	Ariad Pharmaceuticals Inc.	ARIA		1.1%	New	\$36,141	2,100,000
25	Aetna Inc.	AET		1.1%	New	\$34,893	900,000
26	Thoratec Corp.	THOR		1.0%	Added 100%	\$33,580	1,000,000
27	Vertex Pharmaceuticals	VRTX		0.9%	New	\$27,960	500,000
28	Westlake Chemical Corp.	WLK		0.8%	New	\$26,130	500,000
29	SPDR Gold Shares	GLD		0.7%	Cut -9%	\$22,503	145,000
30	Newell Rubbermaid Inc.	NWL		0.7%	New	\$21,768	1,200,000
31	RBS PLC Pfd T	RBS-PT		0.6%	Added 4%	\$19,650	1,000,000
32	Constellation Brands Inc.	STZ		0.4%	New	\$13,530	500,000
33	HILLSHIRE BRANDS	HSH		0.4%	New	\$11,366	392,080
34	Informatica Corporation	INFA		0.3%	New	\$8,472	200,000
35	RBS PLC Pfd Q	RBS-PQ		0.2%	Cut -25%	\$7,208	400,000
36	RBS PLC Pfd S	RBS-PS		0.2%	Cut -33%	\$7,092	400,000
37	J. C. Penney Company	JCP	PUT	0.2%	New	\$6,480	9,000,000
38	RBS PLC Pfd N	RBS-PN		0.1%	Added 4%	\$4,485	260,000
39	Chesapeake Energy NOTE	CHK		0.1%	New	\$3,962	5,000,000
40	BioFuel Energy Corp.	BIOF		0.1%	Added 262%	\$3,590	1,008,432
41	Weatherford International	WFT	CALL	0.0%	New	\$413	3,500,000
42	The Goldman Sachs Group	GS			Sold		-
43	El Paso Corp.	EP			Sold		-
44	Barrick Gold Corporation	ABX			Sold		-
45	Abercrombie & Fitch Co.	ANF			Sold		-

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Qihoo 360 Technology	QIHU	PUT		Sold		-
47	Liberty Media	LMCA			Sold		-
48	McKesson Corporation	MCK			Sold		-
49	Xerium Technologies Inc.	XRM			Sold		-
50	MedcoHealth Solutions	MHS			Sold		-
51	QUESTCOR PHARMA	QCOR	PUT		Sold		-
52	Express Scripts Inc.	ESRX			Sold		-
53	Teradyne Inc.	TER			Sold		-
54	Mead Johnson Nutrition	MJN			Sold		-
55	Family Dollar Stores Inc.	FDO			Sold		-
56	Cisco Systems, Inc.	CSCO			Sold		-
57	Wells Fargo & Company	WFC			Sold		-
58	Ivanhoe Mines Ltd.	IVN			Sold		-
59	Marvell Technology Group	MRVL			Sold		-
60	Sara Lee Corp.	SLE			Sold		-
61	KINDER MORGAN, INC	KMI	CALL		Sold		-
62	McKesson Corporation	MCK	CALL		Sold		-
63	RBS PLC Pfd M	RBS-PM			Sold		-
64	Genworth Financial	GNW			Sold		-
65	Pioneer Natural Resources	PXD			Sold		-
66	Google Inc.	GOOG			Sold		-
67	Devon Energy Corporation	DVN			Sold		-
68	RBS PLC Pfd P	RBS-PP			Sold		-
69	Teva Pharmaceutical	TEVA			Sold		-

Blue Ridge Capital

John Griffin

Classifies investments as catalyst driven or time arbitrage & previously was Julian Robertson's right-hand man

View his [recommended reading list](#)



Key Takeaways

New Positions:

American International Group (AIG)
America Movil (AMX)
General Motors (GM)
Colfax (CFX)
Owens Corning (OC)
Molycorp (MCP)

Sold Completely Out Of:

Baidu (BIDU)
Yandex (YNDX)
Northeast Bancorp (NBN)
Pacific Biosciences (PACB)
NovaGold Resources (NG)

Blue Ridge Capital made a number of new buys in the quarter and the vast majority of them seem to be somewhat tied to an economic recovery. American International Group (AIG) was by far their biggest purchase as it's now their fourth largest position. The hedge fund also owns a legacy position in AIG warrants (AIG-WS), which they purchased back in the middle of 2011. AIG is profiled later in this issue's [equity analysis section](#) as numerous prominent managers initiated stakes during the quarter. The government has been reducing its stake in AIG and CEO Robert Benmosche has certainly turned the company around.

Blue Ridge also initiated numerous economically sensitive positions: General Motors (GM), Colfax (CFX), and Owens Corning (OC). In portfolio activity since the close of the quarter, Blue Ridge has continued to buy shares of Colfax (CFX). They now own over 5.3 million shares of this global industrial manufacturing company, representing a 5.73% ownership stake according to a recent 13G filed with the SEC. In addition to this, the hedge fund also added

substantially to a few pre-existing holdings, including Gilead Sciences (GILD ~ position size increased by 39%), and Martin Marietta Materials (MLM ~ boosted stake by 56%). During the quarter, shares of MLM dipped from \$82 down to \$65 and Blue Ridge took advantage of the opportunity to add to their position. Shares have already rallied back to \$78 and they own 5.53% of the company. The last buying activity worth pointing out is how Blue Ridge boosted its position size in VeriSign (VRSN) by 61%. This name saw a copious amount of activity from hedge funds during Q2 as this internet infrastructure company was a consensus buy.

In terms of stock sales, John Griffin's firm liquidated its stakes in the two prominent international search engine companies: Baidu (BIDU ~ China) and Yandex (YNDX ~ Russia). While they exited these positions, they continue to hold shares of Google (GOOG), their fifth largest US equity long as it seems they prefer the domestic search engine giant. And in a mark of contrasting opinion on a particular security, Griffin's firm liquidated its stake in NovaGold Resources (NG). Shares of the gold miner continued to fall during the quarter and this iteration of the newsletter already highlighted how Seth Klarman's Baupost Group has continued to buy NG shares as they have fallen for consecutive quarters. John Griffin, on the other hand, threw in the towel and headed for other opportunities.

To learn how to become a better investor, it's worthwhile to check out [Blue Ridge Capital's recommended reading lists](#) on various finance topics.

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



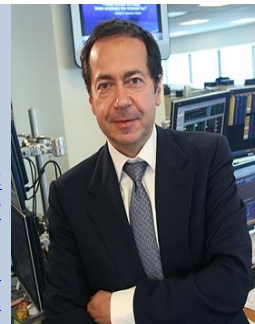
Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Apple Inc.	AAPL		6.6%	Added 4%	\$438,876	751,500
2	Amazon.com Inc.	AMZN		6.0%	Unchanged	\$397,762	1,741,896
3	Priceline.com Incorporated	PCLN		5.6%	Unchanged	\$368,144	554,000
4	AmericanInternationalGroup	AIG		5.1%	New	\$335,020	10,440,000
5	Google Inc.	GOOG		4.6%	Unchanged	\$301,636	520,000
6	VeriSign Inc.	VRSN		4.1%	Added 61%	\$271,005	6,220,000
7	Thermo Fisher Scientific	TMO		3.9%	Added 8%	\$260,069	5,010,000
8	HCA HLDGS INC COM	HCA		3.9%	Added 11%	\$255,612	8,400,000
9	TRIPADVISOR INC	TRIP		3.8%	Added 21%	\$253,616	5,675,000
10	Monsanto Co.	MON		3.8%	Cut -30%	\$251,237	3,035,000
11	Liberty Global Inc.	LBTYA		3.7%	Unchanged	\$242,443	4,885,000
12	Lowe's Companies Inc.	LOW		3.4%	Added 11%	\$223,851	7,871,000
13	JPMorgan Chase & Co.	JPM		3.3%	Unchanged	\$219,204	6,135,000
14	Range Resources Corp	RRC		3.3%	Cut -18%	\$218,710	3,535,000
15	Gilead Sciences Inc.	GILD		3.2%	Added 39%	\$211,017	4,115,000
16	Sensata Technologies	ST		3.2%	Unchanged	\$210,893	7,875,000
17	DOLLAR TREE STORES	DLTR		3.1%	Unchanged	\$206,592	3,840,000
18	MARTIN MARIETTA	MLM		3.0%	Added 56%	\$199,415	2,530,000
19	Netflix, Inc.	NFLX		2.6%	Added 6%	\$171,213	2,500,000
20	SIRIUS XM Radio Inc.	SIRI		2.2%	Added 27%	\$145,780	78,800,000
21	Delta Air Lines Inc.	DAL		2.1%	Unchanged	\$135,780	12,400,000
22	Polo Ralph Lauren Corp.	RL		2.0%	Unchanged	\$130,956	935,000
23	WABCO Holdings Inc.	WBC		2.0%	Added 42%	\$131,002	2,475,000
24	America Movil	AMX		1.8%	New	\$119,225	4,575,000
25	General Motors	GM		1.7%	New	\$115,165	5,840,000
26	MICHAEL KORS	KORS		1.7%	Added 22%	\$113,596	2,715,000
27	Colfax Corporation	CFX		1.6%	New	\$108,764	3,945,000
28	United Continental	UAL		1.5%	Unchanged	\$98,431	4,045,678
29	TD AMERITRADE	AMTD		1.3%	Unchanged	\$83,385	4,905,000
30	YOUKU.COM INC.	YOUKU		1.2%	Unchanged	\$78,048	3,600,000
31	Owens Corning	OC		1.1%	New	\$72,777	2,550,000
32	Citigroup, Inc.	C		0.9%	Unchanged	\$60,850	2,220,000
33	Molycorp, Inc.	MCP		0.7%	New	\$46,764	2,170,000
34	Xinyuan Real Estate	XIN		0.5%	Cut -19%	\$33,702	11,086,195
35	MGIC Investment Corp.	MTG		0.4%	Unchanged	\$28,514	9,900,600
36	BlackRock, Inc.	BLK		0.4%	Cut -72%	\$27,717	163,214
37	Tesla Motors, Inc.	TSLA		0.3%	Unchanged	\$17,992	575,000
38	AIG Warrants	AIG/WS		0.2%	Unchanged	\$11,857	1,150,000
39	WESTPORT INNOVATIONS	WPRT		0.2%	New	\$11,182	304,278
40	JPMorganChase Warrants	JPM/WS		0.1%	Unchanged	\$9,115	933,000
41	Ivanhoe Energy Inc.	IVAN		0.1%	Unchanged	\$7,823	15,985,000
42	Baidu, Inc.	BIDU			Sold		-
43	YANDEX N V	YNDX			Sold		-
44	Northeast Bancorp	NBN			Sold		-
45	PACIFIC BIOSCIENCES	PACB			Sold		-
46	NovaGold Resources Inc.	NG			Sold		-

Next Page: Paulson & Co

Predicted & profited from the subprime crisis; manages \$35bn

Featured in the book [The Greatest Trade Ever](#)

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



Key Takeaways

New Positions:

Equinix (EQIX)
JPMorgan Chase (JPM)
Hillshire Brands (HSH) ~ Sara Lee spinoff
Cooper Industries (CBE)
Kinder Morgan Warrants (KMIIV ~ received from El Paso buyout)

Sold Completely Out Of:

MetLife (MET)
AbitibiBowater (ABH)
Chemtura (CHMT)
Tenet Healthcare (THC)
Anadarko Petroleum (APC)
Family Dollar (FDO)
Beazer Homes (BZH)
Motorola Mobility ~ bought by Google
El Paso ~ bought by Kinder Morgan
Sara Lee ~ completed spinoff
Medco Health ~ bought by Express Scripts

John Paulson was out buying more gold in the quarter via the exchange traded fund proxy GLD, increasing his position size by 26%. While this is his “top holding,” keep in mind that Paulson offers share classes of his various hedge funds denominated in gold rather than US dollars. And sticking with the topic of gold, the previous pages on John Griffin’s Blue Ridge Capital flagged how that hedge fund had exited shares of gold miner NovaGold Resources (NG) while Seth Klarman’s Baupost Group has continued to buy on the decline. John Paulson’s firm was also out buying more NG shares. Paulson also continues to own large stakes in AngloGold Ashanti (AU ~ his largest gold mining position) as well as Gold Fields (GFI), and all are presumably held in [his gold fund](#).

Of the positions John Paulson’s firm was buying during the quarter, HCA Holdings (HCA) was definitely the largest. Paulson added

to his stake in the for-profit hospital network by 397% and it is now his eighth largest US equity long. Larry Robbins of Glenview Capital also owns this name and wrote about the thesis in a letter to investors: “For-profit hospitals are at the cusp of entering a ‘growth on growth’ phase, fueled by expanded health insurance coverage, assuming that some or all of the Affordable Care Act is confirmed by the Supreme Court” (which it was). Robbins goes on to write, “Due to the struggles of the not-for-profit (NFP) hospital sector, along with low valuations across the industry, it is possible that tuck-in acquisitions are more accretive than usual, fueling not only financial returns with strong returns on incremental capital, but also strengthening regional franchises at the local level.” While HCA has had some acquisition activity, Glenview feels that a more attractive use of capital is to repurchase shares given the low valuations.

Paulson & Co also initiated a stake in technology company Equinix (EQIX) during the quarter. This is a favorite of Philippe Laffont’s hedge fund Coatue Management as well. Last quarter’s issue of Hedge Fund Wisdom outlined the bull case and the bear case on EQIX so be sure to login and download it if interested. Lastly, when viewing the next page, please note that Paulson’s position in Goodrich no longer exists as United Technologies acquired the company recently.

Paulson is profiled and interviewed in the new book, [The Alpha Masters](#), if you’re interested in learning more about the manager.

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	SPDR Gold Shares	GLD		28.3%	Added 26%	\$3,388,970	21,837,552
2	AngloGold Ashanti Ltd.	AU		9.4%	Cut -1%	\$1,125,044	32,761,921
3	DELPHI AUTOMOTIVE	DLPH		6.9%	Cut -29%	\$822,741	32,264,336
4	HartfordFinancial Services	HIG		4.6%	Cut -16%	\$552,598	31,344,200
5	Mylan, Inc.	MYL		4.4%	Unchanged	\$523,638	24,503,400
6	MGM Resorts	MGM		3.5%	Unchanged	\$420,165	37,649,200
7	CNO FINL GROUP NOTE	CNO		2.6%	Unchanged	\$312,212	199,976,000
8	HCA HLDGS INC COM	HCA		2.0%	Added 397%	\$241,919	7,950,000
9	Gold Fields Ltd.	GFI		1.9%	Cut -4%	\$231,074	18,038,600
10	Capital One Financial	COF		1.9%	Cut -49%	\$229,572	4,200,000
11	Life Technologies Corp	LIFE		1.9%	Unchanged	\$223,951	4,977,792
12	AMC NETWORKS	AMCX		1.7%	Unchanged	\$204,413	5,750,000
13	NovaGold Resources Inc.	NG		1.6%	Added 13%	\$188,806	35,970,518
14	Goodrich Corp.	GR		1.5%	Unchanged	\$181,169	1,427,649
15	Equinix, Inc.	EQIX		1.5%	New	\$178,039	1,013,600
16	CNO Financial Group	CNO		1.5%	Cut -2%	\$177,605	22,769,906
17	Baxter International Inc.	BAX		1.2%	Cut -50%	\$143,505	2,700,000
18	JPMorgan Chase & Co.	JPM		1.2%	New	\$142,920	4,000,000
19	Caesars Entertainment	CZR		1.2%	Unchanged	\$141,050	12,372,835
20	Quest Software Inc.	QSFT		1.2%	Added 146%	\$137,262	4,928,600
21	AngloGoldAshantiConv	AU/PA		1.1%	Added 0%	\$125,870	3,055,100
22	Scripps Networks	SNI		1.0%	Cut -30%	\$119,406	2,100,000
23	InterDigital, Inc.	IDCC		1.0%	Unchanged	\$118,040	4,000,000
24	Wells Fargo & Company	WFC		1.0%	Unchanged	\$116,739	3,491,000
25	XL Group plc	XL		0.9%	Cut -54%	\$108,491	5,156,400
26	GRIFOLS, S.A.	GRFS		0.9%	Unchanged	\$107,575	11,205,745
27	Bank of America Warrant	BAC/WS/A		0.9%	Cut -3%	\$108,374	30,700,988
28	Rock-Tenn Co.	RKT		0.9%	Cut -3%	\$105,374	1,931,695
29	Ralcorp Holdings Inc.	RAH		0.8%	Unchanged	\$100,110	1,500,000
30	Covidien plc	COV		0.8%	Unchanged	\$96,300	1,800,000
31	Popular Inc.	BPOP		0.7%	Cut -19%	\$88,531	5,329,996
32	American Capital, Ltd.	ACAS		0.7%	Cut -53%	\$86,448	8,584,700
33	HILLSHIRE BRANDS	HSH		0.7%	New	\$85,921	2,963,808
34	Capital One Warrants	COF/WS		0.7%	Unchanged	\$85,440	3,992,520
35	AboveNet, Inc.	ABVT		0.7%	Unchanged	\$84,000	1,000,000
36	Randgold Resources Ltd.	GOLD		0.7%	Unchanged	\$83,754	930,502
37	Gaylord Entertainment	GET		0.6%	Added 47%	\$77,120	2,000,000
38	Cooper Industries plc	CBE		0.6%	New	\$68,180	1,000,000
39	GENON ENERGY INC	GEN		0.5%	Unchanged	\$53,988	31,571,989
40	Boise Inc.	BZ		0.4%	Unchanged	\$46,167	7,016,300
41	Viacom Inc 6.85% Pfd	VIAB		0.4%	Unchanged	\$47,020	1,000,000
42	IAMGOLD Corp.	IAG		0.4%	Unchanged	\$45,806	3,881,900
43	Allied Nevada Gold Corp.	ANV		0.4%	Added 50%	\$42,832	1,509,221
44	Agnico-Eagle Mines Ltd.	AEM		0.3%	Unchanged	\$41,132	1,016,600
45	RESOLUTE FOREST	RFP		0.3%	New	\$38,214	3,300,000

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Howard Hughes Corp	HHC		0.3%	Cut -51%	\$35,314	572,900
47	Barrick Gold Corporation	ABX		0.3%	Unchanged	\$34,377	915,000
48	Cablevision Systems Corp	CVC		0.2%	New	\$27,909	2,100,000
49	POST HOLDINGS INC	POST		0.2%	Unchanged	\$25,532	830,300
50	FelCor Lodging Trust Inc.	FCH		0.2%	Cut -12%	\$23,500	5,000,000
51	STATE BANK FINANCIAL	STBZ		0.2%	Unchanged	\$19,135	1,262,200
52	RBS PLC Pfd M	RBS-PM		0.1%	Unchanged	\$14,630	835,051
53	RBS PLC Pfd N	RBS-PN		0.1%	Unchanged	\$14,153	820,490
54	International Tower Hill	THM		0.1%	Unchanged	\$14,188	5,103,500
55	Prestige Brands Holdings	PBH		0.1%	Cut -15%	\$13,439	850,000
56	NOVACOPPER INC	NCQ		0.1%	New	\$12,021	5,995,077
57	Bank of America Warrant	BAC/WS/B		0.1%	Unchanged	\$10,433	13,041,600
58	RBS PLC Pfd Q	RBS-PQ		0.1%	Unchanged	\$11,129	617,578
59	RBS PLC Pfd P	RBS-PP		0.1%	Unchanged	\$10,539	602,433
60	STRATEGIC HOTELS	SGCHZ		0.1%	Unchanged	\$10,594	1,640,000
61	RBS PLC Pfd R	RBS-PR		0.1%	Unchanged	\$10,876	623,968
62	RBS PLC Pfd S	RBS-PS		0.1%	Unchanged	\$9,052	510,524
63	RBS PLC Pfd T	RBS-PT		0.1%	Unchanged	\$7,981	406,180
64	FAIRPOINT COMM	FRP		0.1%	Cut -9%	\$6,143	998,895
65	SuperMedia Inc.	SPMD		0.1%	Unchanged	\$6,519	2,607,504
66	Kinder Morgan Warrants	KMIIV		0.1%	New	\$5,530	2,559,995
67	Dex One Corporation	DEXO		0.0%	Unchanged	\$3,401	3,676,394
68	Sunstone Hotel Investors	SHO		0.0%	Unchanged	\$2,709	246,458
69	Hartford Warrants	HIG/WS		0.0%	Added 107%	\$1,472	145,000
70	SunTrust Banks, Inc.	STI			Sold		-
71	Motorola Mobility	MMI			Sold		-
72	Beazer Homes USA Inc.	BZH			Sold		-
73	Family Dollar Stores Inc.	FDO			Sold		-
74	Teva Pharmaceutical	TEVA			Sold		-
75	Anadarko Petroleum	APC			Sold		-
76	Tenet Healthcare Corp.	THC			Sold		-
77	Walter Energy, Inc.	WLT			Sold		-
78	CHEMTURA CORP	CHMT			Sold		-
79	MetLife, Inc.	MET			Sold		-
80	Thomas & Betts Corp.	TNB			Sold		-
81	AbitibiBowater Inc.	ABH			Sold		-
82	United Rentals, Inc.	URI			Sold		-
83	News Corp.	NWS			Sold		-
84	Medicis Pharmaceutical	MRX			Sold		-
85	El Paso Corp.	EP			Sold		-
86	Quad/Graphics, Inc.	QUAD			Sold		-
87	Sara Lee Corp.	SLE			Sold		-
88	JPMorganChase Warrant	JPM/WS			Sold		-
89	MedcoHealth Solutions	MHS			Sold		-
90	NOVELLUS SYS INC	NVLS			Sold		-

Next Page: Tiger Management

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:

American International Group (AIG)
Kinder Morgan Warrants (KMIIV)
JPMorgan Chase (JPM)
Barrick Gold (ABX)
Ocwen Financial (OCN)
SeaChange (SEAC)

Sold Completely Out Of:

Netflix (NFLX)
Starbucks (SBUX)
Remark Media (MARK)
SanDisk (SNDK)
Wells Fargo (WFC)
PNC Financial (PNC)

The latest portfolio from Julian Robertson's Tiger Management features a plethora of new additions in the second quarter. While Tiger was selling financials like Wells Fargo (WFC) and PNC Financial (PNC), they were swapping them out in favor of the likes of JPMorgan Chase (JPM) and Ocwen Financial (OCN). Robertson's firm also started a stake in American International Group (AIG), their largest purchase in the financial sector. As noted earlier in this issue, both John Griffin's Blue Ridge Capital and Dan Loeb's Third Point also initiated new positions in the insurer. AIG is Tiger's seventh largest US equity long and is analyzed later on in the [equity analysis section](#) of the newsletter.

Tiger also continues to play the mobile computing wave via its largest position in Apple (AAPL) and fourth largest holding, Qualcomm (QCOM). The firm was out buying more of each in the second quarter, adding to its position size in AAPL by 14% and QCOM by 58%. Robertson also added sizably to his stake in Sirius XM Radio (SIRI). He ratcheted this position up by

4,975% as he only owned a small amount of shares in the quarter prior. This activity is notable though, because SIRI was a consensus buy among hedge funds in the quarter. John Malone's Liberty Media owns a large slug of SIRI (around 48%) and wants to own the whole company. Liberty Media (LMCA) recently announced its plans to spin off its Starz network. Many have postulated that the company did so in order to pave the way for a Sirius deal. While SIRI shares dipped from \$2.30 down to \$1.80 during the quarter when hedgies were buying, shares have rocketed higher to \$2.58 in anticipation of Liberty's move.

Robertson recently made a rare television appearance and talked about how he invests. The legendary manager says he focuses on management and that you have to give them a long period of time, saying he's a long-term investor and doesn't focus on short-term gyrations. In the interview, he mentioned he still has a position in Sherwin Williams (SHW), though the portfolio on the next page shows a 38% reduction in his position size. As to where Robertson currently sees value, he says there's probably some in Europe (though he didn't mention any specific names), even though the region faces obvious problems. The Tiger man also commented on how the hedge fund industry has changed, noting that there's tons of hedge funds out there all competing against each other. He also pointed out that borrowing costs for shorting have gone up. And touching on the notion of hedge fund underperformance, he attributes this to stock selection rather than macro issues.

View Tiger Management'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		16.4%	Added 14%	\$58,943	100,930
2	Mastercard Inc	MA		6.1%	Cut -4%	\$21,804	50,694
3	Liberty Global Inc.	LBTYA		5.6%	Unchanged	\$20,229	407,595
4	QUALCOMM Inc	QCOM		5.3%	Added 58%	\$18,989	341,030
5	Google Inc.	GOOG		5.1%	Unchanged	\$18,297	31,542
6	Visa, Inc.	V		5.0%	Cut -15%	\$17,772	143,752
7	AmericanInternationalGroup	AIG		4.7%	New	\$16,783	523,000
8	WuXi PharmaTech	WX		4.5%	Added 7%	\$16,300	1,154,418
9	HCA HLDGS INC COM	HCA		4.4%	Added 3%	\$15,897	522,400
10	KinderMorganWarrants	KMIIV		4.4%	New	\$15,701	7,268,967
11	JPMorgan Chase & Co.	JPM		3.8%	New	\$13,649	382,000
12	VeriSign Inc.	VRSN		3.4%	Unchanged	\$12,156	279,000
13	Gold Miners ETF	GDX		3.2%	Added 29%	\$11,416	255,000
14	Express-1 Expedited	XPO		2.8%	Unchanged	\$9,996	595,000
15	Barrick Gold Corporation	ABX		2.8%	New	\$9,881	263,000
16	SIRIUS XM Radio Inc.	SIRI		2.6%	Added 4975%	\$9,389	5,075,000
17	The Goldman Sachs Group	GS		2.5%	Cut -63%	\$8,839	92,207
18	Ocwen Financial Corp.	OCN		2.4%	New	\$8,537	454,591
19	Sherwin-Williams Co.	SHW		2.4%	Cut -38%	\$8,470	64,000
20	Junior Gold Miners ETF	GDXJ		2.1%	Added 47%	\$7,392	384,800
21	Cablevision Systems Corp	CVC		2.0%	Unchanged	\$7,252	545,700
22	AutoNavi Holdings Limited	AMAP		2.0%	Unchanged	\$6,983	520,759
23	SeaChange International	SEAC		1.9%	New	\$6,930	842,000
24	LCA-Vision Inc.	LCAV		1.5%	Cut -11%	\$5,279	1,227,577
25	Callidus Software Inc.	CALD		1.1%	Unchanged	\$3,759	754,900
26	Ryanair Holdings plc	RYAAY		1.0%	Unchanged	\$3,740	123,022
27	Suncor Energy Inc.	SU		0.6%	Unchanged	\$1,983	68,500
28	Sealed Air Corporation	SEE		0.2%	Unchanged	\$750	48,600
29	Cardiome Pharma Corp.	CRME		0.2%	Unchanged	\$718	1,596,106
30	Nexen Inc.	NXY		0.1%	Unchanged	\$472	27,950
31	Carnival Corporation	CCL		0.1%	Unchanged	\$341	9,950
32	Netflix, Inc.	NFLX			Sold		-
33	Starbucks Corp.	SBUX			Sold		-
34	REMARK MEDIA	MARK			Sold		-
35	SanDisk Corp.	SNDK			Sold		-
36	Wells Fargo & Company	WFC			Sold		-
37	PNC Financial Services	PNC			Sold		-

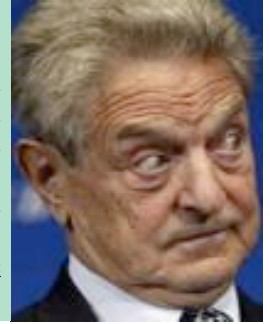
Soros Fund Mgmt

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:

Walmart (WMT)
WebMD (WBMD) Notes
NetApp (NTAP)
EQT Corp (EQT)
Walt Disney (DIS)
Clorox (CLX)
Market Vectors Gold Miners (GDX)
Market Vectors Jr Gold Miners (GDXJ)
Mosaic (MOS)

Sold Completely Out Of:

InterOil (IOC)
Chevron (CVX)
Arris Group (ARRS)
Coinstar (CSTR)
Goldman Sachs (GS)
Valero (VLO)
JPMorgan Chase (JPM)
Sara Lee ~ spinoff

Legendary investor George Soros made a rare television appearance recently and touched on the European crisis, saying: “Basically there is an interrelated problem of the banking system and the excessive risk premium on sovereign debt – they are Siamese twins, tied together and you have to tackle both. It’s recognized that you have to do that and there is no widespread agreement on what to do on the banking side. It’s the beginning of a banking union and there is a disagreement on the fiscal side.”

Shifting to Soros Fund Management’s latest activity, it’s imperative to keep in mind that George Soros himself is not involved in the day-to-day activities of the hedge-fund-turned-family-office. Additionally, remember that Soros’ portfolio is largely comprised of

convertible notes rather than equities like most other managers profiled in the newsletter. That said, Soros Fund did make some noteworthy moves in equities during the quarter. They started a massive new stake in Walmart (WMT) worth almost \$337 million as it’s now their third largest US disclosed long. Shares of the discount retail giant have been on a tear, trading from \$47 up to \$72 in four months. They also began stakes in NetApp (NTAP) and EQT Corporation (EQT) as well as smaller new stakes in Walt Disney (DIS), Clorox (CLX), Mosaic (MOS) and various gold mining exchange traded funds. Soros Fund was also out adding heavily to a few pre-existing positions including Shutterfly (SFLY), which they boosted their position size in by 1,584% during the quarter. Also, they raised their ownership stake in General Electric (GE) by 585% in Q2 as it is now their tenth largest position. Additionally, they doubled their stake in Dish Network (DISH) and the SPDR Gold Shares (GLD).

In portfolio activity since the close of the second quarter, Soros Fund just filed a 13G with the SEC revealing a new position in Manchester United (MANU). The English Premier League team just completed its initial public offering (IPO) and Soros owns a 7.85% ownership stake.

Since Soros holds over 170 positions, the portfolio on the next page only focuses on the upper echelon of the portfolio as these are the only positions that represent a decent percentage of reported assets.

For an interesting piece on learning from this great investor, be sure to also check out an article on George Soros’ [best investment advice](#).

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



Soros Fund Mgmt

Second Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	MICRON TECHNOLOGY NOTE	MU		11.6%	Added 1%	\$804,608	816,115,000
2	LUCENT TECH NOTE	LU		5.6%	Added 147%	\$384,856	389,728,000
3	Wal-Mart Stores Inc.	WMT		4.9%	New	\$336,873	4,831,800
4	SANDISK CORP NOTE	SNDK		3.8%	Cut -38%	\$262,654	266,232,000
5	WEBMD HEALTH CORP NOTE	WBMD		3.8%	New	\$261,827	279,530,000
6	JDS UNIPHASE CORP NOTE	JDSU		3.5%	Cut -15%	\$243,312	245,770,000
7	CIENA CORP NOTE	CIEN		3.4%	Added 2%	\$235,973	241,656,000
8	ADECOAGRO S.A.	AGRO		3.4%	Added 0%	\$232,787	25,385,678
9	DIGITAL RIV INC NOTE	DRIV		3.2%	Added 52%	\$224,083	238,829,000
10	General Electric Co.	GE		2.6%	Added 585%	\$178,745	8,577,000
11	WESTPORT INNOVATIONS	WPRT		2.2%	Added 40%	\$151,944	4,134,546
12	NetApp, Inc.	NTAP		2.1%	New	\$142,427	4,476,033
13	CADENCE DESIGN SYSTEM	CDNS		2.0%	Unchanged	\$139,033	139,556,000
14	SPDR Gold Shares	GLD		2.0%	Added 177%	\$137,251	884,400
15	Charter Communications, Inc	CHTR		1.9%	Added 76%	\$133,293	1,880,803
16	QUANTUM CORP NOTE	QTM		1.9%	Added 17%	\$128,824	130,980,000
17	DISH NETWORK	DISH		1.8%	Added 115%	\$126,769	4,440,251
18	Acacia Research Corporation	ACTG		1.7%	Added 28%	\$120,626	3,239,179
19	ORBITAL SCIENCES NOTE	ORB		1.7%	Added 17%	\$118,929	119,527,000
20	Motorola Solutions, Inc.	MSI		1.7%	Cut -12%	\$115,616	2,403,161
21	HOLOGIC INC NOTE	HOLX		1.7%	Cut -13%	\$115,593	117,428,000
22	SPDR S&P 500	SPY	PUT	1.7%	Cut -77%	\$114,195	838,000
23	Comverse Technology Inc.	CMVT		1.3%	Cut -2%	\$91,820	15,776,666
24	ROVI CORP NOTE	ROVI		1.2%	Added 14%	\$84,074	87,039,000
25	EQT Corporation	EQT		1.2%	New	\$81,001	1,510,364
26	Shutterfly, Inc.	SFLY		1.1%	Add 1584%	\$77,531	2,526,272
27	CERADYNE INC NOTE	CRDN		1.1%	Unchanged	\$74,725	74,585,000
28	Express Scripts Inc.	ESRX		1.1%	Added 39%	\$74,756	1,339,000
29	Elan Corp. plc	ELN		1.0%	Added 18%	\$66,880	4,583,900
30	Pepsico, Inc.	PEP		0.9%	Added 430%	\$63,065	892,500
31	SunTrust Banks, Inc.	STI		0.8%	Cut -26%	\$57,304	2,365,000
32	Exar Corp.	EXAR		0.8%	Unchanged	\$54,200	6,666,666
33	Walt Disney Co.	DIS		0.7%	New	\$51,507	1,062,000
34	Clorox Corporation	CLX		0.7%	New	\$48,961	675,692
35	Junior Gold Miners ETF	GDXJ		0.7%	New	\$45,976	2,398,350
36	Gold Miners ETF	GDX		0.7%	New	\$44,770	1,000,000
37	Mosaic Co.	MOS		0.5%	New	\$36,663	669,519
38	QUALCOMM Incorporated	QCOM		0.5%	Added 384%	\$33,686	605,000
39	RF MICRODEVICES INC NOTE	RFMD		0.5%	Added 2%	\$33,535	33,810,000
40	SPDR S&P 500	SPY	CALL	0.5%	New	\$32,705	240,000
41	Extreme Networks Inc.	EXTR		0.4%	Cut -2%	\$29,588	8,601,186
42	Lowe's Companies Inc.	LOW		0.4%	New	\$26,933	947,000
43	Aspen Technology Inc.	AZPN		0.4%	Added 95%	\$27,082	1,169,852
44	Macy's, Inc.	M		0.4%	Cut -47%	\$26,106	760,000
45	Spreadtrum Communications	SPRD		0.4%	Added 78%	\$26,475	1,500,000

Continued on Next Page...

Soros Fund Mgmt

Second Quarter 2012 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Loral Space & Communications	LORL		0.4%	Added 69%	\$25,911	384,724
47	Churchill Downs Inc.	CHDN		0.4%	Added 35%	\$24,216	411,912
48	Viacom Inc 6.85% Pfd	VIAB	PUT	0.3%	New	\$23,510	500,000
49	MicroStrategy Inc.	MSTR		0.3%	Added 6%	\$22,831	175,805
50	MERCURY COMPUTER	MRCY		0.3%	Cut -6%	\$23,149	1,790,323
51	DIRECTV	DTV		0.3%	Cut -12%	\$21,991	450,453
52	DELPHI AUTOMOTIVE PLC	DLPH		0.3%	Added 126%	\$21,174	830,341
53	United States Oil	USO	CALL	0.3%	New	\$21,638	680,000
54	ClickSoftware Technologies Ltd.	CKSW		0.3%	Added 171%	\$20,528	2,537,427
55	Apple Inc.	AAPL		0.3%	Cut -13%	\$20,440	35,000
56	General Motors Company	GM		0.3%	Added 123%	\$19,864	1,007,300
57	iShares FTSE/Xinhua China 25	FXI	CALL	0.3%	Added 100%	\$20,202	600,000
58	Plains Exploration & Prod	XPX		0.3%	Add 8232%	\$20,225	574,897
59	Ancestry.com Inc.	ACOM		0.3%	Added 180%	\$19,271	700,000
60	MARATHON PETROLEUM	MPC		0.3%	Cut -25%	\$19,439	432,739
61	General Motors SERIES B	GM/PB		0.3%	Unchanged	\$18,380	550,700
62	Green Dot Corporation	GDOT		0.3%	New	\$17,696	800,000
63	US Airways Group, Inc.	LCC		0.3%	New	\$17,169	1,288,000
64	Coach Inc.	COH		0.3%	New	\$17,143	293,136
65	Monster Worldwide, Inc.	MWW		0.3%	Added 100%	\$17,000	2,000,000
66	EOG Resources, Inc.	EOG		0.2%	New	\$16,459	182,656
67	Anadarko Petroleum Corporation	APC		0.2%	New	\$16,689	252,100
68	Visteon Corp (Post-Bankruptcy)	VC		0.2%	Added 68%	\$15,722	419,250
69	SPDR S&P Metals & Mining	XME		0.2%	New	\$14,504	350,000
70	UNWIRED PLANET	UPIP		0.2%	Added 53%	\$13,800	6,000,000
71	Kraft Foods Inc.	KFT		0.2%	Unchanged	\$13,942	361,000
72	CF Industries Holdings, Inc.	CF		0.2%	New	\$13,659	70,500
73	Netflix, Inc.	NFLX		0.2%	New	\$13,697	200,000
74	Consumer Discretionary ETF	XLY	PUT	0.2%	Added 50%	\$13,134	300,000
75	PowerShares QQQ	QQQ	PUT	0.2%	Cut -95%	\$12,832	200,000
76	DISCOVER FIN SVCS	DFS		0.2%	New	\$12,830	371,000
77	Fidelity National Financial, Inc.	FNF		0.2%	Added 24%	\$13,261	688,500
78	Freeport-McMoRan	FCX		0.2%	New	\$13,117	385,000
79	Pfizer Inc.	PFE		0.2%	Cut -32%	\$12,385	538,457
80	CAESARS ENTERTAINMENT	CZR		0.2%	Added 172%	\$12,127	1,063,800
81	Lennar Corp.	LEN		0.2%	New	\$12,302	398,000
82	DaVita, Inc.	DVA		0.2%	Cut -30%	\$12,080	123,000
83	DR Horton Inc.	DHI		0.2%	New	\$12,076	657,000
84	E-House (China) Holdings	EJ		0.2%	Added 13%	\$11,779	2,141,705
85	SPDR S&P Retail	XRT	PUT	0.2%	New	\$11,806	200,000
86	CIENA Corp.	CIEN		0.2%	Added 8%	\$11,460	700,000
87	Enscopl	ESV		0.2%	New	\$10,968	233,500
88	FACEBOOK INC CL A COM	FB		0.2%	New	\$10,603	341,000
89	Southwest Airlines Co.	LUV		0.2%	New	\$10,280	1,115,000
90	iShares Russell 2000 Index	IWM	PUT	0.2%	Cut -60%	\$10,355	130,000

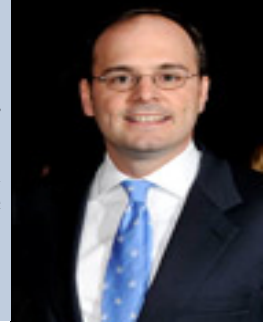
Next Page: Bridger Management

Bridger Management

Roberto Mignone

Typically focuses on the healthcare sector

Known for his sleuthing abilities on the short side



Key Takeaways

New Positions:

VeriSign (VRSN)
Facebook (FB) ~ IPO
Forest Labs (FRX)
DaVita (DVA)
MAKO Surgical (MAKO)
Herbalife (HLF)
Alnylam Pharma (ALNY)

Sold Completely Out Of:

Cemex (CX)
SPDR S&P 500 (SPY) Puts
iShares Brazil (EWZ) Puts
MGM Resorts (MGM)
Abbott Labs (ABT)
MetLife (MET)
CurrencyShares EuroTrust (FXE) Puts
BPZ Resources (BPZ) Calls
iShares Brazil (EWZ)
Anthera Pharma (ANTH)

equities.

Turning to Bridger's latest equity activity, the first thing that catches one's eye is their second largest position: Gilead Sciences (GILD). They increased this position size by 236% during the quarter. This is worth flagging because just one quarter ago, they sold almost 70% of their position. Obviously, they turned around and had a change of heart. Readers will recall that GILD acquired Pharmasset, a previous holding of Mignone's. It appears as though they do fancy the combined entity after all.

Apart from that, Bridger also made a plethora of purchases during the quarter, including new stakes in VeriSign (VRSN), Facebook (FB ~ likely via IPO shares), Forest Labs (FRX), and DaVita (DVA). Two of these stocks were consensus buys by hedge funds in the second quarter: VeriSign and DaVita. One other buy in their portfolio could raise eyebrows as well: Herbalife (HLF). Shares of this multi-level marketing supplement company tanked when Greenlight Capital's David Einhorn asked questions on one of the company's earnings conference calls. Traders guessed that Einhorn was short or was looking to short the name. However, Einhorn has not publicly disclosed any stake long or short. So, Bridger's new HLF long could be something worth watching. The only other stockpicking hedge funds that really hold a HLF position of any size are Tiger Consumer Management, Ardsley Advisory, as well as Nantahala Capital, who own calls on the stock.

Robert Mignone's Bridger Management offers an intriguing look at some of their hedges or macro trades as they utilize put options. While the SEC does not require funds to disclose their short positions, they do require disclosure of put/call options so they offer a rare glance at the hedging/short side of a top manager's portfolio. During the quarter, it looks like Bridger sold its hedges on the US and Brazil as well as the Euro. It appears as though they've swapped these for a hedge on the Australian Dollar, possibly as a play on China. While these are most likely just hedges rather than macro trades, Mignone is known for his sleuthing abilities on the short side, so it's a shame they don't use puts to bet against various

View Bridger Management's
Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Google Inc.	GOOG		5.5%	Unchanged	\$86,430	149,000
2	Gilead Sciences Inc.	GILD		5.0%	Add 236%	\$77,433	1,510,000
3	Apple Inc.	AAPL		4.9%	Cut -20%	\$76,504	131,000
4	Morgan Stanley	MS		4.8%	Unchanged	\$74,888	5,132,800
5	United Rentals, Inc.	URI		4.5%	Cut -14%	\$69,607	2,044,848
6	VeriSign Inc.	VRSN		4.4%	New	\$69,276	1,590,000
7	Assured Guaranty Ltd.	AGO		4.4%	Unchanged	\$67,903	4,815,837
8	CareFusion Corporation	CFN		4.3%	Added 75%	\$67,538	2,630,000
9	Hyatt Hotels Corporation	H		4.2%	Unchanged	\$65,684	1,767,610
10	DIRECTV	DTV		3.9%	Unchanged	\$61,513	1,260,000
11	General Motors Company	GM		3.7%	Added 8%	\$57,799	2,931,000
12	Cott Corporation	COT		3.5%	Unchanged	\$54,333	6,617,855
13	TRIPADVISOR INC	TRIP		3.2%	Cut -44%	\$50,205	1,123,407
14	FACEBOOK INC CL A	FB		3.0%	New	\$46,643	1,500,000
15	Avis Budget Group, Inc.	CAR		2.8%	Added 12%	\$43,928	2,890,000
16	Forest Laboratories Inc.	FRX		2.7%	New	\$42,688	1,220,000
17	Charles River Labs	CRL		2.3%	Added 41%	\$36,200	1,105,000
18	Acorda Therapeutics, Inc.	ACOR		2.3%	Unchanged	\$35,340	1,500,000
19	Starwood Hotels & Resorts	HOT		2.1%	Unchanged	\$33,005	622,273
20	DaVita, Inc.	DVA		2.1%	New	\$32,900	335,000
21	Wright Medical Group Inc.	WMGI		2.0%	Added 32%	\$30,424	1,425,000
22	MAKO Surgical Corp.	MAKO		1.8%	New	\$28,811	1,125,000
23	HCA HLDGS INC COM	HCA		1.8%	Cut -52%	\$27,843	915,000
24	Onyx Pharmaceuticals Inc.	ONXX		1.7%	Cut -20%	\$26,580	400,000
25	Ironwood Pharmaceuticals	IRWD		1.7%	Unchanged	\$25,898	1,879,375
26	Seattle Genetics Inc.	SGEN		1.6%	Added 92%	\$24,433	962,324
27	DexCom, Inc.	DXCM		1.5%	Add 3897%	\$23,080	1,780,886
28	Pharmacyclics Inc.	PCYC		1.4%	Cut -47%	\$21,844	400,000
29	hiSoft Technology	HSFT		1.4%	Add 105%	\$21,646	1,510,526
30	Monsanto Co.	MON		1.4%	Unchanged	\$21,109	255,000
31	Allergan Inc.	AGN		1.2%	Cut -49%	\$18,514	200,000
32	Pinnacle Entertainment	PNK		1.1%	Add 252%	\$17,316	1,800,000
33	Herbalife Ltd.	HLF		1.0%	New	\$16,191	335,000
34	Popular Inc.	BPOP		0.9%	Added 1%	\$14,271	859,178
35	iStar Financial Inc.	SFI		0.7%	Unchanged	\$11,563	1,792,712
36	Boston Beer Co. Inc.	SAM		0.7%	Unchanged	\$11,011	91,000
37	Casella Waste Systems Inc.	CWST		0.7%	Unchanged	\$10,492	1,793,507
38	ARCOS DORADOS	ARCO		0.7%	Added 18%	\$10,289	696,162
39	Alnylam Pharmaceuticals	ALNY		0.6%	New	\$9,611	825,000
40	Amicus Therapeutics, Inc.	FOLD		0.6%	Unchanged	\$9,386	1,706,568
41	ARCOS DORADOS	ARCO	CALL	0.5%	New	\$7,949	537,800
42	Bank of America Warrants	BAC/WS/A		0.4%	Unchanged	\$6,709	1,900,700
43	Rubicon Minerals Corp	RBV		0.4%	Added 5%	\$6,620	2,170,000
44	Response Genetics, Inc	RGDX		0.2%	Unchanged	\$3,750	3,000,000
45	VERASTEM, INC.	VSTM		0.1%	Unchanged	\$1,938	200,000

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	ANDINA ACQUISITION	ANDAU		0.1%	New	\$1,485	150,000
47	ALLISON TRANSMISSION	ALSN		0.1%	Unchanged	\$1,317	75,000
48	BPZ Resources, Inc.	BPZ		0.1%	Added 29%	\$897	354,675
49	BPZ RESOURCES INC NOTE	BPZ		0.0%	Added 13%	\$662	822,480
50	CurrencySharesAustralianDollar	FXA	PUT	0.0%	New	\$205	2,000
51	Centrais Electricas Brasileiras	EBR		0.0%	New	\$181	18,860
52	Houston American Energy	HUSA		0.0%	New	\$25	22,515
53	TIMMINS GOLD CORP.	TMGOF		0.0%	New	\$53	29,134
54	FORTUNA SILVER MINES	FSM		0.0%	Cut -73%	\$76	22,354
55	CEMEX, S.A.B. de C.V.	CX			Sold		-
56	SPDR S&P 500	SPY	PUT		Sold		-
57	iShares MSCI Brazil Index	EWZ	PUT		Sold		-
58	MGM Resorts International	MGM			Sold		-
59	Abbott Laboratories	ABT			Sold		-
60	MetLife, Inc.	MET			Sold		-
61	CurrencyShares Euro Trust	FXE	PUT		Sold		-
62	BPZ Resources, Inc.	BPZ	CALL		Sold		-
63	iShares MSCI Brazil Index	EWZ			Sold		-
64	Anthera Pharmaceuticals	ANTH			Sold		-

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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:

Express Scripts (ESRX)
Watson Pharmaceutical (WPI)
Humana (HUM)
Eastman Chemical (EMN)
McDermott (MDR)
Audience (ADNC)

Sold Completely Out Of:

Family Dollar (FDO)
Seagate (STX)
Suncoke Energy (SXC)
Regal Entertainment (RGC)
Bank of America (BAC)
VeriSign (VRSN)
Anadarko Petroleum (APC)
Domtar (UFS)
Ford (F)
El Paso ~ bought by Kinder Morgan
Charming Shoppes ~ bought by Ascena

At the recent Delivering Alpha conference, Leon Cooperman continued to sing the same tune he's been singing for well over a year: US stocks are still the "best house in the financial neighborhood." He continued to bash bonds, saying that buying them now is "like walking in front of a steam roller and picking up dimes." While many managers are often worried about downside risk, Cooperman actually believes that the maximum pain trade would be the market surging higher, as lots of managers are sitting on large quantities of cash earning nothing. He certainly makes a fair point, as various prominent hedge funds have been running lower net exposures than usual with the European uncertainty among other concerns. If a strong rally ensued, many would

be tempted to jump in to avoid performance anxiety. At the conference, Cooperman mentioned he also likes AIA Group (1299.HK) traded in Hong Kong ~ a name that won't show up on his US portfolio disclosure on the next page.

Cooperman also recently listed 14 attributes that make a good portfolio manager, including: desire and commitment to be the best, can identify his/her comparative advantage, in-depth research & strong analytical foundation, ability to identify variant perception, conviction in investment recommendations, good communication skills, lack of bias and willingness to admit mistakes, being aware of return on capital, being a team player, ability to produce 3-4 investment ideas and 10-12 trading ideas each year, sense of commitment to clients, know a good idea when you see one, have conviction if fundamentals are in tact but the stock is down, be ahead of the crowd, and strong work ethic.

Omega Advisors' latest portfolio includes additions to positions that plenty of other hedgies were adding to as well: American International Group (AIG), Qualcomm (QCOM), and Sirius XM Radio (SIRI). Cooperman's firm also initiated stakes in a few new companies, many of them being health-related plays, including Express Scripts (ESRX) and Humana (HUM). ESRX recently completed its buyout of Medco Health, creating one of the largest pure plays in the pharmacy benefit management (PBM) space. Lastly, the large increase in Omega's Kinder Morgan (KMI) position is attributed to shares received from the company's buyout of one of Cooperman's other prior positions: El Paso.

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		5.4%	Cut -11%	\$238,945	15,209,724
2	Linn Energy, LLC	LINE		4.1%	Cut -3%	\$179,607	4,714,100
3	Atlas Pipeline Partners	APL		3.7%	Cut -3%	\$161,647	5,184,303
4	Apple Inc.	AAPL		3.5%	Cut -9%	\$155,405	266,104
5	KINDER MORGAN	KMI		3.4%	Added 317%	\$149,270	4,632,837
6	AmericanInternationalGroup	AIG		3.3%	Added 213%	\$147,194	4,586,900
7	Sprint Nextel Corp.	S		3.2%	Added 34%	\$140,594	43,127,000
8	WellPoint Inc.	WLP		2.9%	Cut -2%	\$130,369	2,043,727
9	QUALCOMM Incorporated	QCOM		2.8%	Added 18%	\$122,613	2,202,100
10	ALTISOURCE PORTFOLIO	ASPS		2.8%	Cut -7%	\$122,594	1,674,100
11	KKR FINANCIAL CORP.	KFN		2.7%	Cut -9%	\$120,169	14,104,367
12	Unitedhealth Group, Inc.	UNH		2.7%	Cut -11%	\$118,798	2,030,738
13	Atlas Energy, L.P.	ATLS		2.6%	Added 0%	\$116,113	3,805,737
14	Transocean Ltd.	RIG		2.6%	Cut -9%	\$114,703	2,564,345
15	SIRIUS XM Radio Inc.	SIRI		2.4%	Add 1349%	\$108,285	58,532,503
16	Express Scripts Inc.	ESRX		2.3%	New	\$99,964	1,790,500
17	Citrix Systems, Inc.	CTXS		2.1%	Cut -23%	\$93,811	1,117,599
18	ENERGY XXI	EXXI		2.1%	Cut -13%	\$92,892	2,968,736
19	DISH NETWORK	DISH		2.1%	Added 36%	\$92,690	3,246,592
20	McMoRan Exploration	MMR		2.0%	Added 135%	\$90,385	7,133,800
21	XL Group plc	XL		1.9%	Cut -21%	\$85,156	4,047,337
22	Williams Companies	WMB		1.9%	Cut -9%	\$84,356	2,927,008
23	MetLife, Inc.	MET		1.8%	Added 21%	\$78,615	2,548,285
24	Halliburton Company	HAL		1.7%	Added 39%	\$73,561	2,591,100
25	Western Union Co.	WU		1.7%	Added 195%	\$73,148	4,343,713
26	Watson Pharmaceuticals	WPI		1.6%	New	\$69,425	938,300
27	Ocwen Financial Corp.	OCN		1.5%	Cut -23%	\$68,368	3,640,475
28	Boston Scientific Corp	BSX		1.5%	Cut -33%	\$65,516	11,554,900
29	Kohlberg Kravis Roberts	KKR		1.4%	Cut -13%	\$62,816	4,873,261
30	Motorola Solutions, Inc.	MSI		1.4%	Added 189%	\$62,471	1,298,500
31	Gannett Co., Inc.	GCI		1.4%	Added 174%	\$61,062	4,145,400
32	ETRADE Financial Corp	ETFC		1.3%	Cut -8%	\$58,677	7,298,079
33	Humana Inc.	HUM		1.3%	New	\$58,173	751,200
34	Broadridge Financial	BR		1.3%	Cut -22%	\$57,191	2,688,814
35	Phillips-Van Heusen	PVH		1.2%	Added 96%	\$53,582	688,800
36	Wells Fargo & Company	WFC		1.1%	Cut -6%	\$48,274	1,443,600
37	Capital One Financial Corp.	COF		1.0%	Added 383%	\$46,166	844,600
38	United Continental	UAL		1.0%	Cut -39%	\$45,104	1,853,846
39	Lam Research Corporation	LRCX		1.0%	Added 686%	\$43,914	1,163,600
40	Loral Space & Comm	LORL		1.0%	Added 22%	\$42,390	629,400
41	Eastman Chemical Co.	EMN		0.9%	New	\$40,885	811,700
42	ATLAS RESOURCES	ARP		0.9%	Cut 0%	\$40,206	1,535,123
43	McGraw-Hill Companies	MHP		0.9%	Cut -66%	\$38,939	865,300
44	Lincoln National Corp.	LNC		0.9%	Cut -46%	\$38,419	1,756,716
45	Google Inc.	GOOG		0.8%	Cut -44%	\$35,544	61,275

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Given Imaging Ltd.	GIVN		0.8%	Cut -7%	\$34,817	2,203,591
47	Range Resources Corp	RRC		0.8%	Cut -5%	\$34,338	555,000
48	ACE Limited	ACE		0.7%	Cut -37%	\$32,884	443,593
49	NYSE Euronext, Inc.	NYX		0.7%	Cut -49%	\$30,197	1,180,500
50	Denbury Resources Inc.	DNR		0.7%	Cut -48%	\$29,442	1,948,527
51	JPMorgan Chase & Co.	JPM		0.6%	Cut -64%	\$28,254	790,764
52	CVS Caremark Corporation	CVS		0.6%	Cut -68%	\$27,896	596,955
53	Validus Holdings, Ltd.	VR		0.6%	Added 118%	\$26,639	831,696
54	Sunoco Inc.	SUN		0.5%	Cut -74%	\$22,088	465,000
55	McDermott International	MDR		0.5%	New	\$20,493	1,839,600
56	THL Credit, Inc.	TCRD		0.4%	Cut -4%	\$17,095	1,269,107
57	WPX ENERGY INC	WPX		0.4%	Added 3%	\$16,856	1,041,764
58	The Blackstone Group	BX		0.4%	Cut -58%	\$15,376	1,176,400
59	Citigroup, Inc.	C		0.3%	Cut -73%	\$13,187	481,100
60	Vodafone Group plc	VOD		0.3%	Cut -49%	\$11,567	410,456
61	AUDIENCE INC	ADNC		0.2%	New	\$8,118	421,065
62	Center Bancorp Inc.	CNBC		0.1%	Unchanged	\$6,131	545,000
63	Valassis Communications	VCI		0.1%	New	\$5,814	267,299
64	AG MORTGAGE	MITT		0.1%	New	\$5,373	250,000
65	Resource Capital Corp.	RSO		0.1%	New	\$4,264	800,000
66	Newcastle Investment Corp.	NCT		0.1%	New	\$2,010	300,000
67	MDC Partners Inc.	MDCA		0.0%	New	\$1,858	163,838
68	Apollo Investment Corp	AINV		0.0%	New	\$1,151	150,000
69	Teekay LNG Partners LP.	TGP		0.0%	New	\$771	20,000
70	Two Harbors Investment	TWO		0.0%	New	\$1,036	100,000
71	KFN 7 1/2% 1/15/2017 Note	KFN		0.0%	New	\$798	600,000
72	Home Loan Servicing	HLSS		0.0%	Cut -84%	\$984	73,436
73	The McClatchy Company	MNI		0.0%	New	\$850	386,300
74	Magnum Hunter Resources	MHR		0.0%	New	\$334	80,000
75	Crosstex Energy LP	XTEX		0.0%	New	\$379	23,100
76	Resource America Inc.	REXI		0.0%	New	\$638	100,000
77	Walter Energy, Inc.	WLT		0.0%	New	\$442	10,000
78	Chimera Investment Corp	CIM		0.0%	New	\$472	200,000
79	Family Dollar Stores Inc.	FDO			Sold		-
80	Seagate Technology PLC	STX			Sold		-
81	SPDR S&P 500	SPY			Sold		-
82	SUNCOKE ENERGY	SXC			Sold		-
83	Regal Entertainment Group	RGC			Sold		-
84	Bank of America Corp	BAC			Sold		-
85	VeriSign Inc.	VRSN			Sold		-
86	Charming Shoppes Inc.	CHRS			Sold		-
87	Anadarko Petroleum Corp	APC			Sold		-
88	Crown Holdings Inc.	CCK			Sold		-
89	Domtar Corporation	UFS			Sold		-
90	El Paso Corp.	EP			Sold		-
91	SPDR Gold Shares	GLD			Sold		-
92	Ford Motor Co.	F			Sold		-

Next Page: Coate Management

Coatue Management

Philippe Laffont

Manages a long/short fund focused on technology, media, & telecom

One of his mantras is “dare to be different”



Key Takeaways

New Positions:

TripAdvisor (TRIP)
Akamai (AKAM)
VeriSign (VRSN)
Ralph Lauren (RL)
Hain Celestial (HAIN)
First Solar (FSLR)

Sold Completely Out Of:

CheckPoint Software (CHKP)
Netflix (NFLX)
Groupon (GRPN)
JC Penney (JCP)
Broadcom (BRCM)
NII Holdings (NIHD) Calls

Last quarter's issue of the newsletter highlighted Philippe Laffont's first ever television interview where he mentioned he was looking to get as many shares of Facebook (FB) as possible as the company was coming public and he liked the management team. Well, Facebook is now publicly traded, however, it is nowhere to be found in Coatue's latest portfolio. There could be any number of explanations as to why, but perhaps this quote from his original interview before the IPO explains it: “The tough part about an investment is you are looking for good businesses, good management team, but it is different if you buy a stock at 30 or at 100.” His hints on price/valuation could have played a role here. After all, Facebook's IPO was largely a debacle and many argued it was priced way too high. Either way, it will be interesting to see if Coatue discloses a stake in Facebook next quarter instead now that shares have started to drop and various lock-up periods for early

investors are starting to expire (flooding more shares onto the market).

Moving on to concrete activity in Laffont's portfolio, the hedge fund manager only started two new positions of any real size: TripAdvisor (TRIP) and Akamai (AKAM). TRIP was spun-off from Expedia (EXPE) a few quarters ago and is a fast-growing travel site that aggregates user reviews on destinations. Coatue also has exposure to the secular shift away from travel agents and toward online bookings via Priceline.com (PCLN). Shares of this company were recently hit due to weak guidance as they have a lot of international exposure. It will be interesting to see if Coatue used the dip to add to their position or if the recent data points spooked them. PCLN was featured in the equity analysis section of the newsletter two quarters ago, so be sure to login and download it if you're curious about the potential investment thesis there. Chipotle (CMG) is another position where it will be interesting to see if Coatue buys more shares in the third quarter. The hedge fund added to its position size by almost 50% during the second quarter. Since then, shares dropped dramatically due to the company's latest earnings report. Since two of Coatue's largest positions have recently been whacked, they've probably had some decisions to make in the past few weeks.

Like many other hedge funds covered in this issue, Laffont's fund was out buying shares of VeriSign (VRSN) in the quarter, as it was a consensus buy.

[View Coatue Management's Portfolio on the Next Page](#)



Coatue Management

Second Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Apple Inc.	AAPL		16.7%	Added 3%	\$884,352	1,514,302
2	Equinix, Inc.	EQIX		13.8%	Added 14%	\$731,315	4,163,477
3	Google Inc.	GOOG		8.0%	Cut -3%	\$423,199	729,566
4	Virgin Media, Inc.	VMED		6.8%	Added 6%	\$356,773	14,627,821
5	Priceline.com Incorporated	PCLN		6.1%	Added 10%	\$324,854	488,855
6	Liberty Global Inc.	LBTYA		4.8%	Cut -3%	\$252,121	5,080,008
7	Chipotle Mexican Grill, Inc.	CMG		4.1%	Added 49%	\$215,470	567,102
8	QUALCOMM Incorporated	QCOM		3.9%	Cut -15%	\$206,021	3,700,085
9	TRIPADVISOR INC	TRIP		3.5%	New	\$184,367	4,125,474
10	DUNKIN' BRANDS GROUP	DNKN		3.4%	Added 36%	\$181,016	5,271,279
11	Amazon.com Inc.	AMZN		3.4%	Unchanged	\$180,756	791,574
12	Informatica Corporation	INFA		3.1%	Added 24%	\$162,954	3,846,877
13	Intuit Inc.	INTU		2.9%	Cut -3%	\$153,645	2,588,803
14	Akamai Technologies Inc.	AKAM		2.2%	New	\$115,451	3,636,241
15	SIRIUS XM Radio Inc.	SIRI		2.1%	Added 4%	\$111,543	60,293,655
16	American Tower Corp.	AMT		2.1%	Cut -3%	\$109,797	1,570,552
17	Baidu, Inc.	BIDU		1.6%	Unchanged	\$81,855	711,909
18	LINKEDIN CORP	LNKD		1.3%	Cut -3%	\$69,443	653,457
19	VeriSign Inc.	VRSN		1.1%	New	\$58,090	1,333,266
20	Polo Ralph Lauren Corp.	RL		0.9%	New	\$48,422	345,726
21	The Hain Celestial Group	HAIN		0.9%	New	\$45,028	818,105
22	First Solar, Inc.	FSLR		0.8%	New	\$44,106	2,928,677
23	Atmel Corporation	ATML		0.8%	New	\$39,967	5,956,396
24	Best Buy Co. Inc.	BBY		0.6%	New	\$31,358	1,496,077
25	Silicon Laboratories, Inc.	SLAB		0.6%	New	\$30,698	811,054
26	H&R Block, Inc.	HRB		0.6%	Unchanged	\$29,984	1,876,360
27	Red Hat, Inc.	RHT		0.6%	Cut -3%	\$29,701	525,872
28	Nokia Corporation	NOK		0.5%	New	\$26,567	12,834,424
29	Molycorp, Inc.	MCP		0.4%	Unchanged	\$23,277	1,080,136
30	Polycom, Inc.	PLCM		0.4%	New	\$21,561	2,049,497
31	Research In Motion Limited	RIMM		0.4%	Unchanged	\$18,873	2,553,791
32	Pitney Bowes Inc.	PBI		0.4%	New	\$18,491	1,235,204
33	Seagate Technology PLC	STX		0.3%	New	\$16,959	685,782
34	Logitech International SA	LOGI		0.2%	Add 4836%	\$12,008	1,125,376
35	Level 3 Communications	LVLT		0.2%	Unchanged	\$11,277	509,122
36	Digital River Inc.	DRIV		0.2%	Added 133%	\$9,586	576,792
37	NutriSystem Inc.	NTRI		0.2%	Added 138%	\$8,420	728,383
38	STEC, Inc.	STEC		0.2%	Added 246%	\$7,800	1,000,000
39	QuinStreet, Inc.	QNST		0.1%	New	\$4,876	526,593
40	AOL, Inc.	AOL		0.1%	Cut -33%	\$3,693	131,505
41	INVENSENSE INC	INVN		0.0%	Cut -3%	\$1,857	164,300
42	Nokia Corporation	NOK	CALL	0.0%	Cut -3%	\$141	68,300
43	Check Point Software	CHKP			Sold		-
44	Netflix, Inc.	NFLX			Sold		-
45	GROUPON INC	GRPN			Sold		-
46	J. C. Penney Company	JCP			Sold		-
47	Broadcom Corp.	BRCM			Sold		-
48	NII Holdings Inc.	NIHD	CALL		Sold		-

Next Page: Fairholme Capital



Key Takeaways

New Positions:

Hartford Financial Warrants (HIG-WS)

Sold Completely Out Of:

Regions Financial (RF)

Mercury General (MCY)

Fairholme's Bruce Berkowitz recently made comments about two of his top holdings: American International Group (AIG) and Bank of America (BAC). On AIG, Berkowitz writes, "Our best idea remains AIG common (35% of the fund) with a reported book value of \$57 per share. There are few occasions when systematically important franchises sell for half of book value and are profitable. This is one of those times. AIG warrants held by the fund (another 3% of the fund) provide the right to 21+ million shares at \$45, or maybe more shares at lower strike prices for the next 34 quarters if dividends above \$0.675 per trailing 12-month period are paid." While Berkowitz obviously has a ton of capital tied up in AIG common stock, the kicker here are the warrants. These expire in 2021 and Berkowitz argues these have a theoretical return of as high as 752% due to their long-term nature. As dividends are paid above the threshold, the strike price lowers, ramping up potential profit on the warrants. These warrants have been a popular play among hedge funds and John Griffin's Blue Ridge Capital was a buyer of them around the summer of 2011. But even more popular this quarter was AIG's common stock as Blue Ridge, Third Point, Tiger Management, Omega Advisors and many more bought shares

of the recovering financial giant.

Berkowitz also commented on his stake in BAC, writing: "Bank of America is the fund's next largest financial holding (9% of the fund) affected by the great housing price collapse. The company's reported book value is over \$20 per share. We believe that America's bank is returning to its retail roots (think of Wells Fargo) with a \$1 trillion deposit franchise and that bank profits will skyrocket as legacy real estate loans burn-off."

The manager also disclosed that his main Fairholme Fund has a 17% cash position. Past issues of the newsletter have highlighted how Berkowitz has received numerous redemption requests. Since he runs such a concentrated portfolio, he's been forced to sell positions across the board (and especially smaller conviction names) in order to meet investor redemptions. Berkowitz has raised liquidity to meet them and is adamant about not selling his best ideas. The vast amount of redemptions seems to have been caused by his near-term underperformance over the past few years. Berkowitz could care less about near-term performance, as he's a long-term investor, more focused on 10-year performance. However, he is easily beating the market this year (up almost 25%). Others have pointed to his highly concentrated portfolio as a reason for investor exits as some people just aren't comfortable with that.

For Berkowitz's advice on becoming a better money manager, head to his [basic checklist for investing](#).

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	AmericanInternationalGroup	AIG		41.1%	Cut -4%	\$2,823,532	87,987,894
2	Sears Holdings Corporation	SHLD		14.6%	Added 0%	\$1,004,744	16,829,880
3	Bank of America Corporation	BAC		12.1%	Cut -1%	\$831,909	101,700,355
4	CIT Group, Inc.	CIT		7.3%	Cut -24%	\$500,943	14,055,629
5	MBIA Inc.	MBI		7.1%	Cut -2%	\$490,794	45,401,870
6	The St. Joe Company	JOE		5.9%	Cut -1%	\$403,778	25,539,428
7	Leucadia National Corp.	LUK		5.6%	Cut 0%	\$386,566	18,174,228
8	AIG Warrants	AIG/WS		3.7%	Cut 0%	\$252,673	24,507,562
9	Berkshire Hathaway Inc.	BRK-B		1.0%	Cut -17%	\$66,970	803,675
10	Jefferies Group Inc.	JEF		0.5%	Added 2%	\$35,754	2,752,400
11	Bank of America Warrant	BAC/WS/A		0.5%	Unchanged	\$34,537	9,783,828
12	Wells Fargo Warrants	wfc-wt		0.2%	Added 2%	\$11,621	1,319,095
13	Orchard Supply Hardware	OSH		0.2%	Cut -7%	\$11,035	663,565
14	Citigroup, Inc.	C		0.1%	Cut -17%	\$9,064	330,670
15	JPMorganChase Warrant	JPM/WS		0.1%	Unchanged	\$4,736	484,700
16	Hartford Financial Warrant	HIG/WS		0.0%	New	\$1,166	114,900
17	Wells Fargo & Company	WFC		0.0%	Unchanged	\$1,050	31,400
18	Assured Guaranty Ltd.	AGO		0.0%	Unchanged	\$729	51,700
19	Berkshire Hathaway Inc.	BRK-A		0.0%	Cut -100%	\$750	6
20	Regions Financial Corp.	RF			Sold		-
21	Mercury General Corp	MCY			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:

Apple (AAPL) Calls
Facebook (FB) ~ IPO
US Natural Gas Fund (UNG) Calls

Sold Completely Out Of:

Viacom (VIA.B)
Yelp (YELP)
Crown Castle (CCI)
Liberty Media (LMCA)
Focus Media (FMCN)
Polypore (PPO)
HHGregg (HHG)
Northern Oil & Gas (NOG)
Northern Oil & Gas (NOG) Puts

Apple (AAPL) continues to be Tiger Global's largest holding and they added to their position size by 14% during the quarter. They've also made a leveraged bet on the name, starting a new position in AAPL call options. This is notable because the notional value of these options would theoretically make the bet their fifth largest holding. The technology giant recently started paying a dividend and a rumored iPhone 5 launch in September seems inevitable at this point. Additional rumors include a smaller version of the iPad as well as some sort of foray into television, be it an actual TV or some sort of set-top box. Either way, AAPL continues to be one of the most widely held stocks among hedge funds.

Facebook (FB) shows up in Tiger Global's portfolio now that the company has gone public. Past issues of the newsletter have harped on how the firm's private equity funds have had a stake in the company since it was private. In other activity during the quarter, Chase Coleman's fund was out increasing its position

size in TAL Education (XRS) by 1,349% and over doubling its stake in W.R. Grace (GRA).

One other portfolio note about Tiger Global: they previously held a stake in Justice Holdings, traded in the UK. That was Bill Ackman's specialty purpose acquisition vehicle (SPAC) that took a 29% stake in Burger King. Ackman founded Justice with Martin Franklin and Nicolas Berggruen by raising \$1.4 billion in an IPO in London. Justice recently merged with Burger King Worldwide and now trades on the New York Stock Exchange under ticker symbol BKW. You can view Ackman's presentation on [Burger King here](#). What's curious is that Tiger Global disclosed its Justice Holdings stake with UK regulators in April, but now that BKW trades in the US, there's no sign of it in their portfolio. They could have easily sold the stake while it was still trading in London or once it began trading in the United States (there's no way to know). Either way, BKW is not disclosed in their latest portfolio.

Lastly, in activity since the quarter close, be aware that Tiger Global has been selling shares of LinkedIn (LNKD). This is pertinent because the portfolio disclosure on the next page shows that they ramped up their LNKD holdings considerably in the second quarter. However, now that the third quarter has started, Tiger has trimmed its position to a 3.3% ownership stake in the company with 2,421,981 shares. This means they've since disposed of 1,620,947 shares. Per the latest SEC filing, Tiger sold shares on various dates between July 20th and 27th. The bulk of their sale came in blocks at \$108.67 and \$106.57, though they also sold shares as low as \$100.99. LNKD shares currently trade around \$104.

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	Apple Inc.	AAPL		13.7%	Added 14%	\$817,600	1,400,000
2	YANDEX N V	YNDX		10.2%	Cut -20%	\$609,600	32,000,000
3	Priceline.com Incorporated	PCLN		9.7%	Added 11%	\$576,803	868,000
4	Google Inc.	GOOG		8.8%	Cut -3%	\$524,383	904,000
5	Apple Inc.	AAPL	CALL	8.1%	New	\$484,720	830,000
6	Liberty Global Inc.	LBTYA		6.6%	Cut -2%	\$393,160	7,921,818
7	Visa, Inc.	V		6.3%	Added 13%	\$376,577	3,046,000
8	Mastercard Incorporated	MA		6.0%	Added 13%	\$359,142	835,000
9	LINKEDIN CORP	LNKD		5.9%	Added 1007%	\$352,960	3,321,355
10	Liberty Global Inc.	LBTYK		3.1%	Added 4%	\$185,509	3,885,000
11	Baidu, Inc.	BIDU		2.9%	Added 70%	\$170,170	1,480,000
12	MakeMyTrip Limited	MMYT		2.0%	Unchanged	\$118,047	7,184,866
13	TAL Education Group	XRS		1.9%	Added 1349%	\$114,053	11,590,800
14	Live Nation Entertainment	LYV		1.5%	Cut -38%	\$91,800	10,000,000
15	W.R. Grace & Co.	GRA		1.4%	Added 215%	\$83,495	1,655,000
16	Deckers Outdoor Corp.	DECK		1.4%	Unchanged	\$82,519	1,875,000
17	Frontier Communications	FTR		1.4%	Cut -11%	\$81,519	21,284,293
18	Amazon.com Inc.	AMZN		1.3%	Added 90%	\$79,009	346,000
19	Genpact Ltd.	G		1.2%	Unchanged	\$69,826	4,198,790
20	FACEBOOK INC	FB		1.0%	New	\$60,898	1,958,448
21	Ancestry.com Inc.	ACOM		0.9%	Unchanged	\$55,060	2,000,000
22	ARCOS DORADOS	ARCO		0.9%	Added 296%	\$54,333	3,676,144
23	R.R. Donnelley & Sons	RRD		0.7%	Unchanged	\$42,372	3,600,000
24	Qihoo 360 Technology Co.	QIHU		0.7%	Added 77%	\$41,375	2,393,000
25	US Natural Gas Fund	UNG	CALL	0.6%	New	\$34,722	1,800,000
26	RenaissanceRe Holdings Ltd.	RNR		0.4%	Cut -40%	\$22,803	300,000
27	HOMEAWAY INC	AWAY		0.3%	Cut -81%	\$19,092	878,175
28	Sony Corporation	SNE	CALL	0.3%	Unchanged	\$18,512	1,300,000
29	Compania Cervecerias Unidas	CU		0.3%	Cut -37%	\$18,084	290,000
30	SUPERVALU Inc.	SVU		0.2%	Cut -69%	\$12,116	2,338,904
31	UBIQUITI NETWORKS INC	UBNT		0.2%	Cut -34%	\$10,403	730,000
32	KIT digital, Inc.	KITD		0.2%	Unchanged	\$9,766	2,276,400
33	BITAUTO HOLDINGS	BITA		0.1%	Unchanged	\$6,817	1,666,761
34	Polypore International Inc.	PPO			Sold		-
35	YELP INC	YELP			Sold		-
36	hhgregg, Inc.	HGG			Sold		-
37	Viacom Inc 6.85% Pfd	VIAB			Sold		-
38	Northern Oil and Gas, Inc.	NOG			Sold		-
39	Energy Select Sector SPDR	XLE	CALL		Sold		-
40	Focus Media Holding Ltd.	FMCN			Sold		-
41	Crown Castle International	CCI			Sold		-
42	Northern Oil and Gas, Inc.	NOG	PUT		Sold		-
43	Liberty Media	LMCA			Sold		-
44	C&J ENERGY SERVICES	CJES			Sold		-

Next Page: Passport Capital

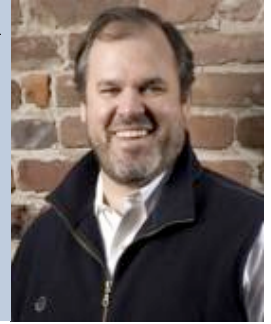
Passport Capital

John Burbank

Has returned 22% annualized

Makes plays based on macro themes; has thought markets to be overvalued for many years now

Received his MBA from Stanford & undergraduate degree from Duke



Key Takeaways

New Positions:

Industrial Select Sector SPDR (XLI) Puts
Exxon Mobil (XOM) Puts
Time Warner (TWX) Puts
Kinder Morgan (KMI)
HollyFrontier (HFC)
Alcatel-Lucent (ALU)
Lockheed Martin (LMT)
Goodrich (GR) ~ recently bought out
Nucor (NUE) Puts

Sold Completely Out Of:

Amazon.com (AMZN)
St Jude (STJ) Puts
SPDR Gold (GLD) Puts
S&P Metals & Mining (XME) Puts
Netflix (NFLX) Puts
Deere (DE) Puts
Procter & Gamble (PG)

Before reading any further, it's important to know that Passport Capital has actually been net short. John Burbank has been quite bearish as he expects a recession in 2013, and even as soon as the second half of this year. In terms of equities, Burbank likes dividend paying stocks or companies seeing secular growth for the long portion of his book. On the short side, he's been betting against various commodity companies like miners, steel companies and natural gas, as well as certain illiquid smallcaps. There's obviously evidence of this in his portfolio, as he owns puts on the likes of Exxon Mobil (XOM) and Nucor (NUE). Exxon in particular has drawn a lot of attention from buyside investors, as it was number two on the list of [very important short positions](#) for hedge funds from Goldman Sachs' first quarter research. And in particular, Kynikos Associates' Jim Chanos has made a [presentation on global value traps](#) in which he outlines his bearish view

on Exxon.

While hedge funds aren't required to disclose their short positions, they are required to reveal their put option positions. Burbank's firm utilizes puts extensively for hedging and shorting, so it's a rare look at what a hedge fund is doing on this side of its book. It seems his negative attitude toward commodity producers has stemmed from his stance that he sees China slowing down. Be sure to read a summary of the hedge fund [bearish thesis on China](#) which features thoughts from Jim Chanos, Corriente Advisors' Mark Hart, Eclectica's Hugh Hendry, Greenlight's David Einhorn and many more. According to exposure reports, Passport was -12% net short at the beginning of the second quarter and ended the second quarter -7% net short.

Even though Passport is negatively positioned, it's also worth taking a look at what longs they've backed in this market. They continue to own Vivus (VVUS) and Cytec (CYT) as their top holdings. Their third largest US long is Liberty Interactive (LINTA), which they were adding to during the quarter. John Malone's company recently split this entity into two tracking stocks: LINTA will continue to track the business of television shopping networks like QVC, while newly created ticker LVNTA represents Liberty Ventures, the arm that tracks Liberty's investment stakes in the likes of Expedia and other stocks.

Burbank also apparently sees interest rates staying lower longer than expected as he commented in a television interview that he's long Treasuries.

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	iShares Russell 2000	IWM	PUT	15.5%	Added 175%	\$456,674	5,740,000
2	Industrial Select Sector	XLI	PUT	9.0%	New	\$263,601	7,390,000
3	VIVUS Inc.	VVUS		7.9%	Added 10%	\$232,219	8,136,600
4	Cytec Industries Inc.	CYT		6.0%	Added 3%	\$175,240	2,988,400
5	Gold Miners ETF	GDX	PUT	3.0%	Added 376%	\$89,540	2,000,000
6	Exxon Mobil Corp.	XOM	PUT	2.9%	New	\$85,570	1,000,000
7	Liberty Interactive	LINTA		2.8%	Added 46%	\$82,721	4,653,796
8	SPDR S&P 500	SPY	PUT	2.6%	Cut -90%	\$77,580	570,000
9	Time Warner Inc.	TWX	PUT	2.6%	New	\$77,000	2,000,000
10	MarathonPetroleum	MPC		2.5%	Cut -31%	\$74,177	1,651,308
11	Wynn Resorts Ltd.	WYNN		2.3%	Added 87%	\$68,362	659,100
12	KINDER MORGAN	KMI		2.3%	New	\$66,408	2,061,070
13	PRETIUM RES	PVG		2.1%	Added 21%	\$62,610	4,513,893
14	Research In Motion	RIMM	CALL	1.6%	Add 7253%	\$46,188	6,250,000
15	Huntsman Corporation	HUN		1.5%	Added 31%	\$45,253	3,497,152
16	HOLLYFRONTIER	HFC		1.5%	New	\$43,327	1,222,900
17	US Natural Gas Fund	UNG	PUT	1.4%	Cut -39%	\$42,245	2,190,000
18	Accurray Incorporated	ARAY		1.2%	Unchanged	\$34,075	5,000,000
19	eBay Inc.	EBAY		1.2%	Added 303%	\$33,881	806,500
20	Solutia Inc.	SOA		1.1%	Unchanged	\$33,206	1,183,800
21	Apple Inc.	AAPL		1.1%	Cut -40%	\$32,062	54,900
22	Materials Select Sector	XLB	PUT	1.1%	Cut -29%	\$31,761	900,000
23	HCA HLDGS INC COM	HCA		1.0%	Cut -10%	\$30,732	1,009,931
24	Alcatel-Lucent	ALU		1.0%	New	\$30,749	18,864,400
25	Ecolab Inc.	ECL		1.0%	Added 91%	\$28,042	409,200
26	Sherwin-Williams Co.	SHW		0.9%	Added 59%	\$26,126	197,400
27	Lockheed Martin Corp	LMT		0.8%	New	\$23,912	274,600
28	Methanex Corp.	MEOH		0.8%	Cut -36%	\$23,086	829,500
29	Thoratec Corp.	THOR		0.7%	Cut -42%	\$21,771	648,336
30	Goodrich Corp.	GR		0.7%	New	\$20,977	165,300
31	Airgas Inc.	ARG		0.7%	Added 37%	\$20,288	241,500
32	Nucor Corporation	NUE	PUT	0.6%	New	\$18,950	500,000
33	QUALCOMM Inc	QCOM		0.6%	Added 16%	\$17,667	317,300
34	Yamana Gold, Inc.	AUY		0.6%	New	\$16,763	1,088,500
35	Nucor Corporation	NUE		0.5%	New	\$15,296	403,600
36	Walter Energy, Inc.	WLT		0.5%	Added 298%	\$15,372	348,100
37	Alcoa, Inc.	AA		0.5%	Added 181%	\$15,033	1,718,092
38	Boise Inc.	BZ		0.5%	Added 59%	\$14,999	2,279,543
39	Southern Copper Corp	SCCO		0.5%	Added 135%	\$15,078	478,500
40	CF Industries Holdings	CF		0.5%	New	\$14,608	75,400
41	Agrium Inc.	AGU		0.5%	New	\$13,828	156,300
42	Deckers Outdoor Corp.	DECK		0.5%	Added 466%	\$13,951	317,000
43	Kinross Gold Corp	KGC		0.5%	New	\$13,553	1,662,996
44	Praxair Inc.	PX		0.5%	Cut -57%	\$13,189	121,300
45	Idenix Pharmaceuticals	IDIX		0.4%	Added 150%	\$12,850	1,250,000

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Tyco International Ltd.	TYC		0.4%	Unchanged	\$12,631	239,000
47	Timken Co.	TKR		0.4%	Cut -44%	\$12,551	274,100
48	Owens-Illinois, Inc.	OI		0.4%	Unchanged	\$12,531	653,700
49	Helmerich & Payne Inc.	HP		0.4%	New	\$11,705	269,200
50	Vertex Pharma	VRTX		0.4%	New	\$11,184	200,000
51	Google Inc.	GOOG		0.4%	Cut -80%	\$11,137	19,200
52	Golar LNG Ltd.	GLNG		0.4%	New	\$10,880	288,600
53	SPDR Gold Shares	GLD		0.4%	Cut -33%	\$10,336	66,600
54	Rock-Tenn Co.	RKT		0.3%	Added 124%	\$10,032	183,900
55	Peabody Energy Corp.	BTU		0.3%	New	\$9,833	401,001
56	Domtar Corporation	UFS		0.3%	New	\$9,865	128,600
57	EDGEN GROUP INC	EDG		0.3%	New	\$9,477	1,260,217
58	CARPENTER TECH	CRS		0.3%	New	\$9,114	190,500
59	Allegheny Tech	ATI		0.3%	New	\$8,967	281,200
60	Georgia Gulf Corp.	GGC		0.3%	Cut -64%	\$8,576	334,100
61	Kaiser Aluminum	KALU		0.3%	New	\$7,698	148,500
62	Cliffs Natural Resources	CLF		0.3%	Added 52%	\$7,305	148,200
63	LINKEDIN CORP	LKND		0.2%	New	\$7,088	66,700
64	Mercadolibre, Inc.	MELI		0.2%	Cut -70%	\$6,777	89,400
65	NIELSEN HOLDINGS	NLSN		0.2%	Added 147%	\$6,476	247,000
66	Diageo plc	DEO		0.2%	New	\$6,184	60,000
67	Cloud Peak Energy Inc.	CLD		0.2%	New	\$6,072	359,100
68	Freeport-McMoRan	FCX		0.2%	New	\$6,254	183,573
69	Qihoo 360 Technology	QIHU		0.2%	Added 198%	\$5,761	333,200
70	Reliance Steel	RS		0.2%	New	\$5,939	117,600
71	Rowan Companies Inc.	RDC		0.2%	New	\$5,541	171,377
72	Allot Communications	ALLT		0.2%	Added 2%	\$5,037	180,800
73	VMware, Inc.	VMW		0.2%	Cut -61%	\$4,971	54,600
74	Ingersoll-Rand Plc	IR		0.2%	Added 19%	\$4,735	112,268
75	Sina Corp.	SINA		0.2%	Cut -42%	\$4,642	89,600
76	Wynn Resorts Ltd.	WYNN	PUT	0.2%	New	\$4,771	46,000
77	OCEAN RIG	ORIG		0.2%	Cut -37%	\$4,744	351,170
78	Deckers Outdoor Corp.	DECK	CALL	0.2%	New	\$4,401	100,000
79	Southwestern Energy	SWN		0.1%	New	\$4,071	127,500
80	AMYLIN PHARMA	AMLN		0.1%	Unchanged	\$4,230	150,000
81	Dendreon Corp.	DNDN		0.1%	Unchanged	\$3,700	500,000
82	PACIFIC DRILLING	PACD		0.1%	Cut -35%	\$3,951	464,311
83	Priceline.com Inc	PCLN		0.1%	New	\$3,832	5,766
84	AlphaNatural Resources	ANR		0.1%	New	\$3,766	432,400
85	SPX Corporation	SPW		0.1%	Added 38%	\$3,099	47,450
86	Western Refining Inc.	WNR		0.1%	Unchanged	\$3,341	150,000
87	WebMD Health Corp.	WBMD		0.1%	Cut -32%	\$3,094	150,848
88	Anadarko Petroleum	APC		0.1%	New	\$2,966	44,800
89	Limited Brands	LTD		0.1%	New	\$2,807	66,000
90	News Corp.	NWSA		0.1%	Cut -65%	\$2,786	125,000

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
91	Halozyne Therapeutics	HALO		0.1%	Added 50%	\$2,658	300,000
92	Union Pacific Corp	UNP		0.1%	Unchanged	\$2,762	23,150
93	Dollar General Corp	DG		0.1%	Cut -52%	\$2,720	50,000
94	Superior Energy Services	SPN		0.1%	Cut -78%	\$2,545	125,813
95	Northrop Grumman	NOC		0.1%	New	\$2,303	36,106
96	Nevsun Resources Ltd.	NSU		0.1%	Cut -62%	\$2,303	708,563
97	Best Buy Co. Inc.	BBY	CALL	0.1%	New	\$1,928	92,000
98	SIGMA-ALDRICH	SIAL		0.1%	New	\$2,116	28,622
99	Momenta Pharma	MNTA		0.1%	Unchanged	\$2,021	150,000
100	zipRealty Inc.	ZIPR		0.1%	Unchanged	\$2,203	1,519,058
101	Research In Motion	RIMM		0.1%	New	\$1,955	264,600
102	Raytheon Co.	RTN		0.1%	New	\$2,150	38,000
103	TUDOU HOLDINGS	TUDO		0.1%	Unchanged	\$1,857	55,400
104	TUMI HOLDINGS, INC.	TUMI		0.1%	New	\$1,330	76,000
105	MAP Pharmaceutical	MAPP		0.1%	New	\$1,495	100,000
106	SUPERVALU Inc.	SVU		0.1%	New	\$1,450	280,000
107	Joy Global, Inc.	JOY		0.1%	New	\$1,418	25,000
108	Keegan Resources Inc.	KGN		0.0%	Cut -67%	\$1,300	434,400
109	General Electric Co.	GE		0.0%	New	\$1,243	59,651
110	CARBO Ceramics Inc.	CRR		0.0%	Cut -42%	\$1,136	14,800
111	IGNITE RESTAURANT	IRG		0.0%	New	\$1,096	60,500
112	CHINA MING YANG	MY		0.0%	Cut -13%	\$1,185	1,030,152
113	Qlik Technologies, Inc.	QLIK		0.0%	New	\$920	41,600
114	Giant Interactive Group	GA		0.0%	Unchanged	\$915	189,500
115	Celldex Therapeutics	CLDX	CALL	0.0%	Unchanged	\$518	100,000
116	NextEra Energy, Inc.	NEE		0.0%	New	\$578	8,400
117	Calgon Carbon Corp	CCC		0.0%	New	\$300	21,100
118	Hexcel Corp.	HXL		0.0%	New	\$260	10,100
119	SandRidge Energy, Inc.	SD		0.0%	Unchanged	\$335	50,000
120	Pentair, Inc.	PNR		0.0%	Added 216%	\$230	6,000
121	Keynote Systems Inc.	KEYN		0.0%	New	\$184	12,369
122	Quanta Services, Inc.	PWR		0.0%	New	\$311	12,900
123	MYR Group, Inc.	MYRG		0.0%	Added 459%	\$305	17,900
124	ESCO Technologies Inc.	ESE		0.0%	New	\$295	8,100
125	Morgan Stanley	MS		0.0%	New	\$165	11,317
126	EnerSys	ENS		0.0%	New	\$277	7,900
127	AO Smith Corp.	AOS		0.0%	Added 241%	\$284	5,800
128	Tetra Tech Inc.	TTEK		0.0%	Added 159%	\$297	11,400
129	SPLUNK INC COM	SPLK		0.0%	New	\$309	11,000
130	Advanced Energy	AEIS		0.0%	New	\$283	21,100
131	Calpine Corp.	CPN		0.0%	New	\$177	10,700
132	ENPHASE ENERGY	ENPH		0.0%	New	\$212	34,100
133	Riverbed Technology	RVBD		0.0%	New	\$409	25,300
134	Parker Drilling Co.	PKD		0.0%	New	\$115	25,472
135	Synovus Financial	SNV		0.0%	New	\$129	64,904

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
136	ON Semiconductor	ONNN		0.0%	New	\$111	15,607
137	World Wrestling	WWE		0.0%	New	\$127	16,187
138	Chiquita Brands	CQB		0.0%	New	\$68	13,699
139	Methode Electronics	MEI		0.0%	New	\$129	15,186
140	SAIC, Inc.	SAI		0.0%	New	\$135	11,160
141	La-Z-Boy Inc.	LZB		0.0%	New	\$131	10,689
142	Audiovox Corp	VOXX		0.0%	New	\$102	10,967
143	SkyWest Inc.	SKYW		0.0%	New	\$94	14,437
144	MGM Resorts	MGM		0.0%	New	\$115	10,282
145	PIONEER DRILLING	PDC		0.0%	New	\$132	16,605
146	GrafTech International	GTI		0.0%	New	\$113	11,749
147	The McClatchy Co	MNI		0.0%	New	\$126	57,471
148	Bank of America Corp	BAC		0.0%	New	\$121	14,742
149	ShoreTel, Inc.	SHOR		0.0%	New	\$115	26,214
150	Vishay Intertechnology	VSH		0.0%	New	\$106	11,245
151	Pinnacle Entertainment	PNK		0.0%	New	\$111	11,489
152	Century Aluminum Co.	CENX		0.0%	New	\$114	15,571
153	Deere & Company	DE	PUT		Sold		-
154	Baker Hughes	BHI			Sold		-
155	Pike Electric Corp	PIKE			Sold		-
156	Targacept, Inc.	TRGT	CALL		Sold		-
157	Thomas & Betts Corp.	TNB			Sold		-
158	Cosan Ltd.	CZZ			Sold		-
159	Watson Pharma	WPI			Sold		-
160	Mission New Energy	MNELF			Sold		-
161	MSC Industrial Direct	MSM			Sold		-
162	Gilead Sciences Inc.	GILD			Sold		-
163	Rentech, Inc.	RTK			Sold		-
164	AVX Corp.	AVX			Sold		-
165	Pioneer Natural	PXD			Sold		-
166	Amazon.com Inc.	AMZN			Sold		-
167	Key Energy Services	KEG			Sold		-
168	Deckers Outdoor Corp.	DECK	PUT		Sold		-
169	PulteGroup, Inc.	PHM	PUT		Sold		-
170	Anheuser-BuschInBev	BUD			Sold		-
171	Albemarle Corp.	ALB			Sold		-
172	CHEMTURA CORP	CHMT			Sold		-
173	ITC Holdings Corp.	ITC			Sold		-
174	Johnson Controls Inc.	JCI			Sold		-
175	S&P Metals & Mining	XME	PUT		Sold		-
176	Family Dollar Stores	FDO			Sold		-
177	MONSTER BEVERAGE	MNST			Sold		-
178	Caterpillar Inc.	CAT			Sold		-
179	Watts Water Tech	WTS			Sold		-
180	Abbott Laboratories	ABT			Sold		-

Continued on next page...

Passport Capital

Second Quarter 2012 Portfolio:
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
181	NCI Building Systems	NCS			Sold		-
182	Masimo Corporation	MASI			Sold		-
183	W.R. Grace & Co.	GRA			Sold		-
184	SPDR Gold Shares	GLD	PUT		Sold		-
185	Acuity Brands, Inc.	AYI			Sold		-
186	Procter & Gamble Co.	PG			Sold		-
187	National Oilwell Varco	NOV			Sold		-
188	Teck Resources Limited	TCK			Sold		-
189	Illumina Inc.	ILMN			Sold		-
190	Express Scripts Inc.	ESRX			Sold		-
191	LyondellBasell	LYB			Sold		-
192	Halliburton Company	HAL			Sold		-
193	Las Vegas Sands	LVS			Sold		-
194	St. Jude Medical Inc.	STJ	PUT		Sold		-
195	The Andersons, Inc.	ANDE			Sold		-
196	HSN, Inc.	HSNI			Sold		-
197	Netflix, Inc.	NFLX	PUT		Sold		-

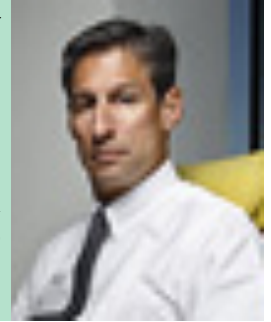
Next Page: Perry Capital

Perry Capital

Richard Perry

Average return of over 15% since inception; only 1 losing year in 22 years (2008)

Seeks to deliver strong returns with low correlations to equity markets



Key Takeaways

New Positions:

Morgan Stanley (MS) Calls
Phillips 66 (PSX)
Bank of America (BAC)
Hewlett Packard (HPQ)
Hess (HES)
Citigroup (C)
Lamar Advertising (LAMR)

Sold Completely Out Of:

Avon Products (AVP)
SPDR S&P 500 (SPY)

(BAC) common stock, as well as Citigroup (C) shares.

Outside of financials, Richard Perry's firm also made two other intriguing moves: the first is their increased wager on Teva Pharmaceutical (TEVA) as they ratcheted up their common stock position by 1,300% and they also more than doubled their position in call options on the name. TEVA is one of the world's leading companies in generic pharmaceuticals. Shares have largely languished over the past few years in a gradual decline. It looks as though Perry took advantage of the recent dip from \$46 down to \$38 to add to their position.

Second, Perry's activity in BP (BP) is also worth drawing attention to. They added to their call option position by 67% during the quarter and the notional value of this stake would be Perry's second largest US holding. They also over doubled their allocation to BP common stock as it is now their fifth largest US holding. Apart from their position in American Tower (AMT), BP appears to be their largest wager as a whole. The thesis on BP is largely predicated on a removal of uncertainties that can boost valuation. The event-driven path on this name is right up Perry's alley as BP will go to trial for its Macondo oil spill and eventually will have a concrete number for its liability. Once this happens, an overhang will be removed and BP can perhaps begin to raise their dividend again. BP can also liquidate certain high capex assets. BP's valuation is well below rivals like Exxon Mobil (XOM) and the thesis is that BP can eventually re-rate and trade in line with its peers.

Richard Perry's hedge fund made numerous intriguing moves during the quarter. First, it must be noted that all of the tiny new positions Perry started in the first quarter are no longer part of the portfolio. They literally sold out of 40 positions, but all of them were so small that it's not worth going through the list. The only two positions of any size that they exited were Avon Products (AVP) and an index position in the S&P 500. What really matters in Perry's portfolio this time around are the moves they made in financials. After holding various preferred securities in RBS for some time, they began to substantially trim most of them. They own five various preferreds and all but two were cut in half in terms of position size. At the same time, Perry was allocating money to other financial bets, including a brand new position in calls on Morgan Stanley (MS). If you use the notional value of these calls, this stake would be Perry's fourth largest US position. In addition to this, Perry ramped up its holdings in Morgan Stanley common shares, boosting their position size by a whopping 18,429% in the quarter (this number is large because they only held a tiny stake in the quarter prior). The hedge fund also initiated a new holding in Bank of America

View Perry Capital's Updated
Portfolio on the Next Page

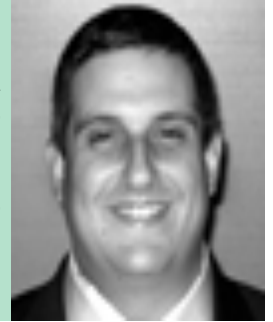


Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	American Tower Corp.	AMT		9.2%	Added 0%	\$227,208	3,250,000
2	BP plc	BP	CALL	8.2%	Added 67%	\$202,700	5,000,000
3	Express Scripts Inc.	ESRX		7.3%	Cut -35%	\$178,656	3,200,000
4	Morgan Stanley	MS	CALL	5.9%	New	\$144,441	9,900,000
5	BP plc	BP		5.8%	Added 150%	\$144,039	3,553,000
6	Yahoo! Inc.	YHOO		5.4%	Cut -35%	\$133,764	8,450,000
7	Teva Pharmaceutical	TEVA		5.3%	Added 1300%	\$130,744	3,315,000
8	DELPHI AUTOMOTIVE	DLPH		4.8%	Cut -23%	\$117,102	4,592,253
9	PHILLIPS 66	PSX		4.0%	New	\$99,711	2,999,721
10	Bank of America	BAC		4.0%	New	\$97,342	11,900,000
11	Teva Pharmaceutical	TEVA	CALL	3.8%	Added 125%	\$92,392	2,342,600
12	Universal American Corp	UAM		3.3%	Added 0%	\$81,064	7,698,432
13	Hewlett-Packard Company	HPQ		3.3%	New	\$80,440	4,000,000
14	Morgan Stanley	MS		3.2%	Add 18429%	\$78,129	5,355,000
15	Agnico-Eagle Mines Ltd.	AEM		3.0%	Cut -13%	\$72,828	1,800,000
16	Anadarko Petroleum	APC		2.9%	Added 24%	\$70,834	1,070,000
17	Hess Corporation	HES		2.8%	New	\$69,520	1,600,000
18	Anadarko Petroleum	APC	CALL	2.8%	Unchanged	\$68,649	1,037,000
19	Citigroup, Inc.	C		2.8%	New	\$67,703	2,470,000
20	Allied Nevada Gold Corp.	ANV		2.4%	Added 26%	\$59,093	2,082,206
21	RBS Group PLC Pfd S	RBS-PS		1.3%	Cut -53%	\$32,917	1,856,560
22	MBIA Inc.	MBI		1.3%	Added 9736%	\$32,430	3,000,000
23	Johnson & Johnson	JNJ		1.3%	Unchanged	\$31,486	466,051
24	RBS Group PLC Pfd M	RBS-PM		1.1%	Cut -66%	\$27,625	1,576,742
25	iShares Russell 2000 Index	IWM	PUT	1.0%	Cut -30%	\$25,300	318,000
26	RBS Group PLC Pfd Q	RBS-PQ		0.9%	Cut -51%	\$23,159	1,285,164
27	United Community Banks	UCBI		0.7%	Cut -4%	\$16,725	1,951,537
28	RBS Group PLC Pfd T	RBS-PT		0.5%	Cut -73%	\$12,898	656,395
29	RBS Group PLC Pfd N	RBS-PN		0.5%	Cut -55%	\$12,685	735,351
30	North American Energy	NOA		0.5%	Unchanged	\$11,864	4,598,466
31	Lamar Advertising Co.	LAMR		0.4%	New	\$8,580	300,000
32	SanofiContingentValueRight	GCVRZ		0.3%	Unchanged	\$7,967	5,650,572
33	Caesars Entertainment	CZR		0.2%	Unchanged	\$4,592	402,839
34	General Motor Warrant	GM/WS/A		0.0%	Unchanged	\$505	45,743
35	General Motor Warrant	GM/WS/B		0.0%	Unchanged	\$309	45,743
36	Pfizer Inc.	PFE			Sold		-
37	BioMarin Pharma	BMRN			Sold		-
38	Silver Wheaton Corp.	SLW			Sold		-
39	Bristol-Myers Squibb	BMJ	CALL		Sold		-
40	Edwards Lifesciences Corp.	EW			Sold		-
41	Becton, Dickinson	BDX			Sold		-
42	Southern Copper Corp.	SCCO			Sold		-
43	Paychex Inc.	PAYX			Sold		-
44	ADTRAN Inc.	ADTN			Sold		-
45	Microchip Technology Inc.	MCHP			Sold		-

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Wal-Mart Stores Inc.	WMT			Sold		-
47	SPDR Gold Shares	GLD	CALL		Sold		-
48	SPDR S&P 500	SPY			Sold		-
49	Avon Products Inc.	AVP			Sold		-
50	Human Genome Sciences	HGSI			Sold		-
51	Northrop Grumman Corp	NOC			Sold		-
52	Intel Corporation	INTC			Sold		-
53	Smithfield Foods Inc.	SFD			Sold		-
54	International Flavors	IFF			Sold		-
55	Pepsico, Inc.	PEP			Sold		-
56	iShares Silver Trust	SLV	CALL		Sold		-
57	Cypress Semiconductor Corp	CY			Sold		-
58	Cisco Systems, Inc.	CSCO			Sold		-
59	Dollar General Corporation	DG			Sold		-
60	Kinross Gold Corporation	KGC			Sold		-
61	Titanium Metals Corporation	TIE			Sold		-
62	The McGraw-Hill Companies	MHP			Sold		-
63	Essex Property Trust Inc.	ESS			Sold		-
64	United Therapeutics Corp.	UTHR			Sold		-
65	Bristol-Myers Squibb Co	BMJ			Sold		-
66	AFLAC Inc.	AFL			Sold		-
67	General Mills Inc.	GIS			Sold		-
68	Fidelity National Financial	FNF			Sold		-
69	Wynn Resorts Ltd.	WYNN			Sold		-
70	Atmel Corporation	ATML			Sold		-
71	NVIDIA Corporation	NVDA			Sold		-
72	Amazon.com Inc.	AMZN			Sold		-
73	Arrow Electronics, Inc.	ARW			Sold		-
74	Hyatt Hotels Corporation	H			Sold		-
75	CARPENTER TECH	CRS			Sold		-
76	Sohu.com Inc.	SOHU			Sold		-

Our newsletter saves you time by aggregating all of the top hedge fund portfolio changes into one convenient document for you.



Key Takeaways

New Positions:

Amerisource Bergen (ABC)
Electronic Arts (EA)
Computer Sciences (CSC)
Sirius XM Radio (SIRI)
Allscripts (MDRX)
Google (GOOG)

Sold Completely Out Of:

RBS Preferred (RBS-PN)
RBS Preferred (RBS-PP)
RBS Preferred (RBS-PR)
RBS Preferred (RBS-PS)
TripAdvisor (TRIP)
Express Scripts (ESRX)
State Street (STT)
American Tower (AMT)
Aetna (AET)

Just like Richard Perry on the previous page, Larry Robbins was out selling RBS preferreds during the quarter. The difference here is that while Perry was trimming stakes, Robbins exited them entirely.

Turning to positions Glenview Capital still owns, Robbins outlined the thesis on one of their core positions in a letter to investors: BMC Software (BMC), currently Glenview's fifth largest US long. Paul Singer's Elliott Management and Keith Meister's Corvex Management are also involved in the company as they each own hefty stakes and are making an activist push. Glenview originally purchased shares in the first half of 2010 and continues to own shares as they see value in the company's fortress balance sheet and note that the industry is consolidating. They also think that BMC can return more cash to shareholders writing, "we believe BMC has 'dry powder' or the sum of

excess cash, excess borrowing capacity, free cash flow over the coming 12 months, and incremental debt capacity from one year of EBITDA growth, equivalent to approximately \$2.8b." They think a large repurchase program could shrink the float by up to 35-48%. Elliott Management led a proxy fight in an effort to replace directors and has been pushing for a sale of the company. Glenview echoes those sentiments, writing, "we believe that a sale of BMC to a large strategic would produce significant and highly achievable cost synergies that would add approximately \$400 million of pre-tax profitability, creating a significant bucket of incremental value to be shared between the acquirer and BMC shareholders."

Life Technologies (LIFE) continues to be Glenview Capital's largest holding. You can view another portfolio manager's take on the potential rationale as to why Larry Robbins likes the [name here](#). And in activity since the close of the second quarter, Glenview has continued to buy shares of Rovi (ROVI). While the portfolio disclosure on the next page shows they own 3.2 million shares, the hedge fund has actually doubled that already in the third quarter as they now own over 7.8 million shares, or a 7.09% ownership stake in the company.

As to how Glenview has been investing this year, Robbins notes, "we continue to focus on largely domestic defensive situations with lower economic sensitivity and the ability to grow per share value significantly through capital deployment."

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	Life Technologies	LIFE		10.2%	Cut 0%	\$526,629	11,705,472
2	Thermo Fisher Scientific	TMO		5.2%	Added 12%	\$270,895	5,218,547
3	AmericanInternationalGroup	AIG		5.1%	Cut -13%	\$262,002	8,164,603
4	Flextronics International	FLEX		5.0%	Cut -3%	\$260,059	41,945,044
5	BMC Software Inc.	BMC		4.6%	Added 1%	\$240,376	5,632,046
6	Xerox Corp.	XRX		4.3%	Added 13%	\$221,709	28,171,468
7	CIGNA Corporation	CI		4.2%	Cut -4%	\$216,744	4,926,006
8	Tenet Healthcare Corp.	THC		4.2%	Added 63%	\$216,376	41,293,088
9	Lincare Holdings Inc.	LNCR		4.0%	Added 11%	\$205,824	6,050,090
10	HCA HLDGS INC COM	HCA		3.8%	Cut -17%	\$195,641	6,429,224
11	Cardinal Health, Inc.	CAH		3.8%	Cut -19%	\$194,909	4,640,686
12	McKesson Corporation	MCK		3.4%	Added 18%	\$174,220	1,858,348
13	Time Warner Cable Inc.	TWC		2.9%	Cut -10%	\$147,455	1,796,040
14	AmerisourceBergen	ABC		2.7%	New	\$137,674	3,498,710
15	Health Management	HMA		2.6%	Added 54%	\$136,584	17,399,276
16	Fidelity National	FIS		2.5%	Cut -50%	\$130,222	3,821,074
17	URS Corporation	URS		2.5%	Added 4%	\$130,104	3,730,040
18	Babcock & Wilcox	BWC		2.5%	Added 68%	\$129,628	5,290,938
19	Aon Corporation	AON		2.4%	Cut -25%	\$126,032	2,694,138
20	Lowe's Companies Inc.	LOW		2.1%	Cut -5%	\$106,351	3,739,500
21	Tyco International Ltd.	TYC		1.9%	Cut -10%	\$99,366	1,880,152
22	Electronic Arts Inc.	EA		1.8%	New	\$93,160	7,543,355
23	Computer Sciences Corp	CSC		1.3%	New	\$66,067	2,661,840
24	Rovi Corporation	ROVI		1.3%	Add 364%	\$64,730	3,299,200
25	Lifepoint Hospitals Inc.	LPNT		1.2%	Added 15%	\$59,382	1,449,040
26	Crown Castle International	CCI		1.1%	Cut -84%	\$59,225	1,009,634
27	General Motors	GM		1.1%	Added 44%	\$58,467	2,964,847
28	Hospira Inc.	HSP		1.1%	Added 143%	\$55,751	1,593,800
29	ETRADE Financial	ETFC		1.1%	Added 54%	\$55,629	6,919,065
30	Liberty Global Inc.	LBTYA		1.1%	Cut -25%	\$54,311	1,094,314
31	Citigroup, Inc.	C		1.0%	Added 68%	\$53,571	1,954,445
32	SIRIUS XM Radio Inc.	SIRI		1.0%	New	\$50,568	27,333,920
33	Sprint Nextel Corp.	S		1.0%	Cut -5%	\$49,674	15,237,388
34	Take-Two Interactive	TTWO		1.0%	Added 6%	\$49,112	5,191,564
35	Apple Inc.	AAPL		0.9%	Added 62%	\$45,540	77,979
36	Mueller Water Products	MWA		0.8%	Added 58%	\$41,937	12,120,383
37	Meritor, Inc.	MTOR		0.8%	Cut -3%	\$38,664	7,406,963
38	Allscripts Healthcare	MDRX		0.7%	New	\$36,411	3,331,316
39	Google Inc.	GOOG		0.7%	New	\$34,214	58,983
40	Sealed Air Corporation	SEE		0.4%	Cut -66%	\$19,627	1,271,176
41	Clearwire Corporation	CLWR		0.4%	Cut -3%	\$18,922	16,894,466
42	Pentair, Inc.	PNR		0.4%	New	\$18,515	483,667
43	Sensata Technologies	ST		0.2%	New	\$8,304	310,100
44	Target Corp.	TGT		0.1%	Cut -89%	\$7,425	127,600
45	UNWIRED PLANET	UPIP		0.1%	Cut -41%	\$3,458	1,503,543

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Citigroup Warrant	C/WS/A		0.1%	Unchanged	\$2,654	8,561,020
47	AutoZone Inc.	AZO		0.0%	New	\$2,236	6,090
48	First American Financial	FAF		0.0%	Cut -2%	\$760	44,830
49	RBS Group PLC Pfd N	RBS-PN			Sold		-
50	Apollo Group Inc.	APOL			Sold		-
51	Time Warner Inc.	TWX			Sold		-
52	RBS Group PLC Pfd P	RBS-PP			Sold		-
53	McKesson Corporation	MCK	CALL		Sold		-
54	TRIPADVISOR	TRIP			Sold		-
55	RBS Group PLC Pfd R	RBS-PR			Sold		-
56	Express Scripts Inc.	ESRX			Sold		-
57	State Street Corp.	STT			Sold		-
58	Hartford Financial Warrant	HIG/WS			Sold		-
59	American Tower Corp.	AMT			Sold		-
60	Hartford Financial Services	HIG			Sold		-
61	Aetna Inc.	AET			Sold		-
62	RBS Group PLC Pfd S	RBS-PS			Sold		-
63	Ingersoll-Rand Plc	IR			Sold		-

Has returned an average of 13% annually over the past decade

Has been directing more capital to Viking's 'best ideas' & is taking a more concentrated portfolio approach than in the past



Key Takeaways

New Positions:

State Street (STT)
Eastman Chemical (EMN)
Pfizer (PFE)
Eli Lilly (LLY)
W.R. Grace (GRA)
Equinix (EQIX)
Dollar General (DG)
Time Warner (TWX)
Skyworks Solutions (SWKS)
Onyx Pharmaceuticals (ONXX)
Oceaneering (OII)
Intercontinental Exchange (ICE)

Sold Completely Out Of:

Cisco Systems (CSCO)
Google (GOOG)
American Tower (AMT)
CareFusion (CFN)
JPMorgan Chase (JPM)
Monsanto (MON)
Citigroup (C)
Baidu (BIDU)
Cognizant Tech Solutions (CTSH)
SanDisk (SNDK)
Aetna (AET)
Las Vegas Sands (LVS)
CBS (CBS)

As you can see from the list above, Andreas Halvorsen's Viking Global had quite a lot of turnover in the quarter. Such a characteristic makes the fund less desirable to follow from a tracking standpoint because it's harder to identify which positions they would be holding for the longer-term. The only cue from their portfolio that could help decipher that is position size. But even then, they can still just as easily exit a large stake rather quickly. Case

in point: in the first quarter Viking's top two positions were Cisco Systems (CSCO) and Google (GOOG). In that quarter, they added substantially to CSCO, over tripling their stake and they had built a large new position in GOOG. Fast-forward to this quarter and Viking's top two holdings are now nowhere to be found in the portfolio as they exited both names just as quickly as they bought them.

Viking's book this quarter is again concentrated with sizable positions at the top of the portfolio that they were buying heavily during the second quarter. Their new top holding is Priceline.com (PCLN) as they added to their position size by 69%. Shares recently took a hit as the company gave weak guidance on its latest earnings release so it will be interesting to see if Viking turns right around and sells shares. After PCLN, the payment processing duopoly of Visa (V) and Mastercard (MA) are Viking's next largest positions. They were buying both in the quarter, but they ratcheted up their holdings in V by a whopping 961% in what looks to be a trade aimed at bringing the position size in line with that of MA.

Other sizable moves in Halvorsen's portfolio this quarter include doubling his stake in DaVita (DVA), a consensus hedge fund buy, as well as over doubling his stake in Crown Castle International (CCI), a wireless tower operator. Lastly, Viking over quadrupled its position size in Apple (AAPL) as the company gets set to release the latest iterations of its tech products. In activity since quarter close, Viking has purchased a new 5.3% ownership stake in Medivation (MDVN) with 1.9 million shares.

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	Priceline.com Inc	PCLN		6.0%	Added 69%	\$745,768	1,122,266
2	Mastercard Inc	MA		5.2%	Added 8%	\$645,621	1,501,062
3	Visa, Inc.	V		4.9%	Added 961%	\$606,640	4,906,900
4	Schlumberger	SLB		4.7%	Added 172%	\$575,175	8,861,117
5	Apple Inc.	AAPL		4.6%	Added 466%	\$572,670	980,600
6	Biogen Idec Inc.	BIIB		4.2%	Added 12%	\$517,810	3,586,445
7	News Corp.	NWSA		4.1%	Added 93%	\$509,252	22,846,690
8	TRIPADVISOR	TRIP		3.3%	Cut -14%	\$401,278	8,979,146
9	Crown Castle	CCI		3.2%	Added 153%	\$400,684	6,830,624
10	H&R Block, Inc.	HRB		3.1%	Cut 0%	\$377,591	23,629,011
11	QUALCOMM	QCOM		3.0%	Added 103%	\$371,644	6,674,648
12	Valeant Pharma	VRX		3.0%	Cut -1%	\$370,436	8,270,522
13	Sherwin-Williams	SHW		2.9%	Added 187%	\$357,571	2,701,710
14	State Street Corp.	STT		2.7%	New	\$335,682	7,519,779
15	DaVita, Inc.	DVA		2.5%	Added 114%	\$310,172	3,158,258
16	U.S. Bancorp	USB		2.2%	Cut -37%	\$266,455	8,285,300
17	LyondellBasell	LYB		2.1%	Cut -55%	\$258,497	6,419,111
18	Estee Lauder	EL		2.0%	Added 50%	\$243,493	4,499,140
19	Eastman Chemical	EMN		1.9%	New	\$239,932	4,763,400
20	Albemarle Corp.	ALB		1.9%	Cut -2%	\$239,438	4,014,728
21	Cardinal Health, Inc.	CAH		1.8%	Added 3%	\$222,189	5,290,226
22	ACE Limited	ACE		1.7%	Added 173%	\$213,541	2,880,635
23	Stericycle, Inc.	SRCL		1.7%	Cut -2%	\$204,485	2,230,673
24	Marsh & McLennan	MMC		1.6%	Added 48%	\$194,558	6,036,559
25	Carter's, Inc.	CRI		1.5%	Added 12%	\$190,559	3,622,800
26	Noble Corp.	NE		1.5%	Added 60%	\$186,286	5,726,611
27	Universal Health	UHS		1.5%	Cut -9%	\$180,342	4,178,470
28	Invesco Ltd.	IVZ		1.4%	Cut -69%	\$174,012	7,699,653
29	Pfizer Inc.	PFE		1.3%	New	\$156,627	6,809,900
30	Eli Lilly & Co.	LLY		1.2%	New	\$149,854	3,492,300
31	Thermo Fisher Scientific	TMO		1.2%	Added 57%	\$143,912	2,772,343
32	W.R. Grace & Co.	GRA		1.1%	New	\$137,102	2,717,594
33	Equinix, Inc.	EQIX		1.1%	New	\$133,934	762,510
34	EQT Corporation	EQT		1.1%	Added 154%	\$131,806	2,457,700
35	HOST HOTELS	HST		1.0%	Cut -15%	\$124,438	7,865,906
36	Berkshire Hathaway	BRK-B		0.9%	Cut -17%	\$108,270	1,299,300
37	Dollar General Corp	DG		0.8%	New	\$104,238	1,916,500
38	Time Warner Inc.	TWX		0.8%	New	\$104,335	2,710,000
39	Skyworks Solutions	SWKS		0.8%	New	\$100,543	3,680,200
40	Onyx Pharmaceuticals	ONXX		0.7%	New	\$84,784	1,275,921
41	AmerisourceBergen	ABC		0.6%	Added 33%	\$73,800	1,875,500
42	EOG Resources, Inc.	EOG		0.6%	Cut -24%	\$67,704	751,349
43	Oceaneering International	OII		0.5%	New	\$66,960	1,399,097
44	IntercontinentalExchange	ICE		0.5%	New	\$66,786	491,153
45	AmericanInternationalGroup	AIG		0.5%	New	\$67,068	2,090,000

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Cabot Oil & Gas Corp	COG		0.5%	New	\$61,904	1,571,171
47	MEDNAX, Inc.	MD		0.5%	Cut -12%	\$60,164	877,800
48	AMERIGROUP Corp	AGP		0.5%	Added 14%	\$58,298	884,511
49	WellCare Health Plans	WCG		0.5%	Added 230%	\$57,351	1,082,100
50	MetLife, Inc.	MET		0.4%	New	\$54,542	1,768,000
51	The Home Depot	HD		0.4%	Cut -63%	\$51,988	981,100
52	Cepheid	CPHD		0.4%	New	\$47,967	1,074,300
53	Polo Ralph Lauren	RL		0.4%	New	\$44,870	320,365
54	Health Management	HMA		0.4%	Cut -44%	\$43,403	5,529,101
55	Capital One Financial	COF		0.3%	New	\$41,266	754,966
56	Colfax Corporation	CFX		0.3%	New	\$40,007	1,451,130
57	Molina Healthcare Inc.	MOH		0.2%	New	\$29,526	1,258,600
58	Varian Medical Systems	VAR		0.2%	New	\$21,871	359,900
59	Oncothyreon Inc	ONTY		0.1%	Cut 0%	\$15,240	3,256,615
60	CareFusion Corporation	CFN			Sold		-
61	Prudential Financial	PRU			Sold		-
62	JPMorgan Chase & Co.	JPM			Sold		-
63	Huntsman Corporation	HUN			Sold		-
64	Humana Inc.	HUM			Sold		-
65	American Tower Corp.	AMT			Sold		-
66	Monsanto Co.	MON			Sold		-
67	Banco Santander	BSBR			Sold		-
68	First Horizon	FHN			Sold		-
69	Citigroup, Inc.	C			Sold		-
70	Linear Technology	LLTC			Sold		-
71	Cognizant Tech Solutions	CTSH			Sold		-
72	Baidu, Inc.	BIDU			Sold		-
73	Wynn Resorts Ltd.	WYNN			Sold		-
74	PNC Financial Services	PNC			Sold		-
75	Hartford Financial	HIG			Sold		-
76	Coach Inc.	COH			Sold		-
77	Agrium Inc.	AGU			Sold		-
78	BioMarin Pharma	BMRN			Sold		-
79	St. Jude Medical Inc.	STJ			Sold		-
80	Cisco Systems, Inc.	CSCO			Sold		-
81	SanDisk Corp.	SNDK			Sold		-
82	Google Inc.	GOOG			Sold		-
83	Aetna Inc.	AET			Sold		-
84	Watson Pharma	WPI			Sold		-
85	Penn West Energy Trust	PWE			Sold		-
86	Texas Instruments Inc.	TXN			Sold		-
87	Cobalt International	CIE			Sold		-
88	Illumina Inc.	ILMN			Sold		-
89	Goldman Sachs	GS			Sold		-
90	CBS CORP CL B	CBS			Sold		-
91	Las Vegas Sands	LVS			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:

Kinder Morgan (KMI ~ received from buyout of their El Paso position)
NetApp (NTAP)
Rockwell Collins (COL)
United Technologies (UTX)
GenProbe (GPRO)
Oaktree Capital (OAK) ~ IPO
Express Scripts (ESRX ~ received from buyout of their Medco Health position)

Sold Completely Out Of:

Comcast (CMCSA)
CheckPoint Software (CHKP)
Baxter (BAX)
Beacon Roofing (BECN)
Savient Pharma (SVNT)
Progressive Waste (BIN)
El Paso ~ bought out
Motorola Mobility ~ bought out
Progress Energy ~ bought out
Medco Health ~ bought out

quarter as they almost doubled their stake in CBS (CBS) and increased their position size in News Corp (NWSA) by 64%. News Corp has announced an impending catalyst, as the company will split into two entities: publishing and entertainment.

Farallon's third largest holding is Owens Illinois (OI) as they bought more shares during the quarter. This name could be intriguing because it seems to be trading at an attractive valuation, but that's most likely due to the fact that investors are concerned about the potential deterioration of the sector and the cyclical nature of the business. OI is a manufacturer of glass packaging and the prevailing thought is that glass is losing market share to other types of packaging, namely plastics. It looks as though OI is trying to extend its reign as the dominant player in the glass industry by making acquisitions in emerging markets (in particular in Brazil and China). The company has seen some changes over the past six years: it divested its plastics business in 2007, faced various restructuring costs, faced asbestos litigation, and invested heavily in South America (where margins are almost double those found in Europe). The company projects around \$250 million in free cash flow this year so perhaps Farallon is more intrigued by OI's dominant market position and less concerned with a secular shift to plastics. Another large shareholder of OI is Alex Roepers' Atlantic Investment Management. He'll be presenting his investment ideas at the Value Investing Congress in New York City in October and newsletter readers can receive a discount to the event [by clicking here](#) and entering discount code: N12MF7.

Since Thomas Steyer's Farallon Capital focuses on arbitrage strategies, there's obviously a large number of holdings in their portfolio that are affected by various buyouts/mergers/etc. Often times, Farallon will receive shares in a new entity per terms of a specific merger agreement and the list above tries to highlight some of these examples.

Turning to Farallon's latest portfolio, their top position of Goodrich (GR) is yet another arbitrage trade. In fact, GR no longer trades as United Technologies (UTX) has acquired the company and Farallon received cash for their GR shares. Moving down the line in their portfolio, Farallon was out buying shares of media companies in the second

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	Goodrich Corp.	GR		11.0%	Added 21%	\$431,460	3,400,000
2	Hudson Pacific	HPP		5.5%	Added 20%	\$212,992	12,233,861
3	Owens-Illinois, Inc.	OI		4.0%	Added 17%	\$157,696	8,226,200
4	CBS CORP CL B	CBS		3.7%	Added 97%	\$145,379	4,435,000
5	News Corp.	NWSA		3.5%	Added 64%	\$138,532	6,215,000
6	Apple Inc.	AAPL		3.3%	Added 15%	\$129,765	222,200
7	KINDER MORGAN	KMI		3.3%	New	\$129,710	4,025,764
8	American Tower Corp.	AMT		3.2%	Added 8%	\$123,391	1,765,000
9	TransDigm Group	TDG		3.1%	Cut -10%	\$121,273	903,000
10	Union Pacific Corp	UNP		3.1%	Added 6%	\$119,310	1,000,000
11	NetApp, Inc.	NTAP		3.0%	New	\$118,370	3,720,000
12	State Street Corp.	STT		3.0%	Cut -3%	\$116,912	2,619,000
13	Visa, Inc.	V		3.0%	Cut -25%	\$115,718	936,000
14	Google Inc.	GOOG		2.8%	Cut -1%	\$107,545	185,400
15	Target Corp.	TGT		2.5%	Added 1%	\$98,129	1,686,356
16	Oracle Corp.	ORCL		2.4%	Cut -38%	\$94,357	3,177,000
17	Priceline.com Inc	PCLN		2.3%	Added 23%	\$91,637	137,900
18	Equinix, Inc.	EQIX		2.2%	Added 11%	\$87,649	499,000
19	Yahoo! Inc.	YHOO		2.0%	Added 219%	\$79,704	5,035,000
20	Microsoft Corporation	MSFT		2.0%	Added 57%	\$76,322	2,495,000
21	ROCKWELL COLLINS	COL		1.9%	New	\$75,900	1,538,000
22	General Dynamics Corp.	GD		1.9%	Added 7%	\$73,545	1,115,000
23	QUALCOMM Inc	QCOM		1.9%	Added 16%	\$73,498	1,320,000
24	United Technologies Corp.	UTX		1.8%	New	\$71,980	953,000
25	KNOLOGY INC	KNOL		1.8%	Unchanged	\$70,564	3,587,394
26	Pall Corp.	PLL		1.7%	Added 31%	\$65,216	1,189,847
27	Gen-Probe Inc.	GPRO		1.6%	New	\$61,650	750,000
28	OAKTREE CAPITAL	OAK		1.5%	New	\$59,015	1,669,460
29	Fidelity National	FIS		1.5%	Added 6%	\$57,084	1,675,000
30	WellPoint Inc.	WLP		1.4%	Cut -11%	\$55,178	865,000
31	Town Sports	CLUB		1.4%	Unchanged	\$53,958	4,060,082
32	Express Scripts Inc.	ESRX		1.3%	New	\$51,922	930,000
33	BP plc	BP		0.9%	Unchanged	\$34,256	845,000
34	GEORESOURCES INC	GEOI		0.8%	New	\$32,400	885,000
35	FEI Co.	FEIC		0.8%	Cut -4%	\$31,958	668,028
36	Illumina Inc.	ILMN		0.7%	Add 246%	\$27,263	675,000
37	Life Technologies	LIFE		0.6%	Unchanged	\$24,311	540,364
38	AMYLIN PHARMA	AMLN		0.6%	New	\$23,548	834,133
39	MERRIMACK PHARMA	MACK		0.6%	New	\$23,315	3,202,614
40	VCA Antech Inc.	WOOF		0.5%	Added 13%	\$19,782	900,000
41	eBay Inc.	EBAY		0.5%	Cut -28%	\$19,276	458,845
42	Schlumberger Limited	SLB		0.4%	Added 117%	\$15,358	236,600
43	Collective Brands, Inc.	PSS		0.4%	New	\$15,101	705,000
44	CareFusion Corporation	CFN		0.4%	Cut -26%	\$14,894	580,000
45	EnCana Corp.	ECA		0.4%	Unchanged	\$13,907	667,636

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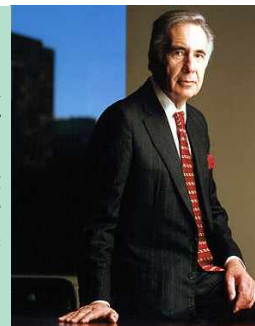
Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	WESTPORT	WPRT		0.4%	Added 62%	\$13,961	379,900
47	Ariba Inc.	ARBA		0.3%	New	\$13,428	300,000
48	CVS Caremark	CVS		0.3%	Cut -12%	\$11,960	255,936
49	KinderMorgan Warrants	KMIIV		0.3%	New	\$11,397	5,276,476
50	Ultra Petroleum Corp.	UPL		0.3%	Added 77%	\$9,657	418,600
51	Pep Boys	PBY		0.3%	New	\$9,900	1,000,000
52	Potash Corp	POT		0.2%	Added 14%	\$9,217	210,955
53	NOVADAQ TECH	NVDQ		0.2%	Added 16%	\$8,617	1,278,800
54	Fresh Del Monte	FDP		0.2%	Unchanged	\$8,184	348,682
55	Fuel Systems Solutions	FSYS		0.2%	Unchanged	\$8,127	486,945
56	Molycorp, Inc.	MCP		0.1%	New	\$5,392	250,200
57	SanofiContingentValueRights	GCVRZ		0.1%	Cut -16%	\$5,407	3,835,000
58	TUDOU HOLDINGS	TUDO		0.1%	Added 148%	\$5,209	155,400
59	WebMD Health Corp.	WBMD		0.1%	Cut -75%	\$4,670	227,700
60	Tata Motors Ltd.	TTM		0.1%	Cut -15%	\$4,337	197,514
61	Chiquita Brands	CQB		0.1%	Unchanged	\$3,784	756,727
62	Tenet Healthcare	THC		0.1%	Cut -75%	\$3,421	652,900
63	FLIR Systems, Inc.	FLIR		0.1%	Unchanged	\$3,163	162,182
64	Dole Food Company	DOLE		0.1%	Unchanged	\$3,193	363,636
65	Horsehead Holding	ZINC		0.1%	Unchanged	\$2,122	213,100
66	DELPHI	DLPH		0.0%	Unchanged	\$1,208	47,368
67	DigitalGlobe, Inc.	DGI		0.0%	Cut -10%	\$1,090	71,880
68	ADECOAGRO S.A.	AGRO		0.0%	Unchanged	\$274	29,887
69	Comcast Corporation	CMCSA			Sold		-
70	El Paso Corp.	EP			Sold		-
71	SAVIENT PHARMA	SVNT			Sold		-
72	TELUS Corporation	TU			Sold		-
73	Beacon Roofing	BECN			Sold		-
74	Progressive Waste	BIN			Sold		-
75	Cninsure Inc.	CISG			Sold		-
76	Motorola Mobility	MMI			Sold		-
77	MedcoHealth	MHS			Sold		-
78	Warnaco Group Inc.	WRC			Sold		-
79	LOOPNET INC COM	LOOP			Sold		-
80	Check Point Software	CHKP			Sold		-
81	Baxter International Inc.	BAX			Sold		-
82	Progress Energy Inc.	PGN			Sold		-
83	Copa Holdings SA	CPA			Sold		-
84	LPL INVESTMENT	LPLA			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:

Chesapeake Energy (CHK)

Sold Completely Out Of:

Motorola Mobility ~ bought out

The noted activist investor has been quite busy lately. In the second quarter, Icahn started a brand new stake in Chesapeake Energy (CHK). The company has had all kinds of issues earlier in the year relating to corporate governance. Shares tanked and Icahn stepped in to buy, noting that CHK was “very undervalued.”

Icahn's top holding (apart from his own Icahn Enterprises) is now CVR Energy (CVI). He made an offer for the company at \$30 per share and tons of investors tendered into that offer. Icahn then had a “go shop” period to try and turn around and sell the company to another buyer for a higher price, but nothing materialized. As such, Icahn recently sent a letter to CVI's board notifying them that he'd be open to discussing purchasing the rest of CVI shares outstanding for a price of \$29. He said he's willing to negotiate the price, but he won't pay over the original \$30 he paid for all the other shares.

Icahn also owns shares of OshKosh (OSK). He's recently made a push for a tax-free spinoff of the company's JLG business. This comes after Icahn's proxy fight with the company last year as he thinks management made a mistake in purchasing JLG to begin with. Late last year, Icahn was also talking about how OshKosh and Navistar (NAV) should merge. Icahn also owns a stake in NAV. Additionally, it's worth pointing out that Icahn's

former protégé Mark Ratchesky also owns NAV in size. His MHR Fund Management owns over 13% of the company and considers shares undervalued. His activist SEC filing also noted his intentions to engage management in discussions.

Another position Icahn has been active with is Forest Laboratories (FRX), a company he's the second largest shareholder of. He recently won a seat on the board for a nominee of his (although he was trying to nominate four new members in total). In what has become a common occurrence for Icahn, he also had a proxy fight with FRX as he criticized the board. Icahn didn't like that the company hasn't really had a plan for new growth now that generic drugs have competed with some of FRX's best sellers like Lexapro and Namenda. Generics are hurting Lexapro substantially as some analysts have postured that income from the drug could essentially disappear in 2013. While the company touts its drug pipeline as full of potential, Icahn no doubt wants results rather than just potential.

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	Icahn Enterprises, L.P.	IEP		35.7%	Cut -77%	\$3,735,169	93,309,237
2	CVR Energy, Inc.	CVI		18.1%	Added 466%	\$1,892,462	71,198,718
3	Chesapeake Energy	CHK		8.9%	New	\$931,585	50,085,202
4	Forest Laboratories	FRX		8.8%	Unchanged	\$922,395	26,361,686
5	Federal-Mogul Corp.	FDML		8.0%	Unchanged	\$840,238	76,385,255
6	AMYLIN PHARMA	AMLN		3.9%	Unchanged	\$406,002	14,381,925
7	Hain Celestial Group	HAIN		3.8%	Unchanged	\$392,466	7,130,563
8	American Railcar	ARII		3.1%	Added 0%	\$321,711	11,871,268
9	Mentor Graphics Corp.	MENT		2.3%	Unchanged	\$241,804	16,120,289
10	Navistar	NAV		2.2%	Added 13%	\$231,724	8,167,903
11	Oshkosh Corporation	OSK		1.7%	Unchanged	\$181,538	8,665,260
12	WebMD Health Corp.	WBMD		1.3%	Unchanged	\$137,428	6,700,525
13	Commercial Metals	CMC		1.0%	Cut -24%	\$100,884	7,981,275
14	Take-Two Interactive	TTWO		0.7%	Added 8%	\$74,586	7,884,334
15	Enzon Pharmaceuticals	ENZN		0.4%	Unchanged	\$40,566	5,904,863
16	Dynegy Inc.	DYN		0.1%	Unchanged	\$10,555	18,042,212
17	Motricity, Inc.	MOTR		0.0%	Unchanged	\$4,205	6,782,039
18	Motorola Mobility	MMI			Sold		-

Next: JANA Partners

JANA Partners

Barry Rosenstein

Has returned 14.3% annualized since inception in 2001

“Value-oriented fund with an event-driven strategy which invests in companies considering or implementing change.”



Key Takeaways

New Positions:

Agrium (AGU)
Phillips66 (PSX)
AOL (AOL)
American Realty (ARCT)
Google (GOOG)
Kinder Morgan (KMI) & Kinder Morgan Warrants (KMIIV ~ both received from their old position in El Paso)
Agrium (AGU) Calls

Sold Completely Out Of:

Avis Budget (CAR)
DirecTV (DTV)
Comverse Technology (CMVT)
Norfolk Southern (NSC)
Anadarko Petroleum (APC)
Marathon Petroleum (MPC)
El Paso ~ bought out

Barry Rosenstein will be presenting investment ideas at the Value Investing Congress in New York City in October and newsletter readers can receive a discount by [clicking here and using discount code: N12MF7](#). If you're in the area or can make the trip, it will definitely be worthwhile as two other managers covered in this newsletter will also be presenting ideas: David Einhorn and Bill Ackman, among many other hedge fund managers.

The big story from Jana Partners' second quarter portfolio is their brand new position in Agrium (AGU) and AGU call options. Their common stock position is now their largest holding at a sizable \$575 million stake. The size of this investment is noteworthy mainly because it represents 24% of JANA's reported US assets. The hedge fund is looking for the company to spin-off its farm-supply retail unit. They feel

that Agrium trades at a multiple of a commodity-based company subject to volatility since AGU has a fertilizer business. JANA argues that the market hasn't been able to recognize the value of the much more stable unit of Agrium. At the recent SALT Conference in Las Vegas, Rosenstein commented on how today's environment is the best for activist investing he's ever seen (and he's been doing this since the 1980's).

The hedge fund also increased its position size in Coca Cola Enterprises (CCE) by 56% during the quarter. JANA saw opportunity in CCE shares as the situation in Europe has continued to crumble. Rosenstein sees this Coca Cola bottler as part of a secular growth trend. One potential catalyst the hedge fund sees is a potential purchase of bottling operations in Germany from Coca Cola. This would make CCE the dominant distributor in Europe and they expect earnings growth will lead to multiple expansion.

JANA also touched on some of the companies they've been shorting in a letter to investors, including: “certain tobacco companies that have relied for too long on the stickiness of price increases against falling volumes” as well as “companies in the natural gas liquids distribution chain suffering from supply-glut pricing pressures” and “a hyped-up software company with very opaque accounting” as well as “a big box retailer whose category is being entered by Amazon.” The latter sounds an awful lot like Dick's Sporting Goods (DKS) as Greenlight Capital's David Einhorn flagged DKS as a potential loser for the exact same reason.

View JANA Partners' Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Agrium Inc.	AGU		23.5%	New	\$575,412	6,504,035
2	Liberty Media	LMCA		5.9%	Added 11%	\$143,062	1,627,374
3	McGraw-Hill Companies	MHP		5.0%	Added 2%	\$121,616	2,702,582
4	Energizer Holdings Inc.	ENR		4.9%	Cut -10%	\$120,689	1,603,847
5	Coca-Cola Enterprises	CCE		4.6%	Added 56%	\$112,111	3,998,264
6	Apple Inc.	AAPL		3.9%	Cut -19%	\$94,789	162,310
7	Visteon Corp	VC		3.7%	Added 67%	\$91,407	2,437,517
8	Coventry Health	CVH		3.7%	Cut -13%	\$89,300	2,809,056
9	Expedia Inc.	EXPE		3.6%	Cut -54%	\$87,381	1,817,777
10	PHILLIPS 66	PSX		3.5%	New	\$85,144	2,561,503
11	Motorola Solutions	MSI		3.4%	Cut -23%	\$83,078	1,726,839
12	AOL, Inc.	AOL		3.3%	New	\$79,712	2,838,749
13	Liberty Media Interactive	LINTA		3.1%	Added 29%	\$75,943	4,272,480
14	American Realty Cap	ARCT		2.8%	New	\$67,972	6,224,564
15	Barnes & Noble, Inc.	BKS		2.8%	Cut -26%	\$67,725	4,114,506
16	Google Inc.	GOOG		2.6%	New	\$63,817	110,016
17	KINDER MORGAN	KMI		2.4%	New	\$58,815	1,825,433
18	Netflix, Inc.	NFLX		2.2%	Added 101%	\$54,905	801,706
19	Warnaco Group Inc.	WRC		2.1%	New	\$51,026	1,198,348
20	Strayer Education Inc.	STRA		2.0%	Cut -13%	\$48,750	447,165
21	Rockwood Holdings Inc.	ROC		1.9%	New	\$46,822	1,055,743
22	SPDR Gold Shares	GLD		1.6%	Added 45%	\$38,795	249,985
23	SEMGROUP CORP A	SEMX		1.4%	Cut -25%	\$34,395	1,077,203
24	SUNCOKE ENERGY	SXC		1.4%	Added 117%	\$34,205	2,334,789
25	Agrium Inc.	AGU	CALL	1.0%	New	\$24,816	280,500
26	Convergys Corporation	CVG		1.0%	Added 31%	\$24,129	1,633,664
27	Anadarko Petroleum	APC	CALL	0.8%	Unchanged	\$19,066	288,000
28	Forest Oil Corp.	FST		0.6%	Cut -3%	\$14,505	1,978,900
29	Opko Health, Inc.	OPK		0.5%	Cut -3%	\$11,937	2,595,094
30	Spectra Energy Corp.	SE		0.3%	New	\$8,300	285,619
31	EXELIS INC	XLS		0.3%	New	\$8,332	844,981
32	KinderMorgan Warrants	KMIIV		0.3%	New	\$6,189	2,865,287
33	Progressive Waste	BIN		0.1%	New	\$2,961	156,497
34	Avis Budget Group	CAR			Sold		-
35	DIRECTV	DTV			Sold		-
36	Hess Corporation	HES			Sold		-
37	Carnival Corporation	CCL			Sold		-
38	El Paso Corp.	EP			Sold		-
39	Darling Intl	DAR			Sold		-
40	Comverse Tech	CMVT			Sold		-
41	Norfolk Southern	NSC			Sold		-
42	Anadarko Petroleum	APC			Sold		-
43	Marathon Petroleum	MPC			Sold		-

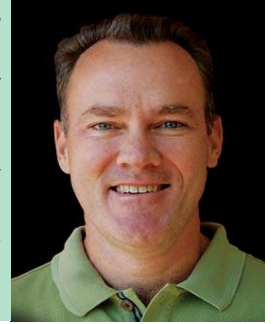
Next: Pennant Capital

Pennant Capital

Alan Fournier

Pursues a long/short equity strategy

Before founding Pennant in 2001, he was responsible for the global equity portfolio for David Tepper's Appaloosa Management



Key Takeaways

New Positions:

Sally Beauty (SBH)
MRC Global (MRC)
Eli Lilly (LLY) Calls
Forum Energy (FET)

Sold Completely Out Of:

Human Genome Sciences (HGSI)
PHH Corp (PHH) Notes
Hologic (HOLX)

In the first quarter, Alan Fournier's Pennant Capital was out slightly trimming numerous positions. This trend continued in the second quarter as they reduced holdings in eight of their top eleven holdings. Most of these sales were small, only around 8-13% of the position size of each stock. These include DaVita (DVA), Fidelity National Information Services (FIS), Dollar General (DG), TripAdvisor (TRIP), Qualcomm (QCOM), WellPoint (WLP), Family Dollar (FDO), and Apple (AAPL). Most of these names are more concentrated positions than the rest of Pennant's portfolio, even after the reductions.

TransDigm Group (TDG) continues to be Pennant's largest position at 7% of reported US assets and their position was unchanged in the quarter. In addition to TransDigm Group, Pennant is also playing aerospace suppliers via Sensata Technologies (ST). This stock was featured in the Q2 2011 issue of Hedge Fund Wisdom in the equity analysis section, so be sure to login and download it if you missed it.

One stake Pennant was adding to in the quarter was WABCO (WBC). Last quarter's issue highlighted Fournier's activity as the hedge fund bought a brand new stake in the company. Shares dipped down from \$64 to \$47 during the second quarter and if the past two

quarters' activity are any indication, that's definitely an area where Pennant sees attractive valuation.

Fournier's firm also seems to like the dollar-store space of discount retailers as they own both Family Dollar (FDO) and Dollar General (DG). Though the fund reduced its position size in both slightly during the quarter, they're still both sizable stakes. In the past, many hedge funds have owned one or the other, not both. Dollar General has been the "best in breed" play as it has improved operationally after being taken private by KKR and then IPO'ing in 2010. Family Dollar, on the other hand, hasn't operated as efficiently and investors have often played it as a "catch-up" story as the company tries to implement operational changes for the better. Warren Buffett's Berkshire Hathaway owns shares of DG while Nelson Peltz's Trian Partners owns shares of FDO. While both stocks have outperformed the S&P over the past year, DG has easily outpaced FDO. DG is up over 62% while FDO is only up 27%.

In trading activity in the United Kingdom, Pennant has reduced its position in Homeserve (LON:HSV) under the 3% ownership threshold that requires public disclosure of the position.

And in domestic market activity since the end of the second quarter, Alan Fournier's fund has purchased more WESCO (WCC). The hedge fund didn't have any activity related to its WCC stake in the second quarter but they've just now recently purchased 195,000 additional shares, bringing their total ownership to 2,304,324 shares.

View Pennant Capital's Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	TransDigm Group	TDG		7.4%	Unchanged	\$318,759	2,373,482
2	DaVita, Inc.	DVA		6.2%	Cut -13%	\$264,084	2,688,972
3	Fidelity National	FIS		5.6%	Cut -12%	\$240,675	7,062,066
4	NVR Inc.	NVR		5.1%	Unchanged	\$219,396	258,113
5	Dollar General Corp	DG		4.7%	Cut -16%	\$202,158	3,716,816
6	TRIPADVISOR INC	TRIP		4.3%	Cut -19%	\$185,756	4,156,550
7	QUALCOMM Inc	QCOM		4.2%	Cut -12%	\$182,249	3,273,154
8	WellPoint Inc.	WLP		4.2%	Cut -1%	\$180,391	2,827,892
9	Family Dollar Stores Inc.	FDO		4.1%	Cut -8%	\$175,127	2,634,281
10	HUNTINGTON INGALLS	HII		4.1%	Unchanged	\$174,943	4,347,499
11	Apple Inc.	AAPL		3.9%	Cut -12%	\$165,596	283,555
12	Union Pacific Corporation	UNP		3.6%	Unchanged	\$152,629	1,279,263
13	Terex Corp.	TEX		3.4%	Added 8%	\$146,430	8,212,580
14	Coca-Cola Enterprises Inc.	CCE		3.2%	Cut -6%	\$137,572	4,906,269
15	WABCO Holdings Inc.	WBC		3.2%	Added 42%	\$136,742	2,583,452
16	Sensata Technologies	ST		2.9%	Cut -5%	\$124,080	4,633,304
17	WESCO International Inc.	WCC		2.8%	Cut 0%	\$121,392	2,109,324
18	Sally Beauty Holdings Inc.	SBH		2.8%	New	\$118,662	4,610,010
19	Range Resources Corp	RRC		2.5%	Cut 0%	\$107,946	1,744,716
20	Priceline.com Inc	PCLN		2.3%	Cut -18%	\$98,881	148,800
21	PHH CORP	PHH		2.2%	Unchanged	\$96,326	5,510,629
22	Unitedhealth Group	UNH		2.2%	Cut -27%	\$92,157	1,575,331
23	Citigroup, Inc.	C		2.0%	Cut -5%	\$85,640	3,124,422
24	MRC GLOBAL INC.	MRC		1.9%	New	\$80,331	3,774,971
25	Google Inc.	GOOG		1.6%	Cut -14%	\$69,428	119,689
26	Pfizer Inc.	PFE		1.5%	Cut -23%	\$64,551	2,806,574
27	Eli Lilly & Co.	LLY	CALL	1.1%	New	\$48,840	1,138,200
28	Universal Stainless&Alloy	USAP		1.0%	Added 49%	\$42,128	1,025,000
29	Old Republic International	ORI		1.0%	Unchanged	\$41,250	4,975,868
30	Middleby Corp.	MIDD		0.8%	Unchanged	\$34,147	342,809
31	Valero Energy Corp.	VLO		0.6%	Added 10%	\$26,721	1,106,466
32	Quest Diagnostics Inc.	DGX		0.6%	Added 4%	\$25,529	426,200
33	Fluor Corporation	FLR		0.5%	Added 6%	\$21,463	435,000
34	AEROFLEX	ARX		0.5%	Cut -1%	\$21,210	3,505,710
35	FORUM ENERGY	FET		0.4%	New	\$18,312	930,000
36	Broadcom Corp.	BRCM		0.3%	Added 9%	\$14,719	436,000
37	CanadianNaturalResources	CNQ		0.3%	Added 63%	\$14,231	530,000
38	Petroleo Brasileiro	PBR-A		0.3%	Cut -30%	\$13,605	750,000
39	Foster Wheeler AG	FWLT		0.3%	Added 10%	\$13,208	765,000
40	Amgen Inc.	AMGN		0.2%	Cut -4%	\$9,478	130,000
41	Ford Motor Co.	F		0.2%	New	\$7,480	780,000
42	Human Genome Sciences	HGSI			Sold		-
43	PHH CORP NOTE	PHH			Sold		-
44	Hologic Inc.	HOLX			Sold		-

Next: Equity Analysis Section

Equity Analysis: Investment Thesis Summaries

Overview

These analytical summaries examine why a hedge fund was buying a specific stock and what their potential investment thesis could be. Written by hedge fund analysts, this section highlights stocks that saw large hedge fund buying in the quarter.

When presenting an investment idea to a fund manager, an analyst outlines numerous aspects of a thesis. This section aims to briefly summarize the following bullet points:

- Company background
- The business model & current situation
- The investment thesis
- The bull case versus the bear case
- Market valuation
- Potential catalysts (if any)
- Hedge fund activity in the stock

This quarter's write-ups include:

- **VeriSign (VRSN): Monopoly with high incremental margin but high valuation**
- **Textron (TXT): Business jets and conglomerate break-up value drivers**
- **American International Group (AIG): “Balance sheet arbitrage” thesis**

Next: Analysis of VeriSign (VRSN)



Dominant Market Position

Hedge Fund Activity

VeriSign (VRSN) was a consensus buy during Q2. Philippe Laffont's Coatue Management, Roberto Mignone's Bridger Management as well as Hoplite Capital and Karsh all established new positions. John Griffin's Blue Ridge Capital increased its position by ~50%.

Company Background

VRSN's primary business is to manage the registry of all .com and .net domain names. Other business includes the management of other top-level domains and the back end for government domain names, in addition to providing internet infrastructure security services, e.g., SSL certificates for eCommerce sites and denial of service protection. VRSN was founded in the mid-90s and went through a string of acquisitions over the next 10 years that was eventually unwound through a series of divestitures in order to focus on the core businesses.

When people buy domain names, they don't go through VRSN directly but rather through a registrar such as GoDaddy. Registrars provide a commodity registration service, which is effectively the resale of domain names managed by VRSN. It is a very competitive business with low barriers to entry, so many companies offer registration at cost and try to make money by up-selling hosting and marketing services.

In contrast, VRSN is a kind of a monopoly: it is contracted by the ICANN government entity to manage the registry. The current contract was signed in late 2006, expires on Nov. 30, 2012, and gets renewed every 6 years unless there has been a material breach. However, upon renewal, terms are subject to change. Since ICANN already contracts more than a dozen registry providers for different domain names, investors have worried in the past that another registry manager could replace VRSN. However, VRSN is managing by far the largest network and has a highly scalable and proven proprietary infrastructure. The cost of registering a domain name is already very low, while the risk of transitioning the management of the registry to new systems is too high.

VRSN is effectively the exclusive wholesaler of the .com and .net domain names. Revenue from this business is estimated to account for more than 90% of sales and almost the entirety of profits. Growth is driven by net additions to the domain name registry and fee increases.

VRSN currently manages 115mm domains and charges annual subscription fees of \$7.85 for .com and \$5.11 for .net. As penetration has increased and competing domain extensions have proliferated, growth of these dominant extensions has slowed down. Other extensions are more competitive in nature, so margins are not as lucrative. Nevertheless, VRSN's infrastructure is highly scalable and for the time being margins are biased to the upside.



Valuation

Historically, VRSN has traded at 20-30x forward EPS and ~15x EBITDA. It currently trades at 26x consensus EPS and 15x EBITDA, at the midpoint of its historical valuation. This is also in line with the sell-side average price target.

Based on a simple discounted cashflow model with revenue growth and incremental EBIT as key drivers, the market is currently pricing in 10% annual sales growth, which can be thought of as 5% annual growth in domain name registrations and another 5% growth from price increases, along with a 10+ point margin expansion. This implies a 75% incremental EBIT over the medium term. Given the declining trends in registrations and the contractually determined rate increases, these drivers are not unreasonable, but VRSN's stock price seems to leave little room for upside.

Further gains will have to be driven by new domain name registries and potentially better-than-expected operating leverage, but few investors will pay upfront for such an uncertain upside so the stock may be range-bound in the medium term. Any threats to the growth rate from the introduction of new TLDs or to the margin from contract pricing pressure or rising development costs could have a significant negative impact on the stock.

The Bull Case

Domain registrations are not particularly susceptible to the deteriorating macro, so VRSN is a defensive name that should outperform the rest of the market, especially as it nears the contract renegotiation in late 2012. During past periods leading up to the extension of the contract, VRSN's stock has been a strong performer.

Given the highly recurring nature of the company's revenue, the steady growth, and better-than-expected operating leverage, earnings can surprise to the upside.

Furthermore, VRSN has excess cash on its balance sheet and is hinting towards rightsizing the balance sheet following the contract renewal later this year. Based on the company's stable earnings profile, it can support a substantial debt load and buy back stock.



The Bear Case

Second quarter results were mixed: top line missed because of fewer net additions to the domain name registry, which were more than offset by better margin. Guidance was also slightly disappointing, as management lowered the high end for the top line and guided to lower net adds in 3Q. Nevertheless, strong margin guidance drove the stock higher after the earnings release.

The stock has continued to outperform and may be strong until the contract renewal, but it seems to be already pricing in the renewal and continued low-double-digit top line growth rates, which may become increasingly difficult to achieve due to increased penetration and competition.

Growth should continue to slow down, while margins face risk from competition, contract renegotiations, and increasing development costs. This could mean limited valuation upside.

Summary

Investors like VRSN's dominant market position, recurring revenues, balance sheet optionality (stable business can support higher leverage), and relatively defensive business model. On the other hand, they have bid the stock price high enough to already incorporate the major contract renewal later this year for the continued exclusive management of .com and .net extensions.

Any further upside will have to come from better-than-expected incremental margins, whereas any growth hiccups along the way could punish the stock severely. The stock has a high-growth valuation multiple even though its growth profile is trending downwards below estimates and management's guidance. The market has focused on the higher margin incrementals, but eventually may shift towards growth in order to justify the high multiple.



Hedge Fund Activity

Partner Fund, Brookside, and Citadel all established new positions of at least 2 million shares each, while Steve Cohen's SAC Capital added to their pre-existing position. On the other hand, Renaissance, Ascend, Scopus, and Och-Ziff Capital all sold out of their positions.

Company Background

Textron (TXT) is an aerospace and industrial conglomerate with \$7.6bn market cap and \$12.4bn '12 sales. Almost 60% of sales are generated from Cessna business jets and Bell helicopters, and the remaining 40% comes from a military vehicles and an industrial division. It trades at 13x '12 EPS and 8x '12 EBITDA, while historically it has traded in the range of 10-15x fwd EPS and 8-12x forward EBITDA.

1. Cessna has a 30% leading market share in business jets. It is known for its smaller planes, but it is transitioning to mid-size jets. Cessna is a "late cycle" play, meaning that it will be one of the last sectors to recover with the economy, and it is correlated with corporate profits. Sales peaked at \$5.7bn and 467 deliveries in 2008, but they crashed by 40% in 2009 and another 20% in 2010. At the peak, Cessna delivered \$0.9bn in EBIT, while at the trough it lost \$30mm. The mid-teens margin achieved at the peak is not expected to be repeated because of increasing competition. The division stabilized in 2011 and seems to be starting to recover in 2012. The last peak for the division was at \$3.2bn in 2002, which was followed by a 30% drop in 2003 and a sharp recovery in 2004-2005. The sharp recovery was driven in large part by fractional jet players that were placing large orders, but they have not been a factor this time around. Investors have been trying to time the elusive recovery this time around, which has created a lot of volatility in the stock.

2. Bell is known for its military tilt-rotor V-22 aircraft that combine the flexibility of a helicopter and the performance of an airplane. Bell has lucrative government contracts and is also growing its commercial helicopter business rapidly. Its margin has been steadily increasing from high single digits to mid-teens, as deliveries to the military keep growing at a high margin, and the lower-margin commercial business provides additional operating leverage. At this point in time, given the sluggish recovery of Cessna, Bell is TXT's crown jewel. It is TXT's largest division, generating almost 1/3 of total sales and more than half the EBIT.

3. The military vehicle division (Textron Systems) specializes in unmanned aircraft and armored vehicles. Given the budget cutbacks, this division has been struggling and is expected to continue to be a drag on growth. The industrials division consists of disparate brands that manufacture products ranging from golf and airport carts to auto engine parts. The majority of the sales come from a Germany-based automotive systems manufacturer. Both of these divisions have mid/high-single-digit margins. Lastly, TXT has a finance division that used to primarily finance Cessna purchases but expanded for growth into non-core operations and is currently in wind-down mode.

Valuation

TXT is a conglomerate so it should be valued as a sum of its parts. Sometimes investors and analysts use a short cut and apply a below-average multiple or a median multiple for conglomerates to its consolidated results, but this practice can be misleading. The sell-side values TXT using a sum of the parts analysis, or a DCF valuation, or a multiple to 2013 EPS (in the range of 12-13x, in line with multi-industry peers). Overall, the median price target is \$31 and ranges from \$25 to \$35.

Cessna is at the inflection point of its recovery and currently has a very low margin, so it has to be projected out to a reasonable margin first, apply a cyclical multiple and discount back. One way is to apply a multiple on EBITDA and another to use EPS, where you allocate corporate and interest expenses proportionately. Cessna will contribute 30-40c of EPS in 2013, which can grow to \$1.40 by 2016, assuming it hits \$6bn in sales (slightly higher than the prior peak) and a low-teens margin, which implies a reasonable 20-25% incremental margin. Cyclical EPS multiples are usually ~8x (lower currently, but multiples should expand in this scenario, which is based on a recovery by mid-decade). This calculation implies that Cessna is worth \$11 at the end of 2015 (on 2016 earnings), which is equivalent to \$7 today (discounted at 15% for 3.5 years). There is \$2 upside to the valuation because it's not unlikely that the market will give a higher multiple to Cessna's earnings while in an increasing trajectory.

Bell is a much more stable business with a strong product line in high demand both from the public and the private sector. There is some concern that the expiring government contracts may not get renewed, but Bell's commercial segment is growing rapidly, and is looking at international sales for its government programs. Margins may get pressured as commercial helicopters become a

larger part of the mix, but the growth will result in operating leverage that could offset the pressure. Bell is likely to continue to increase its contribution from \$1.20 to \$1.40-1.50 in EPS by 2016. Even though it has less upside than Cessna, Bell deserves a much higher multiple of ~15x, which would indicate a value of \$13-14 in present value terms (using the same 15% discount rate over 3.5 years).

The two core businesses are worth \$7-9 for Cessna and \$13-14 for Bell, or \$20-23 combined. The military vehicle business is generally considered a relatively flat business through the cycle because growth in certain areas will be offset by defense budget cuts. In this environment, exposure to defense budgets receives a discounted multiple but longer term the multiple should be ~10x for a stable business. The industrial business should continue to grow at a slow pace, though its weaker-than-average end markets justify a below-average multiple of 10-12x. Combined, these businesses should be valued at \$4-5.

The finance division is expected to continue to wind down and perform at a break-even level, so no value is attached to it. Therefore, the entire conglomerate has an earnings-based sum of the parts valuation of \$24-28 (EBIT-based valuation and DCF valuation yield similar numbers). The stock is currently trading close to the high end of this valuation range, probably indicating investors' bullishness towards Cessna based on very strong Q2 results.

The assumptions behind this valuation are that Cessna will slightly exceed the prior cycle & the margin is going to be substantially lower, both of which could turn out to be conservative assumptions. Bell could also prove more successful in selling its military and commercial programs internationally.



Key Value Drivers

The market has a generally good feel for the value of the different components of TXT, except for Cessna, due to the high volatility in terms of sales and margins. Therefore, the key determinant of TXT's stock price is the perception around Cessna's recovery regarding the timeframe of delivery growth and the margin incrementals.

The first thing to monitor for business jets is FAA's activity reports and jet utilization rates. When those start picking up, sales will start increasing. Sales will first absorb through inventory, which is the ratio of used aircraft available for sale over the total fleet in existence. The inventory has to drop to a range of 10-12% for business jet OEMs to regain some pricing power and respond to increasing demand with higher prices, which will support higher margins. At that point, the backlog should start to rebuild, which will give investors confidence that the recovery is on a sustained path.

Currently, inventories have been dropping towards the sweet spot but are not there yet (Cessna inventory is at 12.3% after peaking at 17.3% in 2009). Additionally, pricing power is still elusive, and activity reports are often mixed (one month improves marginally and the next shows some degradation). Backlogs are non-existent as the market is still almost entirely "spot". The data has been trending favorably, but not decisively so. The result is increased volatility in TXT's stock price as investors want to be early on the bandwagon, but disappointing results drive a small exodus from the stock every time.

A more committed move by investors is expected once backlogs start rebuilding. In prior cycles, backlogs weren't viewed as critical, but this cycle is different because of much weaker confidence in a business recovery. Even though corporate profits have been recovering, business jet orders haven't followed suit the same way as in past cycles, and investors are more skeptical to be the first to jump in. Backlogs have yet to heal, as Cessna's backlog was down 10% from the first quarter to second quarter this year and 40% year over year.



Current Situation

After this year's second quarter results, investors took TXT's stock up from \$22 to \$27 because of very strong deliveries at Cessna, indicating a potential inflection point in 2012 and a faster & better recovery with a jump in sales and margins.

However, management has sounded quite cautious with regards to its outlook for the rest of the year due to an uncertain global macro and domestic political environment. As a result and based on discussions with customers, TXT expects a slowdown in orders as clients stay on the sidelines.

In addition, Cessna's new management has been pushing to even out deliveries throughout the year in order to avoid undue strains on its manufacturing. Historically, the fourth quarter has been seasonally much stronger than any other quarter – accounting for almost 40% of annual deliveries – but this year it may be more even with the rest of the year. Therefore, management wants to make sure that investors aren't necessarily extrapolating the fourth quarter of this year based on strong second quarter performance and historical seasonality.

These are both legitimate concerns that investors should pay attention to because the stock seems to be pricing in a more optimistic scenario than what management is worried about. On the other hand, second quarter results at Cessna blew away expectations so perhaps management is being overly conservative or setting a low bar to beat.

The Bull Case

Cessna's peak in 2008 was 80% higher than the peak in 2002, so the next peak can occur in 2014-16 and be at least 50% above the 2008 peak. This would imply sales of \$8.5bn. Assuming 20% incremental EBIT, which is at the low range of historical performance, Cessna could generate \$1.1bn in EBIT, above its prior peak of \$0.9, which doesn't sound unreasonable. This would be equivalent to \$2.30 in EPS in 2016, which at 8x forward earnings discounted back 3.5yrs at 15% is worth \$11.30. If you assume a more bullish 10x multiple, this indicates a potential value of >\$14.

The sum of the parts above valued TXT at \$24-28 based on a \$7-9 value for Cessna. The new value range for Cessna of \$11-14 indicates a valuation range for TXT of \$28-33. This is still only a 22% upside at the high end from the current share price, which doesn't sound particularly compelling.

Nevertheless, depending on the recovery trajectory though, Cessna could be even more valuable, e.g., by an incremental \$2 if it hits these targets one year earlier. In addition, TXT could unlock more value (and faster) by splitting up its businesses and selling them off to acquirers that can extract synergies. TXT is a potential event stock and sometimes receives a premium valuation in anticipation of such an announcement.



The Bear Case

The bear thesis seems a bit more short-term focused: Cessna's results are more likely to disappoint investors (who seem to be more optimistic about extrapolating results from a very strong second quarter). Management has been cautious, potentially for good reasons. Indeed the global economies have been slowing down, and both political uncertainty and the fiscal cliff can stall US growth. Cessna is the most exposed business jet OEM to a US rebound of all its peers.

Furthermore, Cessna may have been benefiting from the Hawker Beechcraft bankruptcy. However, Hawker seems to have found a sponsor and could start recapturing market share in the second half of this year, at the expense of Cessna. Cessna's management acknowledges some benefit from the Hawker bankruptcy and doesn't seem concerned about its resolution.

Also, with regards to incrementals, Cessna surprised investors with 44% sequential EBIT incremental and almost 30% year over year, which is above its historical range and unexpected. Management has pointed out that new initiatives have been put in place over the past year that have improved performance, which means that the second quarter had a relatively easier comp.

Therefore, TXT has limited valuation upside – the stock has run up a lot this year and is close to what could be viewed as its fair value, and weak backlogs may cap further gains. Not to mention, the second half of the year seems to have a lot of headwinds.

Summary

Based on sum of the parts valuation, TXT is trading at the higher end of its range, indicating limited upside as investors were surprised by strong Cessna results in Q2, which may have marked an inflection point for the company. Further upside will depend on a faster and greater rebound at Cessna, but bearish investors will wait for lower prices and/or a rebuild in the backlog before jumping in because they are skeptical about the sustainability of the business recovery and fear the numerous headwinds in the second half of the year.

Next: Analysis of AIG (AIG)



Background on Hedge Fund Wisdom's AIG Coverage

American International Group (AIG) was originally analyzed in the second quarter 2011 issue of Hedge Fund Wisdom. At the time, it was featured mainly due to the fact that Bruce Berkowitz's Fairholme Fund had doubled down on their position and made a highly concentrated bet on the company.

Back then, AIG represented 23% of the fund's portfolio. Nowadays, Fairholme's wager has become even more concentrated at almost 35% of the fund. Since publication of the newsletter's original AIG analysis, shares are up over 50%.

Given that Fairholme continues to own a massive stake in the company and numerous prominent hedge funds have bought AIG shares recently, Hedge Fund Wisdom thought it would be prudent to provide an update on the name.

The analysis herein will first take a look at AIG's valuation, as well as provide an explanation on the "balance sheet arbitrage" thesis. Afterwards, the pages that follow will re-publish a background on the company and a breakdown of its business lines for those who might have missed the original analysis or need a quick refresher.



Hedge Fund Activity

John Griffin's Blue Ridge Capital, Julian Robertson's Tiger Management, and Dan Loeb's Third Point all established new positions in AIG common stock during the second quarter. Leon Cooperman's Omega Advisors also over doubled their stake. Numerous other hedge funds were also buying shares, as it was a consensus buy in Q2. Various firms also own AIG warrants (such as Fairholme, Blue Ridge & more).



Valuation

AIG recently reported second quarter earnings and book value grew to \$60.58. AIG now trades at ~55% of its book value. The multiple looks cheap, but a more accurate way to assess value is to look at an insurance company's earnings power and return on equity (ROE).

The earnings power should generally be aligned with its book value, unless its operations are fundamentally different or flawed compared to peers. The key is to look for preservable ROEs that can substantiate book value.

AIG underperforms peers and deserves a discount multiple, which reflects its mid-single-digit return on equity (ROE). As its insurance businesses realign with more profitable products, ROE should catch up to the rest of the industry, but this takes a long time because unprofitable legacy business needs to roll off.

Property & Casualty Insurance (P&C) companies trade at 10x 2013 EPS while Life Insurance companies trade at 5-6x. P&C Insurance companies trade close to book value, while Life Insurance companies trade closer to 50% of book value, both reflecting their ROE. Life companies' earnings are more dependent on their investment operations. Since they invest in fixed income and interest rates are projected to stay very low for a prolonged period of time, their earnings power looks incrementally worse every time rates go down.

Applying these multiples to AIG's subsidiaries of Chartis and SunAmerica results in a blended multiple of 7.5x and a value of \$19. The value of the non-core assets is estimated at an additional \$10: United Guaranty at 0.4x book value (based on peer multiples), ILFC at 0.9x book value (based on peer and transaction multiples), and AIA at market value (publicly traded minority stake). AIG also has net operating losses (NOLs) worth \$5-6 per share. The total value of AIG's different components is \$35.



Balance Sheet Arbitrage Thesis

Taking the idea to the extreme, the arbitrage that AIG has been slowly executing boils down to the following: if a company with \$60 in book value can sell half its book value at 100% to generate proceeds of \$30, and it can then use those proceeds to buy back its shares at 50% of book value, then it can buy back all the stock with the \$30 proceeds and the marginal remaining investor will effectively own the core operations for free.

This balance sheet arbitrage in AIG's case can result in book value accretion of >20% to \$70-75. Eventually, AIG should trade close to its book value, but this may be years away.

Regardless, the current share price incorporates two things:

i) The government ownership overhang. The Treasury has been progressively selling their stake in AIG and CEO Robert Benmosche believes that the government can fully exit its stake by the end of 2013.

Recent offerings of common stock have reduced the Treasury's ownership stake from 61% down to around 53%.

If/when the Treasury's stake falls below 50%, the Federal Reserve would then become AIG's main regulator. Such a situation could potentially thwart future repurchases.

ii) Second is the execution risk of liquidating a large part of the company, which requires well-functioning capital markets and investor demand. As AIG progresses with its capital deployment plan, the stock should trade higher.



Company Background

AIG has four main business lines:

1. A global property and casualty insurer that derives half its sales domestically and half internationally (**Chartis**)
2. A domestic life insurer (**SunAmerica**)
3. A private residential mortgage insurer (**United Guaranty**)
4. A financial services group, which houses a lease finance company (**ILFC**) that has been rumored to be nearing an initial public offering, and the capital markets business, primarily AIG's Financial Products group (**AIGFP**).

The core businesses are Chartis and SunAmerica.

Breakdown of Business Lines

1. Chartis makes money by selling property and casualty insurance policies to protect individuals and businesses against catastrophes, accidents, provide excess workers' compensation, etc. Part of the written premiums is ceded to reinsurers in order to customize the risk exposure of the P&C company, and these net premiums written are amortized through the income statement as earned premiums.

The costs of running this business consist of paying claims on the policies and performing the underwriting, selling, marketing, etc. The ratio of claims and adjustment expenses to the net premiums is the loss ratio; the ratio of the underwriting and other operating expenses to the net premiums is the expense ratio; and the sum of the two is the combined ratio. If it is greater than 100%, then the insurer has an underwriting loss.

Many insurers though have combined ratios greater than 100%, and they make their returns by generating investment income (investing the cash received in the form of premiums).



Breakdown of Business Lines (Continued)

2. SunAmerica sells traditional life insurance such as term and whole life, and retirement / investment products like fixed and variable annuities. This segment collects premiums and fees, augments its revenues with investment income on the premiums it has collected, and pays out death benefits and credits accounts with interest income.

Life insurers are in many ways investment managers and recent years have been particularly difficult to earn their cost of capital because of low interest rates, poor market performance, and high market volatility.

Insurance companies are notorious for the opaqueness of their financials and the difficulty to consistently predict their financial performance. For example, they can have significant one-time items such as “DAC unlocking”, which refers to the revaluation of the deferred acquisition costs asset that is amortized over the time of a policy. This revaluation takes place when policies are repaid sooner than expected or the profitability of a product declines, e.g., due to low interest rates or poorly-performing equity markets.

In addition, financial reporting for insurance companies involves a significant amount of actuarial assumptions, on which results can be extremely sensitive (especially for longer-tail insurance products, e.g., workers’ compensation, which has become unprofitable because of medical advancements that extend expected life and inflation in medical care costs).

Therefore, figuring out the earnings power or the normalized earnings of insurance companies can be very difficult.

3. United Guaranty is a private residential mortgage insurer. Private “MI” is borrower-paid insurance on high loan-to-value mortgages. Insurance in force (“IIF”) refers to the amount of loans that are insured (premiums are charged on this balance), risk in force (“RIF”) refers to the maximum potential loss that the insurer can incur, and risk-to-capital is a key regulatory ratio calculated by dividing the RIF to the insurer’s capital (usually cannot be higher than 25x).

Underwriting expenses are usually around 30% of net premiums, similar to other insurance lines of business. Private MI is a mid-teens return on equity (ROE) business, but after a boom period came the bust with much higher than expected losses that have practically wiped out most of the equity industry-wide.

For example, when The PMI Group (NYSE: PMI) reported 2Q 2011 results, the stock dropped 50% because losses almost doubled and risk-to-capital jumped from 24x to 58x. As a result, the company couldn’t write new insurance. UGC has been a source of \$2-3bn annual losses for AIG in 2008-2009, but in 2010 turned profitable and credit quality trends are positive in its portfolio, so the worst may be over.



Breakdown of Business Lines (Continued)

4. ILFC & AIGFP: ILFC is the airplane leasing and financing business, which makes money by purchasing aircraft and then renting them out to airlines at a higher rate since they take on the principal risk of the value of the planes. In the past, when AIG was a AAA-rated company, it made sense to diversify into different financing businesses because it could leverage its high credit rating to obtain better financing that translated into competitive spreads. Since the downgrades though, ILFC makes little sense as part of the group. In fact, the entity is losing investors' confidence as the value of its assets deteriorates with the introduction of more fuel-efficient planes or announcements that airlines will remove capacity. As a result, ILFC's credit default swaps have been rising at alarming rates recently.

AIGFP was the source of AIG's trouble because it underwrote a lot of credit default insurance on RMBS structured products, and grew rapidly during the real estate boom. At its peak, AIGFP had insured products of \$1.8 trillion in notional amount and had 35,000 trading positions. When the credit rating agencies downgraded AIG, its counterparties asked for a lot of collateral (collateral posting is tied to credit-ratings), which AIG could not satisfy, and the government had to rush to its rescue by acquiring some of the most toxic assets. Since the financial crisis, this group has been wound down extensively. Indeed its credit structured products exposures are now a fraction of what they used to be and in fact have been the source of gains as markets have improved from the depths of the crisis.

Summary

Historically, AIG has achieved mid-teens returns on equity. Low-teen returns are reasonable to achieve with its core businesses, but in the short-to-medium term it will be difficult to return to those levels because regulators and investors require excess capital to weather the high market volatility, low interest rates constrain investment income, and excess capital in the P&C industry has led to persistent soft pricing and low margins.

AIG is a highly complex company with opaque financials. The government still owns ~53% of the company's shares and will continue to sell them in doses, which could put a lid on the stock.

That said, hedge funds have begun accumulating AIG as it trades at roughly half of book value and feel shares will eventually trade at full book value down the road. While the multiple looks cheap, the key is to look for preservable ROEs that can substantiate book value.

This concludes the Q2 2012 edition of Hedge Fund Wisdom

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