

# hedge fund wisdom

a quarterly publication by **marketfolly.com**

## Background:

Each quarter, hedge funds and institutional money managers are required to disclose their portfolios to the Securities & Exchange Commission (SEC) via 13F filing.

These filings disclose long U.S. equity positions, American Depositary Receipts (ADRs), stock options (puts/calls), warrants, as well as convertible notes. They do not disclose positions in other asset classes (such as commodities, currencies, or debt). They also do not reveal positions in international markets, short sales or cash positions.

Hedge Fund Wisdom, a quarterly publication by [MarketFolly.com](http://MarketFolly.com), aggregates, updates, and analyzes the latest portfolios of top investment managers. The positions in this issue are hedge fund fourth quarter holdings as of December 31st, 2012.

## 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
- Brand new section: Consensus buy & sell lists revealing the stocks that were most frequently traded by these managers
- To navigate the newsletter, simply click on a page number in the Table of Contents column on the right to go to that page

## Quote of the Quarter:

*“So much of the driver of any asset class's returns is based on how events actually transpire relative to expectations. So there's a certain discounted growth rate in equities.”*

~ Ray Dalio, Bridgewater Associates



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## Hedge Fund Consensus Buy List

### Consensus New Positions

This is a consensus list of the stocks that hedge funds in this issue started brand new positions in:

**Workday (WDAY):** 20% of funds in this issue disclosed new WDAY stakes: Blue Ridge Capital, Lone Pine Capital, Tiger Global, Coatue Management, and Passport Capital. The company completed its initial public offering (IPO) in the fourth quarter. Given that the funds covered are some of the most prominent in the industry, it seems likely that they participated in the IPO rather than buying shares in the open market, but there's no way to know for sure.

**VersiSign (VRSN):** 16% of funds disclosed new VRSN stakes: Berkshire Hathaway, JANA Partners, Tiger Global, and Soros Fund. This is the second time in the past three quarters that VRSN has been a consensus buy among hedge funds profiled herein (Q1 2012 and Q2 2012). Funds took advantage of a dip in shares after the Department of Justice nixed a price increase in VRSN's contract renewal.

**ADT (ADT):** 16% of funds disclosed new ADT stakes: JANA Partners, Passport Capital, Soros Fund, and Tiger Management. This company completed its spin-off from the Tyco conglomerate in the fourth quarter. Some funds owned Tyco pre-split and received shares this way, while others bought the newly traded shares in the open market.

**Herbalife (HLF):** 16% of funds disclosed new HLF stakes: Third Point, Lone Pine Capital, and Coatue Management. Bill Ackman (Pershing Square Capital) gave a presentation on why investors should short HLF and shares plunged. Many investors took advantage of this dip to initiate a position. HLF is featured in the equity analysis section [later in this issue](#).

**Freeport McMoran (FCX):** 16% of funds disclosed new FCX stakes: Paulson & Co, Omega Advisors, Appaloosa Management, and Farallon Capital. During the quarter, the company announced it was buying McMoran Exploration (MMR) and Plains Exploration & Production (PXP). Shares took a nosedive, likely prompting many hedge funds to hit the bid.

Consensus Increase List



# Hedge Fund Consensus Increase List

## Consensus Increased Positions

This is a consensus list of the stocks that hedge funds in this issue already owned but bought more shares of:

**HCA (HCA):** 16% of funds in this issue added to pre-existing HCA stakes: Bridger Management, Blue Ridge Capital, Glenview Capital, and Tiger Management. President Obama was re-elected during the quarter, securing Obamacare's near-term future and potentially boosting the outlook for for-profit hospitals like HCA.

**Express Scripts (ESRX):** 16% of funds added to pre-existing ESRX stakes: Maverick Capital, Farallon Capital, Omega Advisors, and Perry Capital. ESRX was also originally a consensus buy in Q1 of 2012 as well. Shares dropped in the quarter after the company's earnings report as some investors worried about margins. The company has been integrating its acquisition of Medco Health.

**Equinix (EQIX):** 16% of funds added to pre-existing EQIX stakes: Lone Pine Capital, Blue Ridge Capital, Viking Global, and Farallon Capital. EQIX was featured in the equity analysis section of the Q1 2012 issue of Hedge Fund Wisdom and shares are up almost 43% since then.

**Citigroup (C):** 16% of funds added to pre-existing C stakes: Soros Fund, Viking Global, Pennant Capital, and Omega Advisors. Shares steadily climbed higher throughout the fourth quarter as confidence in some financials slowly returns.

Consensus Sell List



# Hedge Fund Consensus Sell List

## Consensus Sold Positions

This is a consensus list of the stocks that hedge funds in this issue sold completely out of:

**Apple (AAPL):** 36% of funds in this issue completely exited their AAPL stakes: Viking Global, Lone Pine Capital, Third Point, Omega Advisors, JANA Partners, Farallon Capital, Bridger Management, and Passport Capital. AAPL also appears on the next page on the “consensus decrease” list. So there is another slew of managers that sold some of their AAPL shares but still retain a position.

**Molycorp (MCP):** 16% of funds completely exited their MCP stakes: Coatue Management, Farallon Capital, Soros Fund, and Passport Capital.

**SPDR S&P 500 (SPY):** 12% of funds completely exited their SPY stakes: Perry Capital, Omega Advisors, and Passport Capital. These funds were likely using this exchange-traded index fund as a way to run increased equity exposure.

**Tyco (TYC):** 12% of funds completely exited their TYC stakes: Glenview Capital, Soros Fund, and Maverick Capital. This one should probably have an asterisk by it because the company completed its split-up into a few different companies: ADT (ADT), Pentair (PNR), and Tyco (TYC). Some funds bought for the spin-off catalyst that has now passed. But as you saw a few pages earlier on the “consensus buy” list, the ADT portion of the spin-off was in high demand. The remaining TYC business consists of their fire and security segment.

**Qualcomm (QCOM):** 12% of funds completely exited their QCOM stakes: Farallon Capital, Coatue Management, and Soros Fund.

Consensus Decrease List



# Hedge Fund Consensus Decrease List

## Consensus Decreased Positions

This is a consensus list of the stocks that hedge funds in this issue reduced their position sizes in:

**Google (GOOG):** 32% of funds in this issue reduced their GOOG position size: Maverick Capital, Passport Capital, Bridger Management, Appaloosa Management, Tiger Management, Coatue Management, Soros Fund, and Omega Advisors. GOOG hit new highs (at the time) and then sold off during the quarter. Since then, they've gone on to hit all-time highs in 2013.

**American International Group (AIG):** 28% of funds reduced their AIG position size: Soros Fund, Third Point, Appaloosa Management, Viking Global, Fairholme Capital, Glenview Capital, and Omega Advisors. AIG was featured in the equity analysis section of the Q2 2012 issue of Hedge Fund Wisdom and it was a consensus buy among hedge funds in Q3.

**Visa (V):** 24% of funds reduced their V position size: Viking Global, Tiger Global, Lone Pine Capital, Maverick Capital, Farallon Capital, and Tiger Management. Shares of V have steadily climbed higher so this could potentially be a case of simply locking in some profits or concerns about consumer spending.

**Apple (AAPL):** 20% of funds reduced their AAPL position size: Coatue Management, Tiger Global, Blue Ridge Capital, Pennant Capital, and Tiger Management. As you saw on the page prior, AAPL was also on the "consensus sell" list as many other hedge funds completely liquidated their positions.

**Qualcomm (QCOM):** 20% of funds reduced their QCOM position size: Maverick Capital, Pennant Capital, Lone Pine Capital, Tiger Management, and Omega Advisors. QCOM was also on the "consensus sell" list as other managers completely exited their stakes.

Next: Hedge Fund Portfolios (Baupost Group)

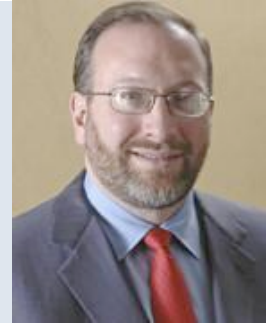


# Baupost Group

Seth Klarman

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

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



## Key Takeaways

### New Positions:

AIG (AIG)  
Microsoft (MSFT) Calls

### Sold Out:

Microsoft (MSFT)  
Hewlett Packard (HPQ)  
Sycamore Networks (SCMR)

Baupost Group joined the legion of other hedge funds in American International Group (AIG) by starting a new position in the stock. The event-driven path on this name has been outlined in the Q2 2012 issue of Hedge Fund Wisdom, so be sure to login and have a look if you missed it. Apart from this, the other major takeaway from Seth Klarman's equity portfolio is that he completely exited shares of Hewlett Packard (HPQ). The company is clearly a mess when even noted value investors throw in the towel at cheap valuation. In the tech sector, Baupost also reduced its stake in Oracle by 22% during the quarter.

In other minor portfolio moves, Baupost Group seemed to have swapped a lot of positions. For instance, they sold off around 38% of their stake in News Corp NWSA shares and bought 34% more of the NWS share class. Additionally, Baupost sold their Microsoft common stock, but added Microsoft calls instead. Turning to their gold mining plays, they seem to continue to favor NovaGold Resources (NG) as they continued to buy as shares slid (something they've done for many consecutive quarters). However, they almost chopped their stake in Allied Nevada Gold (ANV) in half.

Seth Klarman's year-end letter to investors had some excellent quotes as usual. Here's what he had to say: "As investors have become accustomed

to sputtering economies and massive government intervention, episodic "risk-on" and "risk-off" behaviors drive the capital markets. Unexpected bad news means risk off. A stopgap solution to the crisis du jour is offered -- i.e., a bailout, a rescue, a Band-Aid deal, QE(n) -- and risk on resumes. We have been on a roller-coaster ride for the last four years and counting, with no meaningful recovery, no feasible solutions, and ineffectual leadership. Investors conditioned to the short-term trading mentality are increasingly ill prepared for policy changes. What will happen when the Fed declares, as it someday must, that the era of low interest rates is at an end? What if governments holding trillions of dollars of sovereign debt and other securities stop buying and begin to sell? Or if another serious crisis -- economic, political, international -- materializes and governments have insufficient ammunition to intervene? The content, though not the timing, of the next chapter in market history is quite predictable. Few will say they saw it coming, though, in fact, everyone could have seen it if they had only chosen to look." Klarman then also went on to write, "We make no heroic assumptions in our analysis, hoping, instead, that by compounding multiple conservative assumptions, we will create such a substantial margin of safety that a lot can go wrong without impairing our capital much or even at all."

In activity since the close of the quarter, Baupost has increased its Idenix Pharmaceuticals (IDIX) position even further.

View Baupost Group's Updated Portfolio on the Next Page



# Baupost Group

Fourth Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	BP plc	BP		14.69%	Cut -3%	\$455,040	10,927,958
2	ViaSat Inc.	VSAT		13.81%	Added 2%	\$427,900	11,000,000
3	Oracle Corp.	ORCL		11.23%	Cut -23%	\$347,997	10,444,085
4	News Corp.	NWS		11.03%	Added 35%	\$341,661	13,020,612
5	Theravance Inc.	THRX		9.73%	Unchanged	\$301,437	13,553,800
6	AmericanInternationalGroup	AIG		7.98%	New	\$247,100	7,000,000
7	News Corp.	NWSA		6.63%	Cut -38%	\$205,251	8,045,888
8	Genworth Financial Inc.	GNW		3.64%	Unchanged	\$112,650	15,000,000
9	Idenix Pharmaceuticals Inc.	IDIX		3.24%	Added 73%	\$100,418	20,704,700
10	NovaGold Resources Inc.	NG		3.16%	Added 3%	\$97,814	21,688,300
11	Allied Nevada Gold Corp.	ANV		2.78%	Cut -44%	\$85,977	2,853,550
12	Rovi Corporation	ROVI		2.06%	Unchanged	\$63,803	4,134,974
13	Theravance Inc. NOTE	THRX		1.81%	Unchanged	\$56,100	51,000,000
14	Microsoft Corporation	MSFT	CALL	1.72%	New	\$53,419	2,000,000
15	AVEO Pharmaceuticals, Inc.	AVEO		1.27%	Cut -4%	\$39,468	4,902,850
16	Enzon Pharmaceuticals Inc.	ENZN		1.12%	Cut -13%	\$34,775	7,850,368
17	Syneron Medical Ltd.	ELOS		1.12%	Unchanged	\$34,680	4,000,000
18	Alliance One International	AOI		1.03%	Unchanged	\$31,984	8,786,700
19	Central Pacific Financial	CPF		0.91%	Unchanged	\$28,062	1,800,000
20	Ituran Location & Control	ITRN		0.74%	Unchanged	\$22,874	1,685,666
21	NOVACOPPER INC	NCQ		0.29%	Added 9%	\$9,060	5,005,298
22	Sycamore Networks Inc.	SCMR			<b>Sold</b>		
23	Microsoft Corporation	MSFT			<b>Sold</b>		
24	Hewlett-Packard	HPQ			<b>Sold</b>		

Thanks for checking out this free sample.

A brand new issue was just released on November 21st, 2013.

See what top hedge funds have been buying & selling,  
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Next Page: Berkshire Hathaway



# Berkshire Hathaway

Warren Buffett

Mentored by Benjamin Graham in the ways of value investing

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## Key Takeaways

### New Positions:

Archer Daniels Midland (ADM)  
Verisign (VRSN)

### Sold Out:

None

The past few quarters at Berkshire Hathaway have seen a higher than usual amount of portfolio activity and you have Warren Buffett's two new portfolio managers to thank for that. Ted Weschler and Todd Combs are typically responsible for investments made that are less than \$1 billion, while Buffett makes the really big bets. It's worth highlighting, however, that two bets that are assumedly attributed to Weschler and Combs have over time grown to become quite large positions. During the fourth quarter, they added to their DirecTV (DTV) position by 15% and Davita (DVA) stake by 33%. These two holdings are now worth \$1.7 billion and \$1.5 billion respectively. As highlighted in the past two issues of Hedge Fund Wisdom, Ted Weschler held shares of DVA at his previous hedge fund and seems to be leading the charge with this investment, buying tons of shares between the \$108-112 levels.

In other portfolio activity from the quarter, Berkshire added significantly to its position in General Motors (GM), boosting the amount of shares owned by 66%. They also increased their position size in Precision Castparts (PCP) to the tune of 58%. In the quarter prior, Berkshire also owned shares of the old Kraft entity (former ticker KFT). The company split up into Kraft Foods (new ticker KRFT) and Mondelez (new ticker MDLZ). KRFT houses the company's North American grocery segment and seems to be more geared toward income investors while MDLZ houses the international snacks company, which is more of a

growth business. Berkshire's latest portfolio shows that they decided to hold on to both companies as of quarter end. The split took place at the beginning of October, so it will be interesting to see if Buffett's team eventually favors one business over the other. Right now, their stake in MDLZ (\$326 million) is considerably larger than their KRFT stake (\$75 million). The KRFT position appears as 'new' on the next page, but just keep in mind that is a function of the spin-off and new tickers being created. They received these shares from the spin.

There were two brand new positions initiated by the younger Berkshire portfolio managers: Archer Daniels Midland (ADM) and Verisign (VRSN). Although there's no way to know for sure, it seems quite plausible that their PM's took advantage of the dip in VRSN shares after the government nixed the company's proposal to raise prices on their contract with ICANN. Shares have since rebounded nicely from those levels. Lone Pine Capital's Steve Mandel has been bullish on VRSN, even with the government's ruling, as he feels the company can still grow at a steady rate. VRSN was listed earlier as a hedge fund consensus buy in the quarter.

In news since quarter close, Buffett took part in a deal with 3G Capital [to buy Heinz](#). Berkshire will not have an operating role in the company, as it looks instead to be a place to park cash.

View Berkshire Hathaway's Updated Portfolio on the Next Page





# Berkshire Hathaway

Fourth Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Wells Fargo & Company	WFC		19.96%	Added 4%	\$15,034,342	439,857,861
2	The Coca-Cola Company	KO		19.25%	Unchanged	\$14,500,000	400,000,000
3	IBM	IBM		17.32%	Added 1%	\$13,047,521	68,115,484
4	American Express	AXP		11.57%	Unchanged	\$8,714,584	151,610,700
5	Procter & Gamble Co.	PG		4.76%	Unchanged	\$3,584,123	52,793,078
6	Wal-Mart Stores Inc.	WMT		4.30%	Added 2%	\$3,241,007	47,501,182
7	U.S. Bancorp	USB		2.60%	Unchanged	\$1,956,791	61,264,601
8	DIRECTV	DTV		2.27%	Added 15%	\$1,707,321	34,037,500
9	DaVita, Inc.	DVA		2.00%	Added 33%	\$1,504,085	13,607,935
10	PHILLIPS 66	PSX		1.92%	Unchanged	\$1,442,404	27,163,918
11	Moody's Corp.	MCO		1.90%	Unchanged	\$1,429,855	28,415,250
12	ConocoPhillips	COP		1.86%	Unchanged	\$1,398,945	24,123,911
13	General Motors	GM		0.96%	Added 67%	\$720,750	25,000,000
14	Liberty Media	LMCA		0.87%	Added 2%	\$652,248	5,622,340
15	The Washington Post	WPO		0.84%	Unchanged	\$630,997	1,727,765
16	M&T Bank Corp.	MTB		0.70%	Unchanged	\$529,969	5,382,040
17	Bank of NewYorkMellon	BK		0.67%	Unchanged	\$504,592	19,633,915
18	USG Corp.	USG		0.64%	Unchanged	\$479,216	17,072,192
19	Costco Wholesale	COST		0.57%	Unchanged	\$427,833	4,333,363
20	Viacom Inc 6.85% Pfd	VIAB		0.53%	Unchanged	\$401,204	7,607,200
21	Precision Castparts Corp.	PCP		0.50%	Added 58%	\$374,547	1,977,336
22	National Oilwell Varco	NOV		0.48%	Added 26%	\$361,899	5,294,800
23	Deere & Company	DE		0.46%	Unchanged	\$343,845	3,978,767
24	Mondelez International	MDLZ		0.43%	Cut -58%	\$326,831	12,840,450
25	General Dynamics Corp.	GD		0.36%	Unchanged	\$268,568	3,877,122
26	WABCO Holdings Inc.	WBC		0.35%	Added 155%	\$265,448	4,071,925
27	Visa, Inc.	V		0.31%	Unchanged	\$235,776	1,555,459
28	Torchmark Corp.	TMK		0.29%	Unchanged	\$218,865	4,235,818
29	Sanofi-Aventis	SNY		0.26%	Unchanged	\$192,537	4,063,675
30	Mastercard Incorporated	MA		0.26%	Unchanged	\$198,968	405,000
31	Archer Daniels Midland	ADM		0.22%	New	\$163,151	5,956,600
32	VeriSign Inc.	VRSN		0.19%	New	\$143,079	3,685,700
33	Verisk Analytics, Inc.	VRSK		0.11%	Unchanged	\$79,688	1,563,434
34	Kraft Foods Group, Inc.	KRFT		0.10%	New	\$75,877	1,668,714
35	GlaxoSmithKline plc	GSK		0.09%	Unchanged	\$65,661	1,510,500
36	Gannett Co., Inc.	GCI		0.04%	Unchanged	\$31,342	1,740,231
37	Johnson & Johnson	JNJ		0.03%	Cut -34%	\$22,930	327,100
38	Media General, Inc.	MEG		0.03%	Unchanged	\$19,979	4,646,220
39	General Electric Co.	GE		0.02%	Unchanged	\$12,361	588,900
40	United Parcel Service	UPS		0.01%	Unchanged	\$4,380	59,400
41	Lee Enterprises Inc.	LEE		0.00%	Cut -92%	\$101	88,863

Next Page: Greenlight Capital



## Key Takeaways

### New Positions:

Apple (AAPL) Calls  
Google (GOOG)  
Vodafone (VOD) ~ see commentary  
Western Digital (WDC)

### Sold Out:

Wellpoint (WLP)  
Genworth (GNW)  
Liberty Media (LMCA)  
Knight Capital (KCG)  
Humana (HUM)  
Huntington Ingalls Industries (HII)

While a plethora of hedge fund managers were exiting shares of Apple (AAPL) in the fourth quarter, David Einhorn stepped in to buy common stock and a new position in call options. Greenlight's original cost basis was around \$248 per share so even with AAPL's recent fall, he's still up on his original position. However, shares have continued to fall since his recent purchase. Einhorn has been pushing Apple management to adopt more shareholder friendly capital allocation strategies. In particular, he's been pushing for the company to issue a perpetual preferred security. Greenlight has called for AAPL shareholders to vote against proposal 2 at the company's meeting. While AAPL has heard Einhorn out, it seems somewhat unlikely that his idea will come to fruition as the company already shot down the idea once last year.

Vodafone (VOD) is listed as a 'new position' on the next page, but longtime readers will know that Einhorn has actually owned VOD for quite some time. He's owned the UK shares long-term (which the SEC does not require disclosure of). His purchase of the

American Depository Receipt (ADR) shares traded in the US is a brand new development. So the takeaway here is that he was adding to his stake, but it is by no means a new position, as he's owned the company for some time via VOD's domestic UK shares. In fact, Vodafone is one of his top five largest positions.

Greenlight outlined their thesis on this name in their fourth quarter letter to investors: "It appears that the market is placing no value on VOD's 45% stake in Verizon Wireless ... For years, Verizon used its control to try to starve VOD by refusing to allow Verizon Wireless to pay dividends ... Excluding any contribution from Verizon Wireless, VOD stock pays a 7% dividend and trades at less than 12x cash earnings – roughly in line with other large European telecom companies. Meanwhile, VOD has never become dependent on Verizon Wireless distributions. Given the huge valuation disparity between what the market thinks Verizon Wireless is worth to Verizon (at least a couple hundred billion dollars) and what it ascribes to VOD (about zero), combined with Verizon's increasing dependence on Verizon Wireless, it wouldn't surprise us if Verizon decided to buy all of VOD to gain full ownership control of Verizon Wireless." Shares of VOD have continued to sell off thus far in 2013, so it will be interesting to see if Einhorn adds to his position further.

Greenlight returned 7.9% in 2012 and has seen 19.4% annualized returns. Einhorn's fourth quarter letter to investors revealed that the hedge fund had covered their short position in Pitney Bowes (PBI), labeling the company a 'metling ice cube.' Many other hedgies have been short this name due to the secular decline of US postal mail volumes.

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		10.90%	Added 20%	\$695,549	1,307,006
2	General Motors	GM		9.56%	Cut -2%	\$610,390	21,172,063
3	CIGNA Corporation	CI		6.86%	Added 15%	\$437,624	8,186,000
4	Marvell Technology	MRVL		5.89%	Added 58%	\$376,086	51,802,443
5	Computer Sciences Corp	CSC		4.84%	Added 12%	\$309,035	7,716,250
6	DELPHI AUTOMOTIVE PLC	DLPH		4.79%	Cut -2%	\$305,581	7,989,061
7	Aetna Inc.	AET		4.72%	Added 48%	\$301,395	6,508,215
8	Microsoft Corporation	MSFT		4.53%	Added 41%	\$289,256	10,829,544
9	GoldMiners ETF	GDV		4.36%	Unchanged	\$278,571	6,004,971
10	NCR Corp.	NCR		4.10%	Added 24%	\$261,420	10,259,790
11	Seagate Technology PLC	STX		3.99%	Cut -50%	\$254,643	8,370,896
12	Enesco plc	ESV		3.53%	Unchanged	\$225,008	3,795,665
13	CBS CORP CL B	CBS		3.21%	Added 24%	\$204,659	5,378,681
14	Virgin Media, Inc.	VMED		2.83%	Unchanged	\$180,810	4,920,000
15	Xerox Corp.	XRJ		2.78%	Unchanged	\$177,302	25,997,417
16	Aspen Insurance	AHL		2.47%	Added 22%	\$157,666	4,914,782
17	Apple Inc.	AAPL	CALL	2.29%	New	\$146,348	275,000
18	DST Systems Inc.	DST		2.13%	Added 12%	\$136,047	2,245,000
19	Einstein Noah Restaurant	BAGL		2.05%	Unchanged	\$131,056	10,733,469
20	Sprint Nextel Corp.	S		1.91%	Cut -18%	\$121,833	21,487,358
21	Babcock & Wilcox	BWC		1.67%	Added 372%	\$106,341	4,058,818
22	Yahoo! Inc.	YHOO		1.48%	Cut -6%	\$94,724	4,760,000
23	Legg Mason Inc.	LM		1.36%	Unchanged	\$86,648	3,368,900
24	OAKTREE CAPITAL	OAK		1.32%	Unchanged	\$84,239	1,851,812
25	Barrick Gold Corp	ABX		1.08%	Unchanged	\$68,882	1,967,500
26	NVR Inc.	NVR		0.81%	Cut -12%	\$51,708	56,205
27	Google Inc.	GOOG		0.70%	New	\$44,565	63,000
28	Vodafone Group plc	VOD		0.63%	New	\$40,304	1,600,000
29	Coventry Health Care	CVH		0.58%	Cut -71%	\$37,061	826,700
30	STATE BANK FINANCIAL	STBZ		0.52%	Unchanged	\$33,348	2,100,000
31	AECOM Technology	ACM		0.44%	Added 50%	\$27,922	1,173,147
32	Western Digital Corp.	WDC		0.40%	New	\$25,494	600,000
33	Fifth Street Finance Corp.	FSC		0.33%	Unchanged	\$20,826	1,998,692
34	Republic Airways Holdings	RJET		0.30%	Unchanged	\$19,385	3,412,800
35	Chipotle Mexican Grill	CMG	PUT	0.23%	Unchanged	\$14,873	50,000
36	Tessera Technologies	TSRA		0.18%	Unchanged	\$11,442	695,580
37	SYMMETRICOM, INC.	SYMM		0.15%	Unchanged	\$9,866	1,709,846
38	BioFuel Energy Corp.	BIOF		0.08%	Unchanged	\$5,254	1,427,819
39	Liberty Media	LMCA			Sold		
40	Humana Inc.	HUM			Sold		
41	Knight Capital NOTE	KCG			Sold		
42	Genworth Financial Inc.	GNW			Sold		
43	Huntington Ingalls Industries	HII			Sold		
44	WellPoint Inc.	WLP			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:

Facebook (FB)  
Capital One (COF)  
Mead Johnson Nutrition (MJN)  
American International Group (AIG)  
Intuitive Surgical (ISRG)  
Realty (RLGY) ~ IPO  
SemGroup (SEMX)  
Herbalife (HLF) Calls  
Pactera PACT)  
Informatica (INFA)  
Workday (WDAY) ~ IPO

#### Sold Out:

Apple (AAPL)  
Schlumberger (SLB)  
SPDR Gold Trust (GLD)  
Express Scripts (ESRX)  
Liberty Global (LBTYA)  
Autozone (AZO)  
Tractor Supply (TSCO)  
Anheuser Busch InBev (BUD)  
Dunkin Brands Group (DNKN)  
Sensata Technologies (ST)

Lone Pine was quite active with their portfolio in the fourth quarter, headlined by a few major moves. First, they completely sold out of Apple (AAPL), one of their previous sizable stakes. Priceline.com (PCLN) and Google (GOOG) remain their two largest US listed longs, and they were out buying even more shares of each during the quarter (especially GOOG). Steve Mandel's firm had an appetite for shares of dollar stores such as Dollar General (DG) and Dollar Tree (DLTR), acquiring increased stakes in each. Their DG position is slightly larger at \$588 million (compared to \$478 million for DLTR). Based on the 13G that Lone

Pine also filed with the SEC in December, it appears as though Lone Pine was buying DLTR around the \$38-39 level, not much lower from where shares currently trade. Additionally, DG shares have lingered around similar areas Lone Pine was theoretically buying at.

Last quarter's issue of Hedge Fund Wisdom highlighted Mandel's thesis on Versign (VRSN). He outlined how that even if the company wasn't granted price increases on its contracts, that downside was still limited. Well, the government indeed did not allow a price increase and shares sold off for a few days. While some hedge fund managers exited their stakes on this news, the majority of hedgies covered in this newsletter were out buying, including Lone Pine. Mandel added to his position by around 56%.

Rounding out the list of additional notable buys, Lone Pine joined many other funds in adding a stake in Facebook (FB), a consensus buy among hedgies in the fourth quarter. Realty (RLGY) was another name many hedgies disclosed new stakes in, as the company completed its initial public offering (IPO).

Since the close of the fourth quarter, Lone Pine has continued to add to its position in Charter Communications (CHTR). Even after their sizable purchases in Q4 (boosting their stake by over 1,300%), Lone Pine acquired even more shares and now has a 7.1% ownership stake in the company with 7,216,285 shares as of January 24<sup>th</sup>.

In international activity, Lone Pine reduced its Esprit (HK:330) stake down to 10.88% of the company.

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	Priceline.com Inc	PCLN		6.89%	Added 25%	\$1,098,700	1,770,983
2	Google Inc.	GOOG		6.89%	Added 45%	\$1,098,613	1,553,073
3	Cognizant Technology	CTSH		5.06%	Added 3%	\$806,247	10,912,591
4	Polo Ralph Lauren Corp.	RL		3.70%	Cut -9%	\$590,362	3,937,846
5	Dollar General Corp	DG		3.69%	Added 61%	\$588,328	13,343,793
6	Equinix, Inc.	EQIX		3.62%	Added 34%	\$576,233	2,794,535
7	Gap Inc.	GPS		3.61%	Added 13%	\$575,077	18,526,965
8	VeriSign Inc.	VRSN		3.59%	Added 56%	\$572,513	14,747,890
9	KINDER MORGAN	KMI		3.33%	Cut -15%	\$530,988	15,029,382
10	Monsanto Co.	MON		3.18%	Cut -15%	\$507,164	5,358,310
11	DOLLAR TREE STORES	DLTR		3.00%	Added 203%	\$478,798	11,804,692
12	MICHAEL KORS	KORS		2.89%	Added 3%	\$460,663	9,027,295
13	eBay Inc.	EBAY		2.73%	Cut -32%	\$435,451	8,538,639
14	News Corp.	NWSA		2.71%	Added 21%	\$431,870	16,929,453
15	Ulta Salon	ULTA		2.61%	Added 27%	\$416,161	4,235,300
16	QUALCOMM Inc	QCOM		2.53%	Cut -5%	\$402,993	6,514,637
17	TransDigm Group	TDG		2.49%	Cut -16%	\$397,405	2,914,384
18	Lululemon Athletica	LULU		2.31%	Added 1%	\$368,220	4,830,386
19	Charter Communications	CHTR		2.30%	Added 1368%	\$366,561	4,807,983
20	Visa, Inc.	V		2.14%	Cut -23%	\$340,652	2,247,340
21	Wyndham Worldwide	WYN		1.98%	Cut 0%	\$315,616	5,931,525
22	Facebook, Inc.	FB		1.83%	New	\$290,908	10,928,300
23	TripAdvisor Inc	TRIP		1.73%	Added 14%	\$275,295	6,567,153
24	Walt Disney Co.	DIS		1.67%	Cut -43%	\$265,552	5,333,435
25	Capital One	COF		1.61%	New	\$256,830	4,433,450
26	Oceaneering International	OII		1.61%	Cut -6%	\$257,075	4,779,243
27	AmericanInternationalGroup	AIG		1.55%	New	\$246,874	6,993,600
28	Mead Johnson Nutrition	MJN		1.55%	New	\$246,992	3,748,549
29	B/E AEROSPACE	BEAV		1.49%	Cut -3%	\$237,708	4,811,906
30	WABCO Holdings Inc.	WBC		1.44%	Unchanged	\$229,140	3,514,954
31	JB Hunt Transport Services	JBHT		1.41%	Cut -1%	\$224,211	3,754,994
32	Kinder Morgan Warrants	KMIIV		1.40%	Added 9%	\$223,772	59,198,984
33	DaVita, Inc.	DVA		1.38%	Cut -35%	\$219,900	1,989,505
34	Crown Castle International	CCI		1.31%	Cut -12%	\$208,023	2,882,801
35	Intuitive Surgical, Inc.	ISRG		1.25%	New	\$199,753	407,352
36	O'Reilly Automotive Inc.	ORLY		1.21%	Added 42%	\$193,549	2,164,498
37	Colfax Corporation	CFX		0.88%	Added 60%	\$139,949	3,468,370
38	GRIFOLS, S.A.	GRFS		0.70%	Added 1823%	\$112,220	4,437,327
39	REALOGY HOLDINGS	RLGY		0.64%	New	\$101,900	2,428,511
40	SEMGROUP CORP A	SEMX		0.53%	New	\$84,918	2,172,935
41	Herbalife Ltd.	HLF	CALL	0.48%	New	\$76,750	2,330,000
42	QUALCOMM Inc	QCOM	CALL	0.40%	Unchanged	\$64,334	1,040,000
43	Accretive Health, Inc.	AH		0.39%	Cut -43%	\$61,653	5,333,281
44	PACTERA TECH	PACT		0.38%	New	\$60,484	7,617,690
45	Informatica Corporation	INFA		0.36%	New	\$56,773	1,872,449

Continued on next page...



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	WORKDAY, INC.	WDAY		0.34%	New	\$53,437	980,494
47	Sears Holdings Corp	SHLD	PUT	0.33%	Unchanged	\$52,672	1,273,500
48	Canadian Pacific Railway	CP		0.23%	New	\$36,227	356,494
49	NETEASE INC	NTES		0.20%	Cut -88%	\$32,008	752,604
50	Frontier Comm	FTR	PUT	0.15%	Unchanged	\$23,540	5,500,000
51	ISOFTSTONE HOLDINGS	ISS		0.14%	Unchanged	\$22,381	5,253,739
52	China Lodging Group	HTHT		0.14%	Cut -12%	\$21,876	1,283,071
53	Sensata Technologies	ST			<b>Sold</b>		
54	Anheuser-Busch InBev	BUD			<b>Sold</b>		
55	US Natural Gas Fund LP	UNG	PUT		<b>Sold</b>		
56	CenturyLink, Inc.	CTL	PUT		<b>Sold</b>		
57	Tractor Supply Company	TSCO			<b>Sold</b>		
58	DUNKIN' BRANDS	DNKN			<b>Sold</b>		
59	VanceInfo Tech	VIT			<b>Sold</b>		
60	Schlumberger Limited	SLB			<b>Sold</b>		
61	Intel Corporation	INTC	PUT		<b>Sold</b>		
62	Liberty Global Inc.	LBTYA			<b>Sold</b>		
63	SPDR Gold Shares	GLD			<b>Sold</b>		
64	Apple Inc.	AAPL			<b>Sold</b>		
65	AutoZone Inc.	AZO			<b>Sold</b>		
66	Express Scripts Inc.	ESRX			<b>Sold</b>		

Next Page: Appaloosa Management



# Appaloosa Management

David Tepper



Has compounded 30% for investors over 17 years

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

## Key Takeaways

### New Positions:

HCA (HCA)  
Metlife (MET)  
Transocean (RIG)  
Weatherford (WFT)  
Noble (NE)  
EnSCO (ESV)

### Sold Out:

Marvell Technology (MRVL)  
Lam Research (LRCX)

David Tepper gave two rare interviews (one in December and one in January) where he shared how he's viewing this market. He sees "a lot" of upside in equity markets for a few different reasons. First, he says there's a "pretty good economy, growing 2% give or take" with tailwinds in housing and autos. Second, he pointed out how the Federal Reserve is focused on unemployment. Third, he thinks Europe's situation is not as bad as others fear mainly because European Central Bank President Mario Draghi can lower interest rates really whenever he wants to, something Tepper feels many others didn't really pay attention to. As such, he says you have "a series of puts over in Europe" via central bank action if needed.

Tepper points out that there's a 12-13 handle on the S&P, noting that, "it's cheap relative to everything, it's the only market that hasn't really rose to new heights." He made these comments in December and the market has obviously rallied since then. But in his interview in January, Tepper reiterated his bullish stance, pointing toward retail investors (and more importantly) pensions that are incredibly underweight equities. So he feels there will be a shift into the asset class, something Bridgewater Associates' Ray Dalio [has also](#)

[mentioned](#). Signs of this happening are already evident as inflows to equity funds at the start of the year were higher than they have been in quite some time.

As far as specific picks go, the Appaloosa manager touted Citigroup (C), noting that it potentially has 50% upside as he feels the company's foreign business is very valuable. He's also bullish on airlines. Hedge Fund Wisdom highlighted how Tepper was building airline positions in past issues. The hedge fund manager highlights a few reasons to be bullish on the sector: a potential strong dollar scenario, oil prices remaining largely flat (due to new discoveries), as well as a consolidating industry (US Airways and American Airlines are set to merge). He's looking for some airlines to start returning capital as well. His largest airline equity stake is United (UAL) at \$213 million, followed by US Airways (LCC) at \$162 million, and then Delta (DAL) at \$122 million.

Turning to recent activity, the biggest takeaway is that while the majority of other hedge funds were selling Apple (AAPL) shares, Appaloosa was out buying in a big way. They boosted the amount of shares they own by 75% during the quarter and it's now their top disclosed US equity long. Their brand new stake in HCA (HCA) is also worth highlighting as other hedge funds were buying the for-profit hospital too.

Lastly, if there was any doubt about Tepper's bullishness, take this as an example: a 756% increase in his position in the SPDR S&P 500 (SPY) exchange traded fund, now his 13<sup>th</sup> largest holding. He's certainly put his money where his mouth is.

View Appaloosa 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		10.54%	Added 75%	\$486,476	912,661
2	Citigroup, Inc.	C		7.88%	Cut -10%	\$363,736	9,194,547
3	AmericanInternationalGroup	AIG		4.63%	Cut -27%	\$213,883	6,059,000
4	United Continental Holdings	UAL		4.62%	Cut -7%	\$213,193	9,118,613
5	Goodyear Tire & Rubber Co.	GTPPP		4.29%	Added 0%	\$198,113	14,345,610
6	QUALCOMM Incorporated	QCOM		3.72%	Added 20%	\$171,792	2,769,941
7	US Airways Group, Inc.	LCC		3.53%	Cut -11%	\$162,932	12,069,029
8	General Motors	GM		3.35%	Cut -10%	\$154,483	5,358,400
9	Ford Motor Co.	F		3.13%	Cut -4%	\$144,457	11,154,973
10	Google Inc.	GOOG		2.84%	Cut -5%	\$131,304	185,100
11	HCA HLDGS INC COM	HCA		2.83%	New	\$130,501	4,325,532
12	Delta Air Lines Inc.	DAL		2.65%	Cut -1%	\$122,310	10,304,135
13	SPDR S&P 500	SPY		2.58%	Added 757%	\$119,341	837,366
14	Huntsman Corporation	HUN		2.55%	Cut -7%	\$117,660	7,400,000
15	Broadcom Corp.	BRCM		2.46%	Cut -4%	\$113,579	3,420,025
16	MetLife, Inc.	MET		2.42%	New	\$111,530	3,385,858
17	Hartford Financial Services	HIG		2.42%	Added 38%	\$111,840	4,983,959
18	PowerShares QQQ	QQQ		2.28%	Cut -75%	\$105,165	1,615,182
19	EMC Corporation	EMC		2.27%	Added 48%	\$104,698	4,138,269
20	JPMorgan Chase & Co.	JPM		2.19%	Cut -4%	\$101,183	2,301,178
21	Owens Corning	OC		1.90%	Cut -2%	\$87,578	2,367,616
22	Microsoft Corporation	MSFT		1.82%	Added 179%	\$84,237	3,151,400
23	MGM Resorts	MGM		1.74%	Added 0%	\$80,312	6,899,615
24	Oracle Corp.	ORCL		1.73%	Cut -14%	\$79,805	2,395,110
25	Masco Corporation	MAS		1.47%	Cut -23%	\$67,981	4,080,479
26	Transocean Ltd.	RIG		1.45%	New	\$66,986	1,500,255
27	Whirlpool Corp.	WHR		1.23%	Cut -14%	\$56,998	560,180
28	Weatherford	WFT		1.21%	New	\$56,041	5,008,107
29	Noble Corp.	NE		1.01%	New	\$46,639	1,339,443
30	Enscopl	ESV		0.93%	New	\$42,750	721,149
31	SanDisk Corp.	SNDK		0.92%	Added 45%	\$42,253	970,000
32	Mueller Water Products	MWA		0.92%	Cut -16%	\$42,364	7,551,469
33	DELPHI AUTOMOTIVE	DLPH		0.73%	Added 302%	\$33,870	885,483
34	FUSION-IO, INC.	FIO		0.70%	Cut -10%	\$32,216	1,404,977
35	Sealed Air Corporation	SEE		0.70%	Cut -10%	\$32,379	1,849,190
36	Celanese Corp.	CE		0.63%	Added 27%	\$29,294	657,852
37	Dean Foods Co.	DF		0.62%	Cut -22%	\$28,480	1,725,000
38	Bank of America Corp	BAC		0.62%	Cut -10%	\$28,803	2,483,008
39	Two Harbors Investment	TWO		0.59%	Cut -10%	\$27,035	2,440,000
40	Valero Energy Corp.	VLO		0.57%	Cut -8%	\$26,429	774,576
41	NetApp, Inc.	NTAP		0.52%	Cut -21%	\$23,982	714,799
42	Chimera Investment	CIM		0.51%	Cut -13%	\$23,490	9,000,000
43	Calumet Specialty	CLMT		0.48%	Cut -24%	\$21,991	723,639
44	Beazer Homes USA Inc.	BZH		0.47%	Cut -10%	\$21,519	1,274,095
45	BERRY PLASTICS	BERY		0.46%	New	\$21,308	1,325,100

Continued on next page...

# Appaloosa Management

Fourth Quarter 2012 Portfolio:  
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	SPDR S&P 500	SPY	CALL	0.44%	New	\$20,264	192,058
47	Freeport-McMoRan	FCX		0.39%	New	\$17,796	520,337
48	Hartford Financial Warrant	HIG/WS		0.37%	Unchanged	\$17,193	1,275,475
49	BorgWarner Inc.	BWA		0.35%	New	\$15,956	222,789
50	MPG Office Trust, Inc.	MPG		0.27%	Cut -3%	\$12,625	4,099,174
51	Boyd Gaming Corp.	BYD		0.27%	Cut -7%	\$12,418	1,870,254
52	CF Industries Holdings	CF		0.21%	Cut -10%	\$9,745	47,967
53	MFA Financial, Inc.	MFA		0.15%	Cut -10%	\$7,082	873,283
54	Teradyne Inc.	TER		0.14%	Cut -10%	\$6,394	378,596
55	PowerShares QQQ	QQQ	CALL	0.10%	New	\$4,596	106,767
56	Tenneco Inc.	TEN		0.09%	New	\$4,088	116,448
57	General Motors Warrants	GM/WS/A		0.07%	Unchanged	\$3,423	175,561
58	General Motors Warrants	GM/WS/B		0.05%	Unchanged	\$2,193	175,561
59	Hartford Financial	HIG	CALL		<b>Sold</b>		
60	Lam Research Corporation	LRCX			<b>Sold</b>		
61	International Paper Co.	IP			<b>Sold</b>		
62	iSharesUS HomeConstruction	ITB			<b>Sold</b>		
63	JetBlue Airways Corporation	JBLU			<b>Sold</b>		
64	Morgan Stanley	MS			<b>Sold</b>		
65	Macy's, Inc.	M			<b>Sold</b>		
66	Marvell Technology	MRVL			<b>Sold</b>		

To see the most recent portfolios of these top 25 hedge funds, head to [www.hedgefundwisdom.com](http://www.hedgefundwisdom.com)

Next Page: Pershing Square



## Key Takeaways

### New Positions:

None

### Sold Out:

Alexander & Baldwin (ALEX)

Bill Ackman made literally only two changes to his portfolio during the fourth quarter on the long side. He sold completely out of Alexander & Baldwin (ALEX) and reduced his position in Procter & Gamble (PG) call options by 32%. The lack of trading activity is not to say he wasn't busy though, that's for sure. The big story from Pershing Square Management is that they've revealed a short position in Herbalife (HLF). In fact, they have an "enormous" short position according to Ackman, over 20 million shares that they started shorting around nine months ago. Ackman presented the idea in a 334-slide presentation entitled "Who wants to be a millionaire?" (which you can [view here](#)). In it, he flat out calls the multi-level marketing company a ponzi scheme. Shares of Herbalife plunged from \$40 down to \$25 on the news of his short position. This steep decline prompted Dan Loeb's Third Point (a hedge fund profiled later in this issue) to step in and establish a long position in Herbalife. Loeb applies a 10-12x earnings multiple and suggested HLF shares are worth \$55-68 and pointed out the substantial short interest as a potential for a squeeze in the future.

HLF has traded like a rollercoaster, quickly rebounding from the Ackman-presentation-lows to as high as \$46 over the course of a month. Then a little over a week later, shares dropped to \$31 on FTC investigation fears. Most recently, HLF has

rallied yet again to where it presently trades around \$38. The multi-level marketing company has struck back, defending itself against Ackman's claims. Ackman then addressed their statement and asked more questions of his own, in a follow-up entitled 'Questions for Herbalife' which you can [view here](#).

But it gets even more interesting. Billionaire and activist investor Carl Icahn last week filed a 13D with the SEC revealing that he has a whopping total economic interest in HLF of 14,015,151 shares, around 13% of the company. The vast majority of his position is via long call options and short put options (the equivalent of being long the stock). His filing indicates that he will seek to talk to management about a recapitalization or going-private transaction. One detail that's worth highlighting here is that Ackman and Icahn had a very public [spat on television](#). It's clear they do not like each other. While Icahn bought some of his position before the end of 2012, the crazy thing here is that Icahn bought the overwhelming majority of his HLF stake after his argument with Ackman. It's quite obvious he's trying to squeeze Ackman. It will be interesting to see how this one plays out, as it's obviously far from over. HLF is analyzed later [in this issue](#).

For something a bit lighter, Ackman did a video for Floating University entitled 'Everything You Need to Know About Finance and Investing In Under an Hour' which you can [view here](#).

View Pershing Square's Updated Portfolio on the Next Page



# Pershing Square

Fourth Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Canadian Pacific Railway	CP		26.82%	Unchanged	\$2,455,128	24,159,888
2	Procter & Gamble Co.	PG		20.73%	Unchanged	\$1,897,314	27,946,892
3	General Growth Properties	GGP		16.21%	Unchanged	\$1,483,465	74,733,712
4	Beam, Inc.	BEAM		13.89%	Unchanged	\$1,271,804	20,818,545
5	J. C. Penney Company	JCP		8.41%	Unchanged	\$770,183	39,075,771
6	Burger King Worldwide	BKW		6.89%	Unchanged	\$630,661	38,361,360
7	Procter & Gamble Co.	PG	CALL	3.21%	Cut -33%	\$294,181	4,333,200
8	Howard Hughes Corp	HHC		2.85%	Unchanged	\$260,537	3,568,017
9	MATSON INC	MATX		0.98%	Added 0%	\$90,103	3,644,948
10	Alexander & Baldwin	ALEX			<b>Sold</b>		

Next Page: Maverick Capital



14.0% annualized returns since inception in 1995

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

## Key Takeaways

### New Positions:

EMC (EMC)  
Crown Castle (CCI)  
Fidelity National Information (FIS)  
FleetCor Technologies (FLT)  
F5 Networks (FFIV)  
Liberty Media (LMCA)  
Nordstrom (JWN)  
United Parcel Service (UPS)  
Schlumberger (SLB)  
Facebook (FB)  
Whole Foods (WFM)

### Sold Out:

Citigroup (C)  
Endo Health (ENDP)  
Oracle (ORCL)  
JC Penney (JCP)  
Arcos Dorados (ARCO)  
Walt Disney (DIS)  
RenRen (RENN)  
Amazon.com (AMZN)  
Valeant Pharmaceuticals (VRX)

still trading around the same range where Maverick could have purchased in Q4. Last quarter's issue of the newsletter also drew attention to Maverick's new (at the time) buy of Express Scripts (ESRX). They were out buying even more shares again in the fourth quarter, ramping up their stake by 57% as it is now their fourth largest holding.

Maverick has launched a 'Maverick Select' fund that traded internal capital last year and began accepting new capital this year. It has fees of 2.25% for management and 22.5% for performance (or the common 2/20 in exchange for a 3 year lockup). The fund is said to be capped at \$1 billion and is a concentrated portfolio of 15-20 longs and 15-20 shorts. What's interesting is they've almost taken a quantitative approach as they're using their proprietary MavRank system to determine which most highly ranked stocks make the cut. The system takes stocks in their main portfolio and ranks them based on potential risk and return. At the recent Morgan Stanley Breakers Conference, Ainslie said that "new capital has very different expectations" as they're almost conditioned to desire lower volatility and lower returns. Ainslie also feels that the hedge fund industry will produce above average returns over the next few years.

Shifting to some of Maverick's short positions, recent European regulation on disclosures of short positions has forced many hedge funds to reveal their once hidden gems. In November, Maverick disclosed that it was short -2.22% of Elekta in Sweden, -0.98% of Delhaize Group in Belgium, as well as the following companies in Finland: -1.7% Nokia, -2.8% Outotec, and -1.53% Stora Enso.

Lee Ainslie's hedge fund firm Maverick Capital saw its flagship fund return 16% in 2012 while its levered fund surged 32% on the year. In portfolio activity from the fourth quarter, the firm sold completely out of its old stake in Citigroup (C), which is notable due to its previous size as a core investment. They essentially replaced that with brand new positions in EMC (EMC) as well as Crown Castle (CCI). Another big takeaway from their portfolio is the fact that Macy's (M) is now their largest holding. After starting a large new stake in the third quarter, they continued to buy shares in the fourth quarter to ramp up their position size, as it's now a \$294 million stake. Shares are currently

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	Macy's, Inc.	M		4.35%	Added 33%	\$294,185	7,539,351
2	Apple Inc.	AAPL		4.29%	Added 1%	\$289,679	544,333
3	QUALCOMM Inc	QCOM		4.22%	Cut -17%	\$285,120	4,609,143
4	Express Scripts Inc.	ESRX		4.04%	Added 58%	\$273,189	5,059,061
5	Polo Ralph Lauren Corp.	RL		4.02%	Added 30%	\$271,600	1,811,630
6	Family Dollar Stores Inc.	FDO		3.96%	Added 48%	\$267,616	4,220,414
7	NetApp, Inc.	NTAP		3.91%	Cut -12%	\$263,856	7,864,559
8	Citrix Systems, Inc.	CTXS		3.66%	Add 155%	\$247,316	3,768,917
9	Dollar General Corp	DG		3.34%	Cut -5%	\$225,676	5,118,538
10	FidelityNationalFinancial	FNF		3.12%	Added 39%	\$210,916	8,956,105
11	TransDigm Group	TDG		3.10%	Added 59%	\$209,428	1,535,844
12	Google Inc.	GOOG		3.05%	Cut -11%	\$206,134	291,405
13	CIGNA Corporation	CI		2.94%	Cut -39%	\$198,895	3,720,446
14	NVR Inc.	NVR		2.86%	Added 5%	\$193,326	210,137
15	Priceline.com Inc	PCLN		2.84%	Cut -19%	\$192,070	309,596
16	Avago Technologies	AVGO		2.67%	Cut -33%	\$180,160	5,692,111
17	EMC Corporation	EMC		2.39%	New	\$161,120	6,368,390
18	Skyworks Solutions	SWKS		2.23%	Cut -28%	\$150,398	7,408,746
19	Liberty Global Inc.	LBTYA		2.22%	Added 60%	\$150,161	2,385,018
20	United Technologies	UTX		2.20%	Cut -21%	\$148,556	1,811,432
21	Comcast Corporation	CMCSA		2.17%	Cut -12%	\$146,747	3,927,905
22	Crown Castle Intl	CCI		1.61%	New	\$108,739	1,506,920
23	News Corp.	NWSA		1.56%	Cut -1%	\$105,251	4,125,860
24	Liquidity Services, Inc.	LQDT		1.54%	Added 7%	\$104,151	2,548,964
25	Las Vegas Sands Corp	LVS		1.53%	Cut -11%	\$103,098	2,233,486
26	Mastercard Incorporated	MA		1.51%	Cut -39%	\$101,871	207,359
27	Fidelity National Info	FIS		1.50%	New	\$101,538	2,916,915
28	Fomento Econ	FMX		1.46%	Cut -56%	\$98,379	976,953
29	Fleetcor Technologies	FLT		1.46%	New	\$98,381	1,833,752
30	Teradata Corporation	TDC		1.37%	Cut -9%	\$92,635	1,496,769
31	Cognizant Technology	CTSH		1.30%	Cut -61%	\$88,014	1,191,269
32	Polycom, Inc.	PLCM		1.28%	Cut -18%	\$86,155	8,236,587
33	F5 Networks, Inc.	FFIV		1.24%	New	\$83,647	861,010
34	Liberty Media	LMCA		1.05%	New	\$71,157	613,367
35	YOUKU.COM INC.	YOKU		1.04%	Cut -11%	\$70,040	3,839,937
36	Nordstrom Inc.	JWN		1.02%	New	\$68,915	1,288,134
37	Anheuser-Busch InBev	BUD		0.94%	Cut -34%	\$63,606	727,670
38	United Parcel Service	UPS		0.87%	New	\$58,857	798,273
39	TripAdvisor Inc	TRIP		0.84%	Cut -60%	\$56,872	1,356,677
40	Schlumberger Limited	SLB		0.84%	New	\$56,899	821,068
41	Facebook, Inc.	FB		0.83%	New	\$56,372	2,117,680
42	Visa, Inc.	V		0.78%	Cut -62%	\$52,604	347,041
43	CareFusion Corporation	CFN		0.77%	Cut -68%	\$51,768	1,811,353
44	Whole Foods Market	WFM		0.77%	New	\$52,252	573,191
45	Cameron International	CAM		0.74%	Cut -72%	\$49,741	880,999

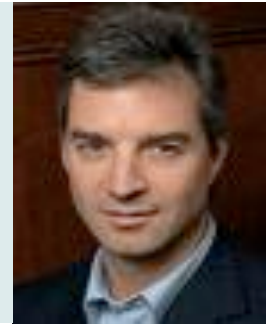
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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Qlik Technologies, Inc.	QLIK		0.72%	New	\$48,767	2,245,268
47	Berkshire Hathaway Inc.	BRK-B		0.65%	Cut -18%	\$43,978	490,276
48	Unitedhealth Group, Inc.	UNH		0.57%	New	\$38,529	710,348
49	Comcast Corporation	CMCSK		0.51%	Cut -55%	\$34,513	960,835
50	NetApp, Inc. NOTE	NTAP		0.46%	New	\$30,938	27,500,000
51	iStar Financial Inc.	SFI		0.45%	Add 114%	\$30,560	3,749,634
52	FidelityNational NOTE	FIS		0.38%	New	\$25,587	20,000,000
53	Ironwood Pharma	IRWD		0.34%	Unchanged	\$23,287	2,101,695
54	ERICSSON ADR CL-B	ERIC		0.15%	Cut -63%	\$10,414	1,031,098
55	Berkshire Hathaway Inc.	BRK-A		0.11%	Cut -63%	\$7,641	57
56	PACIFIC BIOSCIENCES	PACB		0.09%	Unchanged	\$6,004	3,531,953
57	BRIGHTCOVE INC	BCOV		0.07%	Unchanged	\$4,540	502,252
58	Bluefly Inc.	BFLY		0.05%	Unchanged	\$3,445	3,704,101
59	icad Inc.	ICAD		0.00%	New	\$33	6,791
60	Coca-Cola FEMSA	KOF			<b>Sold</b>		
61	BANKRATE INC	RATE			<b>Sold</b>		
62	Walt Disney Co.	DIS			<b>Sold</b>		
63	Rockwell Automation	ROK			<b>Sold</b>		
64	Tyco International Ltd.	TYC			<b>Sold</b>		
65	RENREN INC	RENN			<b>Sold</b>		
66	SUPERVALU Inc.	SVU			<b>Sold</b>		
67	Amazon.com Inc.	AMZN			<b>Sold</b>		
68	ENDO HEALTH	ENDP			<b>Sold</b>		
69	Progressive Corp.	PGR			<b>Sold</b>		
70	Yahoo! Inc.	YHOO			<b>Sold</b>		
71	Oracle Corp.	ORCL			<b>Sold</b>		
72	Valeant Pharma	VRX			<b>Sold</b>		
73	ARCOS DORADOS	ARCO			<b>Sold</b>		
74	Citigroup, Inc.	C			<b>Sold</b>		
75	J. C. Penney Co	JCP			<b>Sold</b>		

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:

News Corp (NWSA)  
Tesoro (TSO)  
Morgan Stanley (MS)  
Abbott Labs (ABT)  
Equinix (EQIX)  
Herbalife (HLF)  
Agrium (AGU)  
Dollar General (DG)  
Illumina (ILMN)  
Cheniere Energy (LNG)

### Sold Out:

Apple (AAPL)  
Unitedhealth (UNH)  
United Technologies (UTX)  
Wellpoint (WLP)  
Kraft Foods (KFT ~ old ticker)

targets range from \$35 to \$84 ... Using conservative assumptions, we see Tesoro generating about \$9 per share in annual excess FCF on a normalized basis and our expectation is that shares can double from the current price of \$40.” TSO shares have jumped even higher to \$54.

Third Point’s thesis on their new position in Morgan Stanley is as follows: “We believe (it) is in the early stages of a turnaround ... our enthusiasm about MS’s turnaround benefits from our generally constructive macro views. We expect CEO confidence to rise and global corporate activity levels to increase markedly in 2013. Morgan Stanley, with its sterling reputation, talent pool, and record in execution in investment banking advisory and capital markets, is uniquely positioned to benefit from this improvement. Assuming Wealth Management pre-tax margins improve to 20% by 2014, Morgan Stanley’s earnings profile will shift toward a 50/50 split between cyclical, capital intensive capital markets businesses and a stable, capital-light Wealth Management business. This should lead to multiple expansion towards 12-13x on projected earnings of approximately \$3 per share driven by the Wealth Management margin improvement, FICC restructuring initiatives, and a stronger corporate activity environment. The combination of these factors suggests Morgan Stanley shares should nearly double from the recent \$20 level.” Third Point acquired their stake in MS at an average cost of \$16.77 per share.

Third Point’s Offshore Fund finished 2012 up 21.2% and they’ve had higher net long equity exposure for a few months now. In November, they were 27.7% net long equities and at the end of January, they were 37.8% net long. Dan Loeb’s fourth quarter letter to investors shed some light on his thesis on brand new investments in Tesoro (TSO) and Morgan Stanley (MS). Regarding TSO, Third Point writes, “Tesoro has several characteristics we like in an investment: 1) significant hidden value in high-multiple assets like retail, pipelines, and General Partner interests; 2) impending transactions/projects that are underappreciated by the market; and 3) a shareholder-friendly management team focused on creating value. While it is perhaps unusual to invest in a company following a quarter (Q3 2012) in which the stock appreciated by ~68%, we believe Tesoro remains misunderstood by the market; as evidence, current sell-side analyst price

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		26.59%	Unchanged	\$1,452,708	73,000,400
2	AmericanInternationalGroup	AIG		11.95%	Cut -21%	\$653,050	18,500,000
3	DELPHI AUTOMOTIVE PLC	DLPH		7.00%	Unchanged	\$382,500	10,000,000
4	Murphy Oil Corporation	MUR		6.77%	Added 28%	\$370,103	6,215,000
5	News Corp.	NWSA		3.27%	New	\$178,570	7,000,000
6	Tesoro Corporation	TSO		2.94%	New	\$160,782	3,650,000
7	Morgan Stanley	MS		2.71%	New	\$148,180	7,750,000
8	LyondellBasell Industries	LYB		2.51%	Cut -4%	\$137,016	2,400,000
9	Nexen Inc.	NXY		2.47%	Unchanged	\$134,700	5,000,000
10	Symantec Corporation	SYMC		2.31%	Added 12%	\$126,094	6,700,000
11	Equinix, Inc.	EQIX		1.98%	New	\$108,255	525,000
12	Liberty Global Inc.	LBTYA		1.90%	Added 6%	\$103,884	1,650,000
13	Herbalife Ltd.	HLF		1.87%	New	\$102,114	3,100,000
14	Agrium Inc.	AGU		1.83%	New	\$99,871	1,000,000
15	Dollar General Corporation	DG		1.74%	New	\$94,794	2,150,000
16	WESCO International Inc.	WCC		1.67%	Cut -21%	\$91,030	1,350,000
17	Sensata Technologies	ST		1.64%	Added 57%	\$89,320	2,750,000
18	Illumina Inc.	ILMN		1.53%	New	\$83,385	1,500,000
19	Coca-Cola Enterprises Inc.	CCE		1.45%	Unchanged	\$79,325	2,500,000
20	HILLSHIRE BRANDS	HSH		1.39%	Cut -17%	\$75,978	2,700,000
21	Cheniere Energy, Inc.	LNG		1.38%	New	\$75,120	4,000,000
22	Liberty Global Inc.	LBTYK		1.34%	Unchanged	\$73,438	1,250,000
23	Constellation Brands Inc.	STZ		1.23%	Cut -17%	\$67,241	1,900,000
24	Phillips-Van Heusen Corp.	PVH		1.22%	New	\$66,606	600,000
25	International Paper Co.	IP		1.09%	New	\$59,760	1,500,000
26	Louisiana-Pacific Corp.	LPX		1.06%	New	\$57,960	3,000,000
27	Abbott Laboratories	ABT		1.05%	New	\$57,478	1,834,000
28	Capital One Financial Corp.	COF		0.95%	New	\$52,137	900,000
29	Foster Wheeler AG	FWLT		0.93%	Added 5%	\$51,072	2,100,000
30	Ariad Pharmaceuticals Inc.	ARIA		0.88%	Added 85%	\$47,950	2,500,000
31	Compuware Corporation	CPWR		0.70%	New	\$38,045	3,500,000
32	Electronic Arts Inc.	EA		0.64%	New	\$34,848	2,400,000
33	ENPHASE ENERGY, INC.	ENPH		0.50%	Unchanged	\$27,189	7,448,987
34	SPDR Gold Shares	GLD		0.39%	Unchanged	\$21,063	130,000
35	TransDigm Group Inc	TDG		0.37%	New	\$20,454	150,000
36	Energen Corp.	EGN		0.35%	New	\$19,163	425,000
37	ABBVIE INC.	ABBV		0.26%	New	\$14,211	416,000
38	BioFuel Energy Corp.	BIOF		0.07%	Unchanged	\$3,839	1,043,123
39	MetLife, Inc.	MET	CALL	0.06%	Cut -30%	\$3,308	3,500,000
40	Herbalife Ltd.	HLF	CALL	0.01%	New	\$390	200,000
41	BioMarin Pharma	BMRN			<b>Sold</b>		
42	Mondelez International	MDLZ			<b>Sold</b>		
43	CIGNA Corporation	CI			<b>Sold</b>		
44	NXP Semiconductors NV	NXPI			<b>Sold</b>		
45	Autodesk, Inc.	ADSK			<b>Sold</b>		

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Vertex Pharma	VRTX			<b>Sold</b>		
47	RBS Preferred N	RBS-PN			<b>Sold</b>		
48	United Technologies Corp.	UTX			<b>Sold</b>		
49	Westlake Chemical Corp.	WLK			<b>Sold</b>		
50	RBS Preferred S	RBS-PS			<b>Sold</b>		
51	Symantec Corporation	SYMC	CALL		<b>Sold</b>		
52	Weatherford Intl	WFT			<b>Sold</b>		
53	RBS Preferred Q	RBS-PQ			<b>Sold</b>		
54	Apple Inc.	AAPL			<b>Sold</b>		
55	Cabot Oil & Gas Corporation	COG			<b>Sold</b>		
56	Newell Rubbermaid Inc.	NWL			<b>Sold</b>		
57	RBS Preferred T	RBS-PT			<b>Sold</b>		
58	Murphy Oil Corporation	MUR	CALL		<b>Sold</b>		
59	Unitedhealth Group, Inc.	UNH			<b>Sold</b>		
60	WellPoint Inc.	WLP			<b>Sold</b>		
61	Chesapeake Energy NOTE	CHK			<b>Sold</b>		

# 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:

Grupo Financiero Santander (BSMX) ~ IPO  
Realogy (RLGY) ~ IPO  
Virgin Media (VMED)  
IHS (HIS)  
Sally Beauty Holdings (SBH)  
Workday (WDAY) ~ IPO  
Wyndham (WYN)  
Tenet Healthcare (THC)  
Molycorp (MCP)

### Sold Out:

Martin Marietta (MLM)  
TripAdvisor (TRIP)  
Ivanhoe Energy (IVAN)

John Griffin's hedge fund firm trimmed two of its former top holdings in the fourth quarter, selling 19% of its Apple (AAPL) stake (previously their top position) as well as 30% of their Amazon.com (AMZN) position. On the buying side, Blue Ridge did have an appetite for some other shares. Dollar stores were a favorite buy among hedge funds in the fourth quarter and Blue Ridge was no exception as they increased their position size in Dollar Tree (DLTR) by 40%, as it's now their eighth largest US disclosed long. Previous issues of the newsletter also flagged the hedge fund's past purchases of Owens Corning (OC). They continued to buy shares of this name for the third consecutive quarter, slowly amassing a larger position size. Additionally, after initiating new stakes in Equinix (EQIX) and Time Warner (TWX) in the third quarter, they almost doubled their position in both the datacenter company and the media conglomerate in the fourth quarter as well. Both of these stocks have been consensus hedge fund buys in recent

quarters. Blue Ridge's purchase of shares of Virgin Media (VMED) was also well-timed as the company recently received a buyout bid from Liberty Global (LBTYA), a company which the hedge fund also owns shares of.

For-profit hospitals were a consensus buy by hedge funds this past quarter and Tenet Healthcare (THC) and HCA (HCA) were the two most popular choices. Blue Ridge bid on shares of both during the fourth quarter. While they previously owned HCA, they boosted their position size by 36% and it's their largest exposure to this theme. That said, they also initiated a brand new holding in THC as well.

Shifting back to some portfolio sales, it is worth highlighting that John Griffin's firm almost cut its position in Verisign (VRSN) in half. This was previously a decent sized core investment for them. While this move could have simply been a risk management measure after the company wasn't allowed to raise prices in a contract renewal, it will be interesting to see if they continue to hold shares next quarter. VRSN has seen swings from \$48 down to \$34 and back up to its current level of around \$46 over the past few months.

Recent European regulations have forced hedge funds to disclose some of their short positions. As such, searching through databases reveals that at the end of November, Blue Ridge was short -0.82% of KGHM in Poland, -1.82% of Pandora in Denmark, -4.47% of Vestas Wind Systems in Denmark, as well as -1.34% of Nokia in Finland.

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	Google Inc.	GOOG		5.37%	Added 5%	\$385,734	545,300
2	AmericanInternationalGroup	AIG		5.13%	Unchanged	\$368,532	10,440,000
3	Priceline.com Incorporated	PCLN		4.78%	Unchanged	\$343,696	554,000
4	Thermo Fisher Scientific	TMO		4.45%	Unchanged	\$319,538	5,010,000
5	Gilead Sciences Inc.	GILD		4.09%	Added 12%	\$293,800	4,000,000
6	Monsanto Co.	MON		4.00%	Unchanged	\$287,263	3,035,000
7	Apple Inc.	AAPL		3.92%	Cut -20%	\$282,052	530,000
8	DOLLAR TREE STORES	DLTR		3.67%	Added 40%	\$263,640	6,500,000
9	Sensata Technologies	ST		3.56%	Unchanged	\$255,780	7,875,000
10	Amazon.com Inc.	AMZN		3.53%	Cut -31%	\$253,379	1,010,000
11	Owens Corning	OC		3.43%	Added 24%	\$246,723	6,670,000
12	Liberty Global Inc.	LBTYA		3.42%	Unchanged	\$245,544	3,900,000
13	Polo Ralph Lauren Corp.	RL		3.42%	Unchanged	\$245,869	1,640,000
14	Equinix, Inc.	EQIX		3.36%	Added 88%	\$241,254	1,170,000
15	GrupoFinancieroSantander	BSMX		3.08%	New	\$221,262	13,675,000
16	REALOGY HOLDINGS	RLGY		3.06%	New	\$220,290	5,250,000
17	Colfax Corporation	CFX		3.01%	Unchanged	\$216,680	5,370,000
18	Range Resources Corp	RRC		2.89%	Unchanged	\$207,967	3,310,000
19	Virgin Media, Inc.	VMED		2.35%	New	\$169,050	4,600,000
20	Time Warner Inc.	TWX		2.27%	Added 95%	\$163,100	3,410,000
21	IHS Inc.	IHS		2.24%	New	\$161,280	1,680,000
22	W.R. Grace & Co.	GRA		2.19%	Added 22%	\$157,318	2,340,000
23	Walt Disney Co.	DIS		2.06%	Unchanged	\$148,374	2,980,000
24	VeriSign Inc.	VRSN		1.89%	Cut -44%	\$135,870	3,500,000
25	WABCO Holdings Inc.	WBC		1.82%	Cut -19%	\$130,706	2,005,000
26	Delta Air Lines Inc.	DAL		1.77%	Cut -25%	\$127,128	10,710,000
27	SIRIUS XM Radio Inc.	SIRI		1.74%	Cut -45%	\$125,137	43,300,000
28	HCA HLDGS	HCA		1.69%	Added 37%	\$121,717	4,040,000
29	Sally Beauty Holdings	SBH		1.56%	New	\$112,311	4,765,000
30	America Movil	AMX		1.47%	Unchanged	\$105,866	4,575,000
31	WORKDAY, INC.	WDAY		1.36%	New	\$97,991	1,798,000
32	Wyndham Worldwide Corp	WYN		1.29%	New	\$92,646	1,741,141
33	United Continental Holdings	UAL		1.21%	Cut -25%	\$87,324	3,735,000
34	BioMarin Pharmaceutical	BMRN		1.20%	Cut -20%	\$86,100	1,750,000
35	YOUKU.COM INC.	YOKU		0.91%	Unchanged	\$65,664	3,600,000
36	Tenet Healthcare Corp.	THC		0.78%	New	\$56,335	1,735,000
37	MICHAEL KORS	KORS		0.69%	Cut -25%	\$49,754	975,000
38	Molycorp, Inc.	MCP		0.38%	New	\$27,043	2,864,700
39	MGIC Investment Corp.	MTG		0.37%	Unchanged	\$26,336	9,900,600
40	AIG Warrants	AIG/WS		0.22%	Unchanged	\$15,870	1,150,000
41	JPMorganChase Warrants	JPM/WS		0.15%	Unchanged	\$11,065	933,000
42	WESTPORT INNOVATIONS	WPRT		0.11%	Unchanged	\$8,127	304,278
43	Tesla Motors, Inc.	TSLA		0.09%	Unchanged	\$6,774	200,000
44	MARTIN MARIETTA MTRL	MLM			<b>Sold</b>		
45	Ivanhoe Energy Inc.	IVAN			<b>Sold</b>		
46	TripAdvisor Inc	TRIP			<b>Sold</b>		

Next Page: Paulson & Co



## Key Takeaways

### New Positions:

Sprint (S)  
Plains Exploration (PXP)  
Realogy (RLGY) \* see commentary  
Freeport McMoran (FCX)  
McMoRan Exploration (MMR)  
Aetna (AET)  
Pioneer Natural Resources (PXD)  
Murphy Oil (MUR)  
WP Carey (WPC)  
NRG Energy (NRG)  
Mead Johnson Nutrition (MJN)

### Sold Out:

Genon Energy (GEN)  
Cooper Industries (CBE)  
Amerigroup (AGP)  
Robbins & Myers (RBN)  
Par Pharmaceuticals (PRX)

John Paulson's investment firm manages around \$20 billion but the poor performance streak looks to have continued. His Advantage Plus fund was down 19% in 2012, largely due to bets that the European sovereign-debt crisis would worsen. His regular Advantage fund was down 14%. Additionally, his bullish bets on gold stocks didn't fare too well. Paulson's Gold Fund was down 25% in 2012 (after being down 11% in 2011). His other funds, however, were up for 2012. Paulson Enhanced finished up 18%, Credit Opportunities finished up 9.1% and his Recovery Fund finished 2012 up 3.9%. Given the poor performance of his larger funds, it should come as no surprise that assets under management have fallen from two years ago as he's seen redemptions.

Turning to Paulson & Co's latest portfolio activity, it's always worth a reminder that since

Paulson has numerous funds each pursuing different strategies, you have to keep that in consideration when viewing his entire portfolio (because it's a melting pot of all his funds' holdings combined). For example, a lot of Paulson's new buys listed in the column to the left are risk arbitrage plays held in his hedge fund that pursues his legacy strategy of merger arbitrage. Softbank is buying 70% of Sprint Nextel (S). Additionally, both Plains Exploration & Production (PXP) and McMoRan Exploration (MMR) are being bought out by Freeport McMoran (FCX), all of which Paulson acquired in the fourth quarter. Nexen (NXY), a position Paulson added to by 321% in the quarter, recently received both Canadian and US regulatory approval for its transaction as CNOOC is set to take over the company.

In other portfolio activity, Realogy (RLGY) recently completed its initial public offering, but Paulson actually already had a stake. The hedge fund firm owned 11% Series A, B, and C Convertible Senior Subordinated Notes due 2018 that they agreed to convert into shares of common stock during RLGY's IPO. Realogy owns the well-known real estate brokerage brands Coldwell Banker and Century 21, among others. Apollo Global Management originally took the company private in an ill-timed move back in 2007, but now the company is publicly traded again. Paulson originally received around 11.8 million shares from this transaction and their latest portfolio disclosure reveals that they now own 13.3 million RLGY shares, so it looks as though they've acquired some additional shares along the way.

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		21.75%	Unchanged	\$3,538,129	21,837,552
2	AngloGold Ashanti Ltd.	AU		5.44%	Cut -1%	\$884,759	28,203,999
3	Sprint Nextel Corp.	S		4.45%	New	\$724,019	127,693,000
4	Nexen Inc.	NXY		4.22%	Add 321%	\$686,835	25,495,000
5	Life Technologies Corp	LIFE		4.22%	Added 4%	\$686,420	14,000,000
6	Mylan, Inc.	MYL		4.13%	Unchanged	\$672,618	24,503,400
7	PlainsExploration&Production	PXP		3.69%	New	\$600,832	12,800,000
8	REALOGY HOLDINGS CORP.	RLGY		3.43%	New	\$558,166	13,302,344
9	GRIFOLS, S.A.	GRFS		3.22%	Added 17%	\$523,266	20,179,935
10	DELPHI AUTOMOTIVE PLC	DLPH		3.18%	Cut -46%	\$516,500	13,503,255
11	MGM Resorts	MGM		2.69%	Unchanged	\$438,195	37,645,600
12	Equinix, Inc.	EQIX		2.66%	Unchanged	\$433,020	2,100,000
13	Hartford Financial Services	HIG		2.52%	Cut -7%	\$409,618	18,253,907
14	MetroPCS Communications	PCS		1.94%	Added 34%	\$316,092	31,800,000
15	Freeport-McMoRan	FCX		1.89%	New	\$307,800	9,000,000
16	AMC NETWORKS	AMCX		1.80%	Unchanged	\$293,535	5,930,000
17	McMoRan Exploration Co.	MMR		1.53%	New	\$249,679	15,556,300
18	HCA HLDGS INC COM	HCA		1.29%	Cut -13%	\$209,682	6,950,000
19	Aetna Inc.	AET		1.28%	New	\$208,395	4,500,000
20	CNO Financial Group, Inc.	CNO		1.23%	Cut -4%	\$200,701	21,511,400
21	Cablevision Systems	CVC		1.12%	Add 478%	\$181,488	12,147,800
22	RYMAN HOSPITALITY	RHP		1.02%	New	\$165,396	4,300,459
23	NovaGold Resources Inc.	NG		1.00%	Unchanged	\$162,745	35,970,518
24	Bank of America Warrants	BAC/WS/A		0.91%	Cut -1%	\$148,109	27,333,865
25	HILLSHIRE BRANDS	HSB		0.87%	Added 18%	\$142,031	5,047,308
26	Ralcorp Holdings Inc.	RAH		0.83%	Unchanged	\$134,475	1,500,000
27	Capital One Financial	COF		0.78%	Unchanged	\$127,446	2,200,000
28	Shire plc	SHPG		0.78%	Unchanged	\$126,360	1,370,800
29	InterDigital, Inc.	IDCC		0.76%	Unchanged	\$123,270	3,000,000
30	Scripps Networks	SNI		0.75%	Unchanged	\$121,632	2,100,000
31	Wells Fargo & Company	WFC		0.73%	Unchanged	\$119,322	3,491,000
32	AngloGoldAshanti Convertible	AU/PA		0.70%	Cut -1%	\$113,422	3,035,100
33	Rock-Tenn Co.	RKT		0.69%	Added 22%	\$111,856	1,600,000
34	Popular Inc.	BPOP		0.67%	Unchanged	\$108,294	5,208,948
35	Pioneer Natural Resources	PXD		0.66%	New	\$106,590	1,000,000
36	Murphy Oil Corporation	MUR		0.64%	New	\$104,213	1,750,000
37	Randgold Resources Ltd.	GOLD		0.57%	Unchanged	\$92,317	930,502
38	CAESARS ENTERTAINMENT	CZR		0.53%	Unchanged	\$85,620	12,372,835
39	WP CAREY & CO LLC	WPC		0.51%	New	\$83,563	1,602,360
40	Gold Fields Ltd.	GFI		0.50%	Unchanged	\$81,705	6,541,600
41	Capital One Warrants	COF/WS		0.47%	Cut -3%	\$76,862	3,632,434
42	NRG Energy, Inc.	NRG		0.44%	New	\$71,251	3,099,206
43	Mead Johnson Nutrition	MJN		0.41%	New	\$65,890	1,000,000
44	Alpha Natural Resources	ANR		0.36%	New	\$58,440	6,000,000
45	Fidelity National Financial	FNF		0.36%	New	\$58,875	2,500,000

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Cascade Corp.	CASC		0.36%	New	\$57,870	900,000
47	Boise Inc.	BZ		0.34%	Unchanged	\$55,780	7,016,300
48	RESOLUTE FOREST	RFP		0.34%	Added 27%	\$55,619	4,200,807
49	Agnico-Eagle Mines Ltd.	AEM		0.33%	Unchanged	\$53,331	1,016,600
50	Jazz Pharmaceuticals, Inc.	JAZZ		0.33%	Unchanged	\$53,250	1,000,000
51	Leap Wireless International	LEAP		0.32%	Added 11%	\$51,870	7,800,000
52	TNS Inc.	TNS		0.29%	New	\$47,679	2,300,000
53	American Capital, Ltd.	ACAS		0.28%	Cut -30%	\$45,494	3,784,700
54	Allied Nevada Gold Corp.	ANV		0.28%	Unchanged	\$45,473	1,509,221
55	IAMGOLD Corp.	IAG		0.27%	Unchanged	\$44,525	3,881,900
56	POST HOLDINGS INC	POST		0.26%	Unchanged	\$42,138	1,230,300
57	NATIONAL BANK	NBHC		0.25%	New	\$41,306	2,175,155
58	Barrick Gold Corporation	ABX		0.20%	Unchanged	\$32,034	915,000
59	XL Group plc	XL		0.18%	Unchanged	\$30,072	1,200,000
60	Genworth Financial Inc.	GNW		0.18%	New	\$29,289	3,900,000
61	Crexus Investment Corp.	CXS		0.18%	New	\$29,400	2,400,000
62	Clearwire Corporation	CLWR		0.18%	New	\$29,487	10,203,100
63	FelCor Lodging Trust Inc.	FCH		0.14%	Unchanged	\$23,350	5,000,000
64	Howard Hughes Corp	HHC		0.14%	Unchanged	\$23,001	315,000
65	Radian Group Inc.	RDN		0.13%	New	\$21,566	3,529,700
66	International Tower Hill Mines	THM		0.12%	Unchanged	\$19,421	8,949,654
67	RBS Preferred M	RBS-PM		0.12%	Unchanged	\$18,864	835,051
68	STATE BANK FINANCIAL	STBZ		0.12%	Unchanged	\$20,044	1,262,200
69	RBS Preferred N	RBS-PN		0.11%	Unchanged	\$18,477	820,490
70	RBS Preferred R	RBS-PR		0.09%	Unchanged	\$14,014	623,968
71	RBS Preferred Q	RBS-PQ		0.09%	Unchanged	\$14,204	617,578
72	RBS Preferred P	RBS-PP		0.08%	Unchanged	\$13,446	602,433
73	Prestige Brands Holdings	PBH		0.08%	Cut -24%	\$13,020	650,000
74	NOVACOPPER INC	NCQ		0.07%	Unchanged	\$10,659	5,921,608
75	RBS Preferred S	RBS-PS		0.07%	Unchanged	\$11,742	510,524
76	Bank of America Warrants	BAC/WS/B		0.06%	Cut -3%	\$9,096	11,812,853
77	RBS Preferred T	RBS-PT		0.06%	Unchanged	\$9,712	406,180
78	STRATEGIC HOTELS	SGCHZ		0.06%	Unchanged	\$10,496	1,640,000
79	Kinder Morgan Warrants	KMIIV		0.06%	Unchanged	\$9,494	2,511,670
80	SuperMedia Inc.	SPMD		0.05%	Unchanged	\$8,918	2,607,504
81	Fairpoint Communications	FRP		0.05%	Unchanged	\$7,938	998,895
82	Dex One Corporation	DEXO		0.04%	Unchanged	\$5,809	3,676,394
83	Sunstone Hotel Investors Inc.	SHO		0.02%	Unchanged	\$2,640	246,458
84	DUFF & PHELPS CORP	DUF		0.02%	New	\$4,002	256,200
85	Hartford Financial Warrants	HIG/WS		0.01%	Unchanged	\$1,348	100,000
86	Pinnacle Entertainment Inc.	PNK		0.01%	New	\$1,995	126,000
87	Robbins & Myers Inc.	RBN			<b>Sold</b>		
88	AMERIGROUP Corporation	AGP			<b>Sold</b>		
89	Ryman Hospitality	GET			<b>Sold</b>		
90	GENON ENERGY INC	GEN			<b>Sold</b>		
91	Cooper Industries plc	CBE			<b>Sold</b>		
92	Par Pharmaceutical	PRX			<b>Sold</b>		

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](#)



## Key Takeaways

### New Positions:

ADT (ADT)  
Berkshire Hathaway (BRK-B)  
Capital One (COF)  
Valeant Pharmaceuticals (VRX)  
Fleetcor Technologies (FLT)  
Dollar Tree Stores (DLTR)  
Davita (DVA)  
Chicago Bridge & Iron (CBI)

### Sold Out:

Market Vectors Gold Miners (GDX)  
Barrick Gold (ABX)  
JPMorgan Chase (JPM)  
Cablevision (CVC)

optionality, he thinks ADT should increase leverage and improve capital allocation. He calls ADT an “equity shrink story waiting to happen.” As you’ll see throughout this issue, ADT popped up on a number of hedge fund portfolio sheets in the fourth quarter. Some received the shares from the Tyco spin, while others purchased post-spin.

Aside from that purchase, Tiger also started a position in Berkshire Hathaway (BRK-B) that is intriguing given that Tiger usually likes secular theme plays versus value conglomerates. The hedge fund also drastically ramped up its position in Carnival (CCL). The cruise line recently saw one of its ships catch fire and canceled 12 cruises so it will be interesting to see the impact that has on potential travelers going forward and if it influences Tiger’s position sizing. The hedge fund also initiated a new holding in credit card company Capital One (COF). This is largely seen as an economic recovery play as it benefits from increased consumer spending. The company is profiled later in the [equity analysis section](#). Tiger also owns payment processors Mastercard (MA) and Visa (V), which have been longstanding positions. Tiger slightly reduced each holding during the fourth quarter.

As for how Julian Robertson invests, he says he focuses on management and notes that you have to give them time. He’s a long-term investor and doesn’t focus on short-term gyrations.

While the third quarter marked a time of little portfolio activity for Tiger Management, the fourth quarter was exactly the opposite. Tiger made numerous moves, the most notable of which would be a brand new position in ADT (ADT), which is now their largest position. ADT was spun-off from the Tyco conglomerate and sells home security and monitoring systems. A highly fragmented industry, ADT is one of the few companies that has any sizable market share. Corvex Capital, an investment firm run by former Carl Icahn protégé Keith Meister, has taken an activist position in ADT and is looking for the company to improve its business and create more shareholder value. He feels that ADT has a defensive and predictable business model with consistent cash flows. Meister likes the underappreciated secular growth tailwinds and points to the shares mispricing after the spin mainly because the company doesn’t have many public comps. Another reason for the mispricing he says is the poor capital structure, a central part of his investment thesis. Pointing to balance sheet

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	ADT CORP	ADT		4.25%	New	\$24,152	519,500
2	Mastercard Inc	MA		4.20%	Cut -14%	\$23,865	48,578
3	Ocwen Financial Corp.	OCN		4.14%	Cut -11%	\$23,524	680,091
4	Liberty Global Inc.	LBTYA		3.96%	Cut -12%	\$22,470	356,895
5	Apple Inc.	AAPL		3.95%	Cut -58%	\$22,418	42,125
6	Google Inc.	GOOG		3.59%	Cut -21%	\$20,373	28,800
7	Berkshire Hathaway Inc.	BRK-B		3.54%	New	\$20,093	224,000
8	QUALCOMM Inc	QCOM		3.45%	Cut -7%	\$19,587	316,630
9	Visa, Inc.	V		3.44%	Cut -17%	\$19,554	129,000
10	Carnival Corporation	CCL		3.42%	Added 5216%	\$19,449	528,950
11	Capital One Financial Corp.	COF		3.37%	New	\$19,117	330,000
12	Kinder Morgan Warrants	KMIIV		3.36%	Added 1%	\$19,108	5,054,954
13	AmericanInternationalGroup	AIG		3.35%	Added 3%	\$19,048	539,600
14	Charter Communications	CHTR		3.31%	Unchanged	\$18,786	246,400
15	Priceline.com Incorporated	PCLN		3.28%	Added 26%	\$18,612	30,000
16	HCA HLDGS INC COM	HCA		3.21%	Added 8%	\$18,217	603,800
17	WuXi PharmaTech	WX		3.20%	Unchanged	\$18,182	1,154,418
18	RYMAN HOSPITALITY	RHP		3.11%	New	\$17,653	459,000
19	Valeant Pharmaceuticals	VRX		3.09%	New	\$17,572	294,000
20	VeriSign Inc.	VRSN		3.01%	Added 37%	\$17,120	441,000
21	Fleetcor Technologies	FLT		2.85%	New	\$16,186	301,700
22	DOLLAR TREE STORES	DLTR		2.76%	New	\$15,647	385,763
23	SouFun Holdings Ltd.	SFUN		2.67%	Added 1113%	\$15,162	606,461
24	DaVita, Inc.	DVA		2.66%	New	\$15,132	136,900
25	CHICAGO BRIDGE & IRON	CBI		2.52%	New	\$14,299	308,500
26	Dole Food Company Inc.	DOLE		2.47%	New	\$14,005	1,221,034
27	TripAdvisor Inc	TRIP		2.44%	Added 89%	\$13,834	330,000
28	SIRIUS XM Radio Inc.	SIRI		2.27%	Cut -24%	\$12,896	4,462,300
29	51job Inc.	JOBS		2.27%	New	\$12,885	275,623
30	Junior Gold Miners ETF	GDJX		2.06%	Unchanged	\$11,694	590,900
31	Express-1 Expedited	XPO		1.82%	Unchanged	\$10,341	595,000
32	Ryanair Holdings plc	RYAAY		0.74%	Unchanged	\$4,217	123,022
33	LCA-Vision Inc.	LCAV		0.62%	Unchanged	\$3,496	1,226,777
34	Callidus Software Inc.	CALD		0.60%	Unchanged	\$3,427	754,900
35	Suncor Energy Inc.	SU		0.40%	Unchanged	\$2,259	68,500
36	The Goldman Sachs Group	GS		0.34%	Unchanged	\$1,958	15,350
37	Sealed Air Corporation	SEE		0.15%	Unchanged	\$851	48,600
38	Nexen Inc.	NXY		0.13%	Unchanged	\$753	27,950
39	Cablevision Systems	CVC			<b>Sold</b>		
40	Cardiome Pharma Corp.	CRME			<b>Sold</b>		
41	Gold Miners ETF	GDJX			<b>Sold</b>		
42	JPMorgan Chase & Co.	JPM			<b>Sold</b>		
43	AutoNavi Holdings Limited	AMAP			<b>Sold</b>		
44	Sherwin-Williams Co.	SHW			<b>Sold</b>		
45	Golar LNG Ltd.	GLNG			<b>Sold</b>		
46	Barrick Gold Corporation	ABX			<b>Sold</b>		
47	SeaChange International	SEAC			<b>Sold</b>		
48	The Blackstone Group	BX			<b>Sold</b>		

Next Page: Soros Fund Management



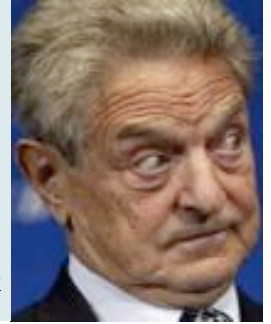
# Soros Fund Mgmt

George Soros

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

Renowned global macro hedge fund

Author of [The Alchemy of Finance](#)



## Key Takeaways

### New Positions:

Morgan Stanley (MS)  
Citrix (CTXS)  
Anadarko Petroleum (APC)  
Citigroup (C) Calls  
Plains Exploration (PXP)  
Ford (F)  
Invesco (IVZ)

### Sold Out:

LinkedIn (LNKD)  
Dish Network (DISH)  
Target (TGT)  
Denbury Resources (DNR)  
Express Scripts (ESRX)  
Orbital Sciences

by far is that they added to their pre-existing stake in Citigroup (C) by 435% during the quarter as it's now their fourth largest disclosed holding and largest pure equity stake in US markets. As detailed earlier in this issue, David Tepper also fancies this financial stock, noting that there's great value in the company's international operations. The second biggest takeaway from Soros Fund's activity is that they reduced their position in American International Group (AIG) by 41% during Q4. Even after the reduction, it's still their fourth largest US long, worth over \$312 million. AIG has been a hedge fund favorite the past few quarters as the government has completely exited the stake it took in the company during the financial crisis bailout. Soros Fund does seem to be bullish on moneycenter banks because in addition to the Citigroup stake, they also added significantly to their position in JPMorgan Chase (JPM) as well, ramping up the stake to the tune of 162%. And sticking with financials in general, they also initiated a position in another financial: Morgan Stanley (MS). The thesis on this name was outlined earlier in this issue in Dan Loeb's section ([Third Point](#)). And while so many investors were reducing their stakes in technology giant Apple (AAPL) during the quarter, Soros Fund utilized the opportunity as a chance to more than double their share count.

To learn from this great investor, it's definitely worth checking out George Soros' [best investment advice](#).

**B**efore viewing Soros Fund Management's latest portfolio activity, it's worth reiterating that since the fund holds so many different positions, the newsletter only tracks the upper echelon of the portfolio, i.e. around the top 90 positions. To illustrate the size of the portfolio turnover, here's a snapshot of the overall activity over the past quarter just in US markets: Soros Fund made 71 new purchases, added on to 44 existing positions, sold completely out of 70 stakes, and reduced positions in 39 holdings. After all, the hedge fund has turned into a family office to manage George Soros' fortune of billions and holds all different types of positions in various asset classes all across the world. In fact, it's been reported that Soros recently made \$1 billion dollars betting against the Japanese Yen. So when viewing Soros' portfolio on the next page, keep in mind this is only one small slice of the overall assets under management pie. Not to mention, many positions Soros Fund holds in the US are actually notes or convertible bonds rather than equity stakes.

So, the biggest takeaway from their portfolio

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



# Soros Fund Mgmt

Fourth Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Micron Technology Inc. NOTE	MU		9.76%	Unchanged	\$815,729	819,005,000
2	Lucent Technology NOTE	LU		7.32%	Added 11%	\$611,845	607,290,000
3	WebMD Health Corp. NOTE	WBMD		4.22%	Unchanged	\$352,492	386,530,000
4	Citigroup, Inc.	C		3.85%	Added 436%	\$321,436	8,125,251
5	American International Group	AIG		3.74%	Cut -42%	\$312,540	8,853,849
6	Digital River Inc. NOTE	DRIV		3.23%	Added 7%	\$270,412	274,518,000
7	CIENA Corp. NOTE	CIEN		2.94%	Added 2%	\$245,660	252,552,000
8	Pioneer Natural Resources Co.	PXD		2.66%	Added 50%	\$222,634	2,088,697
9	ADECOAGRO S.A.	AGRO		2.63%	Unchanged	\$219,731	25,911,633
10	Rovi Corporation NOTE	ROVI		2.18%	Added 12%	\$181,912	181,912,000
11	Johnson & Johnson	JNJ		2.17%	Added 1%	\$181,491	2,589,022
12	Hologic Inc. NOTE	HOLX		1.82%	Added 1%	\$151,745	152,278,000
13	Charter Communications, Inc	CHTR		1.77%	Cut -3%	\$148,247	1,944,480
14	Motorola Solutions, Inc.	MSI		1.72%	Cut -10%	\$143,552	2,578,166
15	NetApp, Inc.	NTAP		1.63%	Cut -33%	\$135,879	4,050,033
16	Google Inc.	GOOG		1.60%	Cut 0%	\$133,887	188,740
17	Quantum Corp. NOTE	QTM		1.47%	Unchanged	\$122,859	130,980,000
18	EQT Corporation	EQT		1.46%	Added 85%	\$122,211	2,072,079
19	Delta Air Lines Inc.	DAL		1.36%	Added 55%	\$114,089	9,611,500
20	JPMorgan Chase & Co.	JPM		1.35%	Added 162%	\$112,959	2,569,000
21	SPDR S&P 500	SPY	PUT	1.28%	Cut -11%	\$106,890	750,000
22	General Electric Co.	GE		1.23%	Cut -53%	\$102,911	4,902,890
23	JDS Uniphase NOTE	JDSU		1.23%	Cut -33%	\$103,208	103,270,000
24	Acacia Research Corporation	ACTG		1.22%	Added 2%	\$101,976	3,975,645
25	Apple Inc.	AAPL		1.17%	Added 117%	\$98,065	183,976
26	SPDR Gold Shares	GLD		1.16%	Cut -55%	\$97,206	600,000
27	Shutterfly, Inc.	SFLY		1.09%	Unchanged	\$91,006	3,046,700
28	CF Industries Holdings, Inc.	CF		1.09%	Cut -42%	\$90,731	446,600
29	Wal-Mart Stores Inc.	WMT		1.02%	Cut -50%	\$85,288	1,250,000
30	SanDisk Corp. NOTE	SNDK		1.00%	Unchanged	\$83,511	83,737,000
31	Morgan Stanley	MS		0.95%	New	\$79,236	4,144,200
32	Capital One Financial Corp.	COF		0.87%	Added 110%	\$73,021	1,260,500
33	Gold Miners ETF	GDX		0.85%	Cut -34%	\$70,745	1,525,000
34	General Motors	GM		0.80%	Cut -43%	\$67,182	2,330,300
35	Citrix Systems, Inc.	CTXS		0.75%	New	\$62,462	950,000
36	The Home Depot, Inc.	HD		0.70%	Unchanged	\$58,758	950,000
37	Exar Corp.	EXAR		0.68%	Cut -5%	\$56,663	6,366,666
38	Anadarko Petroleum	APC		0.67%	New	\$56,153	755,655
39	Abbott Laboratories	ABT		0.65%	Add 440%	\$53,972	1,079,752
40	US Airways Group, Inc.	LCC		0.64%	Cut -37%	\$53,312	3,949,000
41	Constellation Brands Inc.	STZ		0.63%	Added 18%	\$53,014	1,498,000
42	Citigroup, Inc.	C	CALL	0.62%	New	\$51,428	1,300,000
43	MANCHESTER UNITED PLC	MANU		0.57%	Cut -4%	\$47,731	3,397,257
44	Freeport-McMoRan	FCX		0.56%	Added 5%	\$46,666	1,364,508
45	PlainsExploration&Production	PXP		0.54%	New	\$44,734	953,000

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# Soros Fund Mgmt

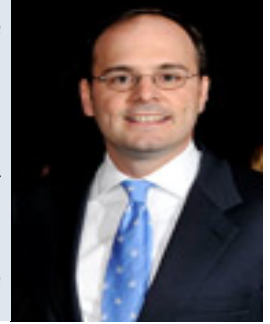
Fourth Quarter 2012 Portfolio:  
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	SunTrust Banks, Inc.	STI		0.51%	Cut -62%	\$43,021	1,517,500
47	Macy's, Inc.	M		0.50%	Cut -10%	\$42,142	1,080,000
48	Ford Motor Co.	F		0.49%	New	\$40,598	3,135,000
49	Invesco Ltd.	IVZ		0.48%	New	\$39,944	1,531,000
50	Cognizant Technology	CTSH		0.47%	New	\$39,231	529,800
51	Costco Wholesale Corp	COST		0.47%	New	\$39,508	400,000
52	Junior Gold Miners ETF	GDXJ		0.47%	Cut -17%	\$39,567	1,998,350
53	Walt Disney Co.	DIS		0.46%	Unchanged	\$38,488	773,000
54	Churchill Downs Inc.	CHDN		0.44%	Added 28%	\$36,544	549,943
55	Extreme Networks Inc.	EXTR		0.40%	Added 4%	\$33,620	9,236,249
56	Newell Rubbermaid Inc.	NWL		0.40%	New	\$33,405	1,500,000
57	Mosaic Co.	MOS		0.40%	Added 172%	\$33,072	584,000
58	Aspen Technology Inc.	AZPN		0.39%	Cut -10%	\$32,241	1,166,447
59	DELPHI AUTOMOTIVE PLC	DLPH		0.38%	Cut -18%	\$31,761	830,341
60	Loral Space & Comm	LORL		0.36%	Added 24%	\$30,177	552,085
61	Spreadtrum Communications	SPRD		0.35%	Added 4%	\$28,917	1,643,000
62	Qlik Technologies, Inc.	QLIK		0.33%	Added 43%	\$27,616	1,271,432
63	ADT CORP	ADT		0.32%	New	\$26,732	575,000
64	Kraft Foods Group, Inc.	KRFT		0.32%	New	\$27,106	596,133
65	ClickSoftware Technologies	CKSW		0.30%	Added 2%	\$25,370	3,016,666
66	General Motors Convertible	GM/PB		0.29%	Unchanged	\$24,437	550,700
67	American Express Company	AXP		0.29%	New	\$24,429	425,000
68	DIRECTV	DTV		0.28%	Added 18%	\$23,748	473,453
69	TURQUOISE HILL	TRQ		0.28%	Unchanged	\$23,819	3,130,000
70	PNC Financial Services	PNC		0.26%	New	\$21,604	370,500
71	SPDR S&P 500	SPY	CALL	0.25%	Added 106%	\$20,523	144,000
72	Cadence Design NOTE	CDNS		0.25%	Unchanged	\$21,013	21,000,000
73	Visteon Corp	VC		0.24%	Cut -9%	\$20,148	374,350
74	NRG Energy, Inc.	NRG		0.24%	New	\$19,912	866,137
75	Arch Coal Inc.	ACI		0.23%	New	\$18,990	2,594,200
76	Caesars Entertainment	CZR		0.22%	Added 144%	\$18,493	2,672,332
77	CEMEX, S.A.B. de C.V.	CX		0.22%	Unchanged	\$18,753	1,900,000
78	Mondelez International	MDLZ		0.22%	Added 35%	\$18,591	729,900
79	Energen Corp.	EGN		0.21%	New	\$17,413	386,173
80	National Fuel Gas Co.	NFG		0.18%	Add 209%	\$14,700	290,000
81	ON Semiconductor Corp.	ONNN		0.18%	New	\$15,087	2,140,000
82	Carter's, Inc.	CRI		0.17%	Added 34%	\$14,191	255,000
83	Halliburton Company	HAL		0.16%	New	\$13,761	396,700
84	Petroleo Brasileiro	PBR	CALL	0.16%	New	\$13,629	700,000
85	Peabody Energy Corp.	BTU		0.16%	Cut -89%	\$13,305	500,000
86	BB & T Corp.	BBT		0.16%	New	\$13,129	451,000
87	Pepsico, Inc.	PEP	CALL	0.16%	New	\$13,686	200,000
88	Pepsico, Inc.	PEP		0.15%	Added 5%	\$12,215	178,500
89	United Continental Holdings	UAL		0.15%	Added 8%	\$12,880	550,900
90	TripAdvisor Inc	TRIP		0.15%	Cut -21%	\$12,309	293,344

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:

United Rentals (URI)  
Unitedhealth (UNH)  
Priceline.com (PCLN)  
Cemex (CX)  
Starbucks (SBUX)  
Equinix (EQIX)  
Pactera (PACT)  
Idenix Pharmaceuticals (IDIX)  
Isis Pharmaceuticals (ISIS)

### Sold Out:

Apple (AAPL)  
Boston Beer (SAM)  
Monsanto (MON)  
Pinnacle Entertainment (PNK)  
Popular (BPOP)  
Charles River (CRL)  
Acorda Therapeutics (ACOR)  
BPZ Resources (BPZ)  
iStar Financial (SFI)

upheld by the Supreme Court, there was still speculation as to Obamacare's future given that the presidential election was right around the corner at the time. When Obama was re-elected, shares of the for-profit hospitals spiked higher the day after. Past issues of the newsletter have highlighted Larry Robbins' thesis on for-profit hospitals as his hedge fund Glenview Capital has nailed this trade and profited handsomely from it. While he owns a myriad of hospital stocks, his largest position is in Tenet, followed by HCA.

Turning to some of Bridger's other key portfolio maneuvers, Mignone started a brand new position in United Rentals (URI). This company was featured in the equity analysis section of a past Hedge Fund Wisdom issue for its secular tailwinds. It's also worth pointing out that Mignone's firm sold almost 30% of its stake in CareFusion (CFN). This is the second quarter in a row they've made such a sale. The newsletter has flagged this name over the past few issues as hedge funds that previously held a long-term position have been selling (Greenlight Capital among others). While Bridger still continues to own it, it's a much smaller position for them than it used to be. Apart from that, the other takeaway from Bridger's equity book is that they over doubled their position in Herbalife (HLF), presumably taking advantage of the swoon in shares that was caused by Bill Ackman's presentation on shorting the company.

Robert Mignone's Bridger Management has typically focused on healthcare plays, but this quarter none of their top five holdings are from that sector. However, recent portfolio activity in the quarter brought two healthcare stocks awfully close to cracking the top five. For-profit hospitals were by far the biggest bet made by Bridger during the fourth quarter as they added to their position in Tenet Healthcare (THC) by 425% and HCA (HCA) by 221%. These are now their sixth and seventh largest positions, respectively. In general, for-profit hospitals have been accumulated by hedge funds over the past quarter, with the majority of managers buying the big players THC and HCA. While President Obama saw the Affordable Care Act

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	General Motors	GM		5.50%	Cut -9%	\$77,120	2,675,000
2	Morgan Stanley	MS		5.46%	Cut -22%	\$76,480	4,000,000
3	TripAdvisor Inc	TRIP		5.38%	Added 14%	\$75,456	1,800,000
4	Assured Guaranty Ltd.	AGO		4.89%	Unchanged	\$68,529	4,815,837
5	Google Inc.	GOOG		4.69%	Cut -26%	\$65,786	93,000
6	Tenet Healthcare Corp.	THC		4.63%	Added 425%	\$64,940	2,000,000
7	HCA HLDGS INC COM	HCA		4.14%	Added 221%	\$58,077	1,925,000
8	Gilead Sciences Inc.	GILD		3.93%	Added 3%	\$55,088	750,000
9	Cott Corporation	COT		3.79%	Unchanged	\$53,141	6,617,855
10	Facebook, Inc.	FB		3.31%	Added 24%	\$46,451	1,745,000
11	Allergan Inc.	AGN		3.31%	Added 0%	\$46,406	505,900
12	United Rentals, Inc.	URI		3.30%	New	\$46,206	1,015,063
13	Rent-A-Center Inc.	RCII		3.28%	Added 155%	\$46,042	1,340,000
14	VeriSign Inc.	VRSN		3.21%	Cut -16%	\$45,031	1,160,000
15	Wright Medical Group	WMGI		3.18%	Unchanged	\$44,603	2,124,983
16	Shuffle Master Inc.	SHFL		2.84%	Added 3%	\$39,875	2,750,000
17	CareFusion Corporation	CFN		2.75%	Cut -29%	\$38,583	1,350,000
18	Unitedhealth Group, Inc.	UNH		2.71%	New	\$37,968	700,000
19	Eli Lilly & Co.	LLY		2.64%	Added 88%	\$36,990	750,000
20	DIRECTV	DTV		2.59%	Cut -24%	\$36,366	725,000
21	Alnylam Pharmaceuticals	ALNY		2.57%	Added 22%	\$36,010	1,973,155
22	Forest Laboratories Inc.	FRX		2.50%	Unchanged	\$35,094	993,603
23	Priceline.com	PCLN		2.48%	New	\$34,742	56,000
24	CEMEX, S.A.B. de C.V.	CX		2.17%	New	\$30,350	3,075,000
25	Starbucks Corp.	SBUX		2.09%	New	\$29,298	546,298
26	Herbalife Ltd.	HLF		1.96%	Added 149%	\$27,505	835,000
27	Ironwood Pharma	IRWD		1.49%	Unchanged	\$20,823	1,879,375
28	Equinix, Inc.	EQIX		1.47%	New	\$20,620	100,000
29	Centene Corp.	CNC		1.24%	Cut -6%	\$17,425	425,000
30	PACTERA TECH	PACT		1.17%	New	\$16,338	2,057,637
31	Idenix Pharmaceuticals	IDIX		1.02%	New	\$14,308	2,950,000
32	Endologix Inc.	ELGX		0.76%	Unchanged	\$10,680	750,000
33	Bank of America Warrant	BAC/WS/A		0.73%	Unchanged	\$10,299	1,900,700
34	Pharmacyclics Inc.	PCYC		0.60%	Unchanged	\$8,378	145,000
35	Response Genetics, Inc	RGDX		0.59%	Unchanged	\$8,340	6,000,000
36	Casella Waste Systems	CWST		0.56%	Unchanged	\$7,856	1,793,507
37	Isis Pharmaceuticals, Inc.	ISIS		0.41%	New	\$5,742	550,000
38	Rubicon Minerals Corp	RBYM		0.40%	Unchanged	\$5,557	2,170,000
39	VERASTEM, INC.	VSTM		0.13%	Unchanged	\$1,758	200,000
40	ANDINA ACQUISITION	ANDAU		0.11%	Unchanged	\$1,500	150,000
41	HISOFT TECHNOLOGY	HSFT			<b>Sold</b>		
42	Endeavour Silver Corp.	EXK			<b>Sold</b>		
43	Hyatt Hotels Corporation	H			<b>Sold</b>		
44	BPZ Resources NOTE	BPZ			<b>Sold</b>		
45	Avis Budget Group, Inc.	CAR			<b>Sold</b>		

Continued on next page...

# Bridger Management

Fourth Quarter 2012 Portfolio:  
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Boston Beer Co. Inc.	SAM			<b>Sold</b>		
47	Apple Inc.	AAPL			<b>Sold</b>		
48	Monsanto Co.	MON			<b>Sold</b>		
49	iStar Financial Inc.	SFI			<b>Sold</b>		
50	Pinnacle Entertainment	PNK			<b>Sold</b>		
51	Popular Inc.	BPOP			<b>Sold</b>		
52	ARCOS DORADOS	ARCO	CALL		<b>Sold</b>		
53	Charles River Labs	CRL			<b>Sold</b>		
54	DexCom, Inc.	DXCM			<b>Sold</b>		
55	Acorda Therapeutics	ACOR			<b>Sold</b>		
56	BPZ Resources, Inc.	BPZ			<b>Sold</b>		

Next Page: Omega Advisors



# Omega Advisors

Leon Cooperman

Has returned 16% annualized over 18 years

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



## Key Takeaways

### New Positions:

SandRidge Energy (SD)  
Freeport McMoran (FCX)  
Facebook (FB)  
Harbinger Group (HRG)  
VeriFone Systems (PAY)  
Crocs (CROX)  
Linnco (LNCO)  
Merck (MRK)

### Sold Out:

Apple (AAPL)  
CVS Caremark (CVS)  
Range Resources (RRC)  
McClatchy (MNI)  
McDermott (MDR)  
Sunoco (SUN)  
Vodafone (VOD)

Lee Cooperman's Omega Advisors made some intriguing portfolio moves in the fourth quarter. One of the biggest was his sale of Apple (AAPL), previously his fifth largest position. In a recent interview, he said he feels that competitor Samsung is pressuring Apple and he was also frustrated with the company's large cash position not being returned to shareholders. Cooperman prefers investing in Qualcomm (QCOM), a chipmaker that is not tied to just Apple and instead benefits from the rise of 3G/4G smartphones. He also likes Google (GOOG).

In other moves, Omega Advisors also bought shares of Freeport McMoran (FCX). Cooperman says he took advantage of the dip in shares after the company announced its acquisition of McMoRan Exporation (MMR), another company Cooperman has a stake in. He's labeled FCX as one of his top picks for 2013. Last quarter's newsletter flagged

Cooperman's pick of MMR at the Great Investors' Best Ideas conference and the company was bought out soon after. Right after the buyout was announced, Cooperman added to his MMR stake.

In the fourth quarter, Cooperman also initiated a brand new position in SandRidge Energy (SD). The natural gas company has been under siege from activist investor TPG-Axon Capital. Omega jumped in with a pretty sizable stake worth \$154 million as it's now their seventh largest US listed long. One other buy worth drawing attention to is Express Scripts (ESRX). Omega already owned a pre-existing position, but added to it during the quarter (+38%). Numerous other funds profiled in HFW were also out buying shares.

Looking at the bigger picture for equities as a whole, the fund manager said that the Federal Reserve's quantitative easing has made stocks an extremely attractive investment, especially in comparison to bonds with low yields. In terms of foreign positions, Cooperman revealed in a recent interview that he likes Qualicorp (a Brazilian healthcare play) and Tetragon Financial Group. Additionally, his hedge fund has disclosed a new position in London listed Monitise per trading on January 10<sup>th</sup>. Omega owns 5.65% of Monitise's voting rights.

To learn from this great investor, be sure to check out his list of 14 attributes of an outstanding [analyst or portfolio manager](#).

View Omega Advisors' Updated Portfolio on the Next Page



Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Sprint Nextel Corp.	S		5.83%	Added 31%	\$317,625	56,018,527
2	AmericanInternationalGroup	AIG		5.05%	Cut -3%	\$275,008	7,790,600
3	SLM Corporation	SLM		4.89%	Cut 0%	\$266,055	15,531,524
4	SIRIUS XM Radio Inc.	SIRI		3.79%	Added 12%	\$206,575	71,479,203
5	KINDER MORGAN	KMI		3.25%	Added 7%	\$176,691	5,001,159
6	Atlas Pipeline Partners LP	APL		2.91%	Added 0%	\$158,259	5,012,951
7	SandRidge Energy, Inc.	SD		2.84%	New	\$154,804	24,378,545
8	Linn Energy, LLC	LINE		2.76%	Cut -9%	\$150,534	4,271,688
9	QUALCOMM Incorporated	QCOM		2.72%	Cut 0%	\$147,981	2,392,200
10	McMoRan Exploration Co.	MMR		2.69%	Added 25%	\$146,238	9,111,400
11	KKR FINANCIAL CORP.	KFN		2.69%	Unchanged	\$146,608	13,883,323
12	Express Scripts Inc.	ESRX		2.65%	Added 38%	\$144,202	2,670,400
13	Transocean Ltd.	RIG		2.56%	Added 2%	\$139,140	3,115,545
14	Atlas Energy, L.P.	ATLS		2.48%	Added 1%	\$135,266	3,893,671
15	DISH NETWORK	DISH		2.47%	Cut -18%	\$134,581	3,697,271
16	Halliburton Company	HAL		2.39%	Added 15%	\$130,344	3,757,400
17	NYSE Euronext, Inc.	NYX		2.24%	Add 203%	\$121,735	3,859,699
18	Motorola Solutions, Inc.	MSI		2.11%	Added 2%	\$114,745	2,060,800
19	Freeport-McMoRan	FCX		1.95%	New	\$106,225	3,106,000
20	Williams Companies, Inc.	WMB		1.90%	Added 10%	\$103,671	3,166,508
21	XL Group plc	XL		1.86%	Cut 0%	\$101,075	4,033,337
22	MetLife, Inc.	MET		1.82%	Added 15%	\$99,202	3,011,585
23	ENERGY XXI	EXXI		1.72%	Cut 0%	\$93,825	2,916,536
24	Humana Inc.	HUM		1.63%	Added 4%	\$88,965	1,296,300
25	Unitedhealth Group, Inc.	UNH		1.60%	Cut -18%	\$87,231	1,608,248
26	Facebook, Inc.	FB		1.55%	New	\$84,153	3,161,300
27	ALTISOURCE PORTFOLIO	ASPS		1.54%	Cut -28%	\$83,600	964,747
28	Boston Scientific Corp	BSX		1.53%	Added 1%	\$83,220	14,523,500
29	Watson Pharmaceuticals Inc.	WPI		1.46%	Cut 0%	\$79,722	927,000
30	WellPoint Inc.	WLP		1.43%	Cut 0%	\$78,107	1,282,127
31	Kohlberg Kravis Roberts	KKR		1.39%	Added 2%	\$75,884	4,982,557
32	Capital One Financial Corp.	COF		1.33%	Added 1%	\$72,378	1,249,400
33	ETRADE Financial	ETFC		1.31%	Added 34%	\$71,160	7,950,880
34	Denbury Resources Inc.	DNR		1.24%	Added 54%	\$67,469	4,164,727
35	Phillips-Van Heusen Corp.	PVH		1.13%	Cut -19%	\$61,737	556,135
36	Polycom, Inc.	PLCM		1.09%	Added 46%	\$59,228	5,662,325
37	ATLAS RESOURCES	ARP		1.09%	Added 73%	\$59,492	2,647,635
38	Western Union Co.	WU		1.07%	Cut -3%	\$58,032	4,263,913
39	Chimera Investment	CIM		1.06%	Add 2219%	\$57,508	22,033,580
40	Wells Fargo & Company	WFC		1.04%	Added 18%	\$56,636	1,657,000
41	Eastman Chemical Co.	EMN		0.99%	Cut 0%	\$54,018	793,800
42	Atmel Corporation	ATML		0.86%	Added 116%	\$46,664	7,124,300
43	Google Inc.	GOOG		0.86%	Cut 0%	\$46,896	66,295
44	Harbinger Group Inc.	HRG		0.71%	New	\$38,450	5,000,000
45	VeriFone Systems, Inc	PAY		0.69%	New	\$37,346	1,258,273

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Given Imaging Ltd.	GIVN		0.68%	Added 0%	\$36,775	2,105,061
47	Citigroup, Inc.	C		0.66%	Added 7%	\$35,960	909,000
48	Validus Holdings, Ltd.	VR		0.63%	Cut 0%	\$34,473	996,896
49	Loral Space & Comm	LORL		0.61%	Cut 0%	\$32,998	603,700
50	CROCS Inc.	CROX		0.57%	New	\$30,929	2,149,340
51	WPX ENERGY INC	WPX		0.57%	Added 5%	\$31,296	2,103,224
52	TiVo Inc.	TIVO		0.54%	Cut 0%	\$29,414	2,389,400
53	LINNCO LLC	LNCO		0.45%	New	\$24,615	681,113
54	Gannett Co., Inc.	GCI		0.45%	Cut -69%	\$24,317	1,350,200
55	Merck & Co. Inc.	MRK		0.44%	New	\$24,155	590,000
56	THL Credit, Inc.	TCRD		0.33%	Cut -3%	\$18,211	1,231,307
57	Family Dollar Stores Inc.	FDO		0.32%	Added 30%	\$17,165	270,700
58	Las Vegas Sands Corp	LVS		0.23%	New	\$12,260	265,600
59	Ocwen Financial Corp.	OCN		0.19%	Unchanged	\$10,111	292,300
60	McMoRan Exploration Co.	MMR	CALL	0.15%	New	\$8,025	500,000
61	Resource America Inc.	REXI		0.15%	Unchanged	\$7,949	1,191,733
62	Center Bancorp Inc.	CNBC		0.12%	Unchanged	\$6,311	545,000
63	AG Mortgage Investment	MITT		0.12%	Unchanged	\$6,330	269,590
64	Aaltisource Residential	RESI		0.10%	New	\$5,305	334,912
65	BRE Properties Inc.	BRE		0.09%	New	\$4,912	96,633
66	Fortress Investment Group	FIG		0.09%	Added 148%	\$4,881	1,111,868
67	Resource Capital Corp.	RSO		0.08%	Unchanged	\$4,480	800,000
68	Broadridge Financial	BR		0.07%	Cut -86%	\$3,731	163,063
69	Newcastle Investment	NCT		0.05%	Unchanged	\$2,604	300,000
70	MDC Partners Inc.	MDCA		0.04%	Unchanged	\$2,260	200,000
71	GMX Resources Inc.	GMXR		0.03%	New	\$1,384	2,768,657
72	Two Harbors Investment	TWO		0.02%	Unchanged	\$1,108	100,000
73	JPMorgan Chase & Co.	JPM		0.02%	Cut -95%	\$1,323	30,100
74	Apollo Investment	AINV		0.02%	Unchanged	\$1,254	150,000
75	KKR FINANCIAL NOTE	KFN		0.02%	Unchanged	\$919	600,000
76	Teekay LNG Partners LP.	TGP		0.01%	Unchanged	\$756	20,000
77	Crosstex Energy LP	XTEX		0.01%	Unchanged	\$336	23,100
78	McDermott Intl	MDR			<b>Sold</b>		
79	Sunoco Inc.	SUN			<b>Sold</b>		
80	Vodafone Group plc	VOD			<b>Sold</b>		
81	AUDIENCE INC	ADNC			<b>Sold</b>		
82	SPDR S&P 500	SPY			<b>Sold</b>		
83	ACE Limited	ACE			<b>Sold</b>		
84	Apple Inc.	AAPL			<b>Sold</b>		
85	Ctrip.com Intl	CTRP			<b>Sold</b>		
86	Walgreen Co.	WAG			<b>Sold</b>		
87	CVS Caremark	CVS			<b>Sold</b>		
88	Lincoln National Corp.	LNC			<b>Sold</b>		
89	Range Resources	RRC			<b>Sold</b>		
90	The McClatchy Co	MNI			<b>Sold</b>		

Next Page: Coatue 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:

Netflix (NFLX)  
CBS (CBS)  
Charter Communications (CHTR)  
eBay (EBAY)  
Groupon (GRPN)  
Herbalife (HLF)

### Sold Out:

Chipotle (CMG)  
H&R Block (HRB)  
Polo Ralph Lauren (RL)  
Best Buy (BBY)  
Intuit (INTU)  
Qualcomm (QCOM)

added to that position again in the fourth quarter by around 62%. It's now their seventh largest holding. This quarter they also initiated a new position in Charter Communications (CHTR ~ US cable) as well.

Big media is the other big driver of Coatue's portfolio. Their third largest position is now Time Warner (TWX). Last quarter's issue flagged Coatue's big new buy, as it was a consensus hedge fund addition then. They continued buying TWX in Q4, ratcheting up their stake an additional 202%. This stock saw a sizable amount of buying by hedge funds for the second consecutive quarter. Continuing with the media theme, Coatue also owns big pieces of News Corp (NWSA), Viacom (VIAB), and a new position in CBS (CBS).

Given Coatue's expertise on technology, it should come as no surprise that they're expanding their investing reach to non-public companies as well. It's been revealed that the firm is launching a \$300 million fund to invest in pre-IPO startup companies. Coatue is expanding their focus by establishing an office in California (Menlo Park) to operate out of. Philippe Laffont's brother, Thomas Laffont, will head up the operation. In addition to Coatue's new fund, they're also able to invest ~10% of their existing hedge fund capital in private companies. So theoretically, they could easily invest \$1 billion in startups should they so choose. Coatue has already completed one private funding transaction: Box.com.

Coatue Management is a quintessential TMT hedge fund (technology, media, telecom) and cable/broadband is one of the biggest themes in their portfolio. Liberty Global (LBTYA ~ European cable) is their fourth largest position. The company recently announced it was acquiring Virgin Media (VMED ~ UK cable). Coatue just so happens to own VMED as well. In fact, it's their second largest holding. While their stakes in both companies were essentially unchanged in the fourth quarter, Coatue just filed a 13G with the SEC disclosing that they've just ramped up their position size in Liberty Global by another 23% as of February 5<sup>th</sup>. Founder Philippe Laffont is a big advocate of allocating a lot of capital to your best ideas and running a more concentrated portfolio. Once the VMED/LBTYA acquisition is completed, this will be quite a large position for Coatue. Their bet on cable is further amplified when you consider they also own Time Warner Cable (TWC ~ US cable). They originally purchased a big position in the third quarter and then they've now

View Coatue Management's Portfolio on the Next Page



# Coatue Management

Fourth Quarter 2012 Portfolio:

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
1	Equinix, Inc.	EQIX		14.13%	Unchanged	\$858,509	4,163,477
2	Virgin Media, Inc.	VMED		9.74%	Unchanged	\$592,024	16,109,508
3	Time Warner Inc.	TWX		7.99%	Added 202%	\$485,500	10,150,523
4	Liberty Global Inc.	LBTYA		7.11%	Added 6%	\$432,164	6,864,097
5	Apple Inc.	AAPL		5.63%	Cut -55%	\$342,111	642,857
6	Priceline.com Inc	PCLN		5.35%	Unchanged	\$325,082	523,997
7	Time Warner Cable	TWC		5.34%	Added 62%	\$324,774	3,341,645
8	Google Inc.	GOOG		4.90%	Cut -2%	\$297,567	420,661
9	News Corp.	NWSA		4.73%	Cut -11%	\$287,673	11,276,861
10	Viacom Inc	VIAB		2.27%	Added 41%	\$137,665	2,610,262
11	TripAdvisor Inc	TRIP		2.26%	Cut -45%	\$137,377	3,277,119
12	Informatica Corp	INFA		2.25%	Added 14%	\$136,941	4,516,513
13	Akamai Tech	AKAM		2.22%	Cut -32%	\$135,049	3,301,129
14	SIRIUS XM Radio	SIRI		2.18%	Cut -9%	\$132,347	45,794,813
15	VeriSign Inc.	VRSN		2.07%	Added 157%	\$125,529	3,233,605
16	Netflix, Inc.	NFLX		1.95%	New	\$118,296	1,277,633
17	CBS CORP CL B	CBS		1.95%	New	\$118,628	3,117,685
18	Hain Celestial	HAIN		1.69%	Unchanged	\$102,905	1,897,916
19	American Tower Corp.	AMT		1.67%	Cut -16%	\$101,514	1,313,752
20	LINKEDIN CORP	LNKD		1.07%	Cut -13%	\$64,993	566,041
21	Charter Communications	CHTR		1.05%	New	\$63,514	833,086
22	eBay Inc.	EBAY		1.04%	New	\$63,053	1,236,389
23	First Solar, Inc.	FSLR		1.00%	Cut -33%	\$60,622	1,964,696
24	NII Holdings Inc.	NIHD		0.85%	Unchanged	\$51,645	7,243,390
25	Atmel Corporation	ATML		0.64%	Unchanged	\$39,014	5,956,396
26	Joy Global, Inc.	JOY		0.62%	Unchanged	\$37,486	587,740
27	GROUPON INC	GRPN		0.60%	New	\$36,350	7,479,338
28	Silicon Laboratories	SLAB		0.56%	Unchanged	\$33,901	811,054
29	Amazon.com Inc.	AMZN		0.52%	Cut -84%	\$31,357	124,994
30	BlackBerry	BBRY		0.50%	Unchanged	\$30,313	2,553,791
31	Herbalife Ltd.	HLF		0.46%	New	\$27,999	850,000
32	SUPERVALU Inc.	SVU		0.41%	Added 116%	\$25,086	10,156,364
33	Baidu, Inc.	BIDU		0.40%	Cut -66%	\$24,603	245,314
34	Polycom, Inc.	PLCM		0.35%	Unchanged	\$21,438	2,049,497
35	F5 Networks, Inc.	FFIV		0.31%	New	\$18,711	192,600
36	Mellanox Technologies	MLNX		0.29%	New	\$17,613	296,610
37	Discovery Comm	DISCA		0.28%	New	\$16,837	265,238
38	Mastercard Incorporated	MA		0.26%	New	\$15,580	31,714
39	Visa, Inc.	V		0.26%	New	\$15,652	103,256
40	Facebook, Inc.	FB		0.26%	Cut -57%	\$15,972	600,000
41	Walt Disney Co.	DIS		0.26%	New	\$15,506	311,436
42	Ctrip.com International	CTRP		0.26%	New	\$15,705	693,079
43	Nokia Corporation	NOK		0.25%	Cut -58%	\$15,405	3,899,904
44	Digital Realty Trust	DLR		0.25%	New	\$15,282	225,100
45	AutoZone Inc.	AZO		0.24%	New	\$14,831	41,844

Continued on next page...



# Coatue Management

Fourth Quarter 2012 Portfolio:  
...Continued

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	YELP INC	YELP		0.23%	New	\$13,859	735,222
47	Pitney Bowes Inc.	PBI		0.22%	Unchanged	\$13,143	1,235,204
48	R.R. Donnelley & Sons	RRD		0.22%	Unchanged	\$13,363	1,486,394
49	Level 3 Communications	LVLT		0.19%	Unchanged	\$11,766	509,122
50	Synchronoss Tech	SNCR		0.16%	Unchanged	\$9,707	460,247
51	Logitech International SA	LOGI		0.14%	Unchanged	\$8,485	1,125,376
52	Liberty Global Inc.	LBTYK		0.13%	New	\$7,609	129,515
53	NutriSystem Inc.	NTRI		0.10%	Unchanged	\$5,951	728,383
54	STEC, Inc.	STEC		0.08%	Unchanged	\$4,930	1,000,000
55	WORKDAY, INC.	WDAY		0.07%	New	\$4,169	76,500
56	QuinStreet, Inc.	QNST		0.06%	Unchanged	\$3,539	526,593
57	Chipotle Mexican Grill	CMG			<b>Sold</b>		
58	H&R Block, Inc.	HRB			<b>Sold</b>		
59	Polo Ralph Lauren Corp.	RL			<b>Sold</b>		
60	Best Buy Co. Inc.	BBY			<b>Sold</b>		
61	Liquidity Services, Inc.	LQDT			<b>Sold</b>		
62	Intuit Inc.	INTU			<b>Sold</b>		
63	Molycorp, Inc.	MCP			<b>Sold</b>		
64	QUALCOMM Inc	QCOM			<b>Sold</b>		
65	Cliffs Natural Resources	CLF			<b>Sold</b>		

Next Page: Fairholme Capital





### Key Takeaways

#### New Positions:

None

#### Sold Out:

General Motors (GM/WS/B) Warrants

**B**ruce Berkowitz's portfolio is the definition of concentrated. His largest position, American International Group (AIG), is now up to over 43% of his reported assets with a stake worth over \$3 billion. He sees the company becoming a profitable insurance business, as they're the price leader. His next largest position is Bank of America (BAC) and he noted in a recent interview that he'd actually like to add to that stake more, but mutual fund regulations prevent him from doing so (Fairholme's primary investment vehicle is mutual fund FAIRX). He also hinted about transitioning to a different type of investment vehicle in the future that would allow him to more easily run concentrated positions, saying "stay tuned." Talking about Bank of America, Berkowitz pointed out how a lot of people are fixated on the Countrywide problem (which BAC inherited by acquiring the company during the financial crisis), but he says great earnings are there and in the future the earnings power will grow as Countrywide's problems subside. Fairholme's third largest position is Sears Holdings (SHLD), which Berkowitz mainly views as a real estate play. This is really the only position he added to during the quarter.

On the selling side of his equity book, Berkowitz did make two significant moves by practically exiting Citigroup (C) and selling 71% of his holdings in CIT Group (CIT). And the only

position he did completely sell out of was a stake in General Motors warrants.

Berkowitz recently announced that the Fairholme Fund was closing to new investors, saying, "Less is more. If more money came in, I can't buy more AIG because we're so concentrated ... so I do not want a lot of cash coming in that would potentially dilute those positions for existing shareholders." His fund already has around a 20% cash position, as he likes to keep it on hand to take advantage of any potential future opportunities and in case investors get spooked and decide to redeem (something he's dealt with before).

Berkowitz recently gave an insightful talk at the Columbia Investment Management Conference where he said it's actually a disservice for him to spend time with clients because it takes time away from investment research. He likes to hustle as an investor, always reading company reports and listening to earnings calls. He also emphasized getting away from the Wall Street groupthink and that's partially why he lives in Miami. The Fairholme man also gave a talk at the University of Miami where he touched on his investment approach. He said, "We buy that which is hated. When it's hated, it's usually cheap. We usually are too early, we suffer from premature accumulation... we want to make sure that when we invest in something, that there's a big margin of safety." He likes to focus on the balance sheet, pointing out that there's more ways for companies to cheat on the income statement.

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		43.63%	Cut -1%	\$3,030,939	85,862,294
2	Bank of America Corporation	BAC		16.78%	Cut -2%	\$1,165,878	100,506,715
3	Sears Holdings Corporation	SHLD		10.80%	Added 7%	\$750,542	18,146,573
4	The St. Joe Company	JOE		8.35%	Cut -1%	\$579,759	25,119,555
5	Leucadia National Corp.	LUK		6.14%	Cut -2%	\$426,428	17,924,656
6	AIG Warrants	AIG/WS		4.84%	Cut -1%	\$335,986	24,346,799
7	MBIA Inc.	MBI		4.80%	Cut -4%	\$333,589	42,495,420
8	CIT Group, Inc.	CIT		1.79%	Cut -71%	\$124,546	3,223,229
9	Berkshire Hathaway Inc.	BRK-B		1.01%	Cut -5%	\$70,376	784,575
10	Bank of America Warrants	BAC/WS/A		0.78%	Added 0%	\$53,979	9,904,428
11	Jefferies Group Inc.	JEF		0.38%	Cut -17%	\$26,592	1,432,000
12	Wells Fargo Warrants	WFC-WT		0.20%	Unchanged	\$13,780	1,377,965
13	JPMorganChase Warrants	JPM/WS		0.13%	Cut -2%	\$8,934	753,300
14	Hartford Financial Warrants	HIG/WS		0.10%	Unchanged	\$7,069	524,400
15	Wells Fargo & Company	WFC		0.10%	Unchanged	\$6,901	201,900
16	Orchard Supply Hardware	OSH		0.06%	Cut -3%	\$4,477	604,143
17	Lincoln National Warrants	LNC/WS		0.05%	Unchanged	\$3,127	181,610
18	Citigroup, Inc.	C		0.03%	Cut -82%	\$2,269	57,360
19	Assured Guaranty Ltd.	AGO		0.01%	Unchanged	\$736	51,700
20	Berkshire Hathaway Inc.	BRK-A		0.01%	Unchanged	\$804	6
21	General Motors Warrants	GM/WS/B			<b>Sold</b>		

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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:

Liberty Media (LMCA)  
Fleetcor Technologies (FLT)  
McGraw-Hill (MHP)  
Motorola Solutions (MSI)  
Pandora (P)  
VeriSign (VRSN)  
YY (YY)  
Fidelity National Information (FIS)  
First Solar (FLSR)  
News Corp (NWSA)  
Workday (WDAY) ~ IPO

### Sold Out:

Facebook (FB)  
LinkedIn (LNKD)  
Google (GOOG)  
Ancestry.com ~ bought out

87% from their initial public offering (IPO) as numerous investors shorted the stock due to the company's inability to establish a solid business model. GRPN started as a 'daily deals' company, offering 'Groupons' to its customers for discounts on products and services. This platform had little barriers to entry and competitors emerged such as Google Offers and LivingSocial (which Amazon acquired and has taken numerous write-downs on since). Groupon then entered the highly competitive payments industry when it launched 'Breadcrumb,' a point-of-sale system targeted at restaurants. The company also expanded with 'Groupon Goods,' where they sell physical items and hold the inventory. Some investors long the stock called for CEO and founder Andrew Mason to step down due to his apparent disregard for profitability.

So the question here is what does Tiger Global see in the name? Well, given their purchase price, valuation certainly had to come into play. Around that time, GRPN had around \$1.2 billion in cash and a market cap of only \$2.2 billion. Shares of GRPN have rallied ferociously from \$2.60 up to their current levels of around \$5.95.

Other notable portfolio activity from Tiger includes selling almost half of their Yahoo (YHOO) stake, over doubling their exposure to both Amazon.com (AMZN) and W.R. Grace (GRA), as well as starting brand new positions in Fleetcor Technologies (FLT), McGraw Hill (MHP), and Motorola Solutions (MSI). Last, but certainly not least, their new stake in Liberty Media (LMCA) was their largest buy in Q4 and is now their second largest position. The company just completed the spin-off of Starz (STRZA) in January.

Tiger Global has become known for its investments in private technology companies as of late. And in the fourth quarter, they saw two of these positions come full circle. Tiger purchased stakes in both Facebook and LinkedIn, two of social media's top online properties, back when they were both private companies. They reaped vast profits as valuations climbed and these companies eventually came public. And in the fourth quarter, Tiger Global's hedge fund sold its stakes in both. Where Tiger decided to re-invest the proceeds, however, may surprise some people. Chase Coleman's firm had previously owned a tiny stake in Groupon (GRPN), but decided to ramp up their stake dramatically at the beginning of November when shares cratered from \$5.25 per share down to as low as \$2.75 per share. Tiger amassed a position of 65 million shares and owns around 9.9% of the company. At one point, shares of GRPN were down

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		10.37%	Cut -19%	\$558,782	1,050,000
2	Liberty Media	LMCA		7.16%	New	\$385,733	3,325,000
3	YANDEX N V	YNDX		6.12%	Cut -35%	\$329,562	15,300,000
4	Mastercard Inc	MA		6.07%	Cut -19%	\$326,701	665,000
5	GROUPON INC	GRPN		5.87%	Add 4900%	\$315,900	65,000,000
6	Priceline.com Inc	PCLN		5.83%	Cut -36%	\$313,917	506,000
7	Amazon.com Inc.	AMZN		5.78%	Added 158%	\$311,079	1,240,000
8	Visa, Inc.	V		5.57%	Cut -30%	\$300,128	1,980,000
9	Yahoo! Inc.	YHOO		5.17%	Cut -44%	\$278,600	14,000,000
10	Baidu, Inc.	BIDU		4.00%	Unchanged	\$215,624	2,150,000
11	W.R. Grace & Co.	GRA		3.53%	Added 102%	\$189,925	2,825,000
12	Liberty Global Inc.	LBTYK		3.16%	Added 16%	\$170,375	2,900,000
13	Liberty Global Inc.	LBTYA		2.69%	Cut -63%	\$144,808	2,300,000
14	Fleetcor Technologies	FLT		2.60%	New	\$140,295	2,615,000
15	Burger King Worldwide	BKW		2.20%	Unchanged	\$118,368	7,200,000
16	McGraw-Hill	MHP		2.09%	New	\$112,620	2,060,000
17	Charter Communications	CHTR		1.84%	Added 10%	\$99,112	1,300,000
18	TAL Education Group	XRS		1.81%	Cut -12%	\$97,584	10,165,000
19	MakeMyTrip Limited	MMYT		1.66%	Unchanged	\$89,380	7,184,866
20	Motorola Solutions	MSI		1.55%	New	\$83,520	1,500,000
21	Moody's Corp.	MCO		1.53%	Cut -27%	\$82,525	1,640,000
22	PANDORA MEDIA	P		1.44%	New	\$77,571	8,450,000
23	Deckers Outdoor Corp.	DECK	CALL	1.12%	Added 50%	\$60,405	1,500,000
24	VeriSign Inc.	VRSN		1.12%	New	\$60,171	1,550,000
25	3D Systems Corporation	DDD		1.03%	Added 16%	\$55,484	1,040,000
26	YY INC	YY		1.02%	New	\$54,695	3,835,532
27	Live Nation	LYV		0.93%	Added 4%	\$50,274	5,400,000
28	Frontier Comm	FTR		0.86%	Cut -48%	\$46,157	10,784,293
29	Mellanox Tech	MLNX		0.77%	Unchanged	\$41,566	700,000
30	Fidelity National Info	FIS		0.76%	New	\$40,902	1,175,000
31	Sturm, Ruger & Co. Inc.	RGR		0.67%	Unchanged	\$36,320	800,000
32	R.R. Donnelley & Sons	RRD		0.58%	Unchanged	\$31,451	3,498,394
33	First Solar, Inc.	FSLR		0.57%	New	\$30,856	1,000,000
34	News Corp.	NWSA		0.54%	New	\$29,337	1,150,000
35	WORKDAY, INC.	WDAY		0.53%	New	\$28,613	525,000
36	Pitney Bowes Inc.	PBI		0.36%	Added 1127%	\$19,578	1,840,000
37	ARCOS DORADOS	ARCO		0.28%	Cut -66%	\$15,070	1,260,000
38	ZILLOW INC	Z		0.26%	New	\$14,153	510,000
39	FRANCESCA'S	FRAN		0.24%	New	\$12,965	500,000
40	VERA BRADLEY, INC.	VRA		0.13%	Unchanged	\$6,903	275,000
41	CompaniaCerveceriasUnidas	CU		0.11%	Cut -42%	\$6,010	190,000
42	ROUNDY'S, INC.	RNDY		0.05%	Cut -27%	\$2,832	636,314
43	STRATASYS, INC.	SSYS			<b>Sold</b>		
44	KIT digital, Inc.	KITD			<b>Sold</b>		
45	LINKEDIN CORP	LNKD			<b>Sold</b>		

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	US Natural Gas Fund LP	UNG	CALL		<b>Sold</b>		
47	Heckmann Corporation	HEK			<b>Sold</b>		
48	Apple Inc.	AAPL	CALL		<b>Sold</b>		
49	QUESTCOR PHARMA	QCOR			<b>Sold</b>		
50	Genpact Ltd.	G			<b>Sold</b>		
51	Google Inc.	GOOG			<b>Sold</b>		
52	ANCESTRY COM	ACOM			<b>Sold</b>		
53	Facebook, Inc.	FB			<b>Sold</b>		
54	Deckers Outdoor Corp.	DECK			<b>Sold</b>		
55	BITAUTO HOLDINGS	BITA			<b>Sold</b>		
56	RenaissanceRe	RNR			<b>Sold</b>		



Has returned 22% annualized

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

## Key Takeaways

### New Positions:

Schlumberger (SLB) Calls  
Williams Companies (WMB)  
Utilities Select Sector (XLU) Calls  
Unitedhealth (UNH)  
AngloGold Ashanti (AU)  
Gold Fields (GFI)  
PennyMac Mortgage Trust (PMT)  
ADT (ADT)

### Sold Out:

Apple (AAPL)  
Wynn Resorts (WYNN)  
Oil Services (OIH) Calls  
CF Industries (CF)  
Aetna (AET)  
Ecolab (ECL)

Passport Capital manager also said that he's seeing a lot of institutional demand for equities now, as those investors feel that risks in credit have increased. While he says that doesn't necessarily mean that equities will rise, it's important to know how big money managers are thinking with regard to risk in various asset classes.

Turning to Burbank's latest portfolio activity, it's clear that he's bullish on mining as Kinross Gold (KGC) is now his third largest US position after increasing his stake by 51% during the fourth quarter. Passport also started new positions in AngloGold Ashanti (AU) and Gold Fields (GFI). AU has been one of John Paulson's favorite gold mining plays as well. Energy and energy services are also a big theme for Passport as a new position in Schlumberger (SLB) call options is quite large if you consider the notional value of the options (\$107 million). Burbank also initiated a new position in Williams Companies (WMB). On the selling side of the equation, Passport reduced exposure to casinos/gaming as they completely exited their stake in Wynn Resorts (WYNN) and sold half of their position in Las Vegas Sands (LVS).

In activity since quarter close, Passport recently filed a 13G with the SEC revealing a brand new position in Yelp (YELP). They own 6.3% of the company with 1,065,261 shares. Robert Karr's Joho Capital also has been adding to its position in YELP recently as well.

In a recent interview, John Burbank said that this is a great time for long/short investing, as some companies will keep growing, while a lot of others will not, so you can take advantage of the dichotomy. As to where he's allocating capital in 2013, he's overweight mining and basic materials due to inefficiencies. Geographically, he says he has the biggest weighting in Saudi Arabia, as it's his favorite emerging market (he has 16-17% of his capital invested there). In particular, he's interested in the domestic economy as it grew 6% last year. The Middle East is a very underbuilt region and he thinks it's being built up at the fastest rate in the world. He feels \$25-30 billion dollars will flow into their market once it really opens up to outsiders, because right now there are only very limited ways to invest there. He likens the opportunity in Saudi Arabia to that of India ten years ago. Keep in mind when viewing the next page, that Burbank's international positions won't be reflected. The

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	Cytec Industries Inc.	CYT		8.99%	Added 4%	\$232,968	3,384,680
2	Huntsman Corporation	HUN		7.38%	Added 13%	\$191,298	12,031,352
3	Kinross Gold Corporation	KGC		5.30%	Added 51%	\$137,257	14,121,122
4	VIVUS Inc.	VVUS		4.63%	Added 21%	\$119,952	8,938,268
5	Schlumberger Limited	SLB	CALL	4.13%	New	\$107,069	1,545,000
6	KINDER MORGAN	KMI		3.87%	Added 29%	\$100,373	2,841,000
7	MARATHON PETROLEUM	MPC		3.19%	Cut -1%	\$82,719	1,313,000
8	PRETIUM RES INCCOM	PVG		2.74%	Added 36%	\$71,015	5,385,897
9	Williams Companies, Inc.	WMB		2.36%	New	\$61,050	1,864,700
10	Methanex Corp.	MEOH		2.16%	Added 97%	\$55,886	1,756,200
11	HOLLYFRONTIER CORP	HFC		2.12%	Cut -17%	\$54,976	1,181,000
12	Domtar Corporation	UFS		1.88%	Added 64%	\$48,609	582,000
13	CONSOL Energy Inc.	CNX		1.84%	Added 57%	\$47,662	1,484,800
14	International Paper Co.	IP		1.81%	Added 204%	\$47,023	1,180,300
15	Utilities Select Sector SPDR	XLU	CALL	1.75%	New	\$45,396	1,300,000
16	Unitedhealth Group, Inc.	UNH		1.73%	New	\$44,916	828,100
17	AngloGold Ashanti Ltd.	AU		1.70%	New	\$44,048	1,404,156
18	Gold Fields Ltd.	GFI		1.64%	New	\$42,395	3,394,316
19	eBay Inc.	EBAY		1.60%	Cut -41%	\$41,589	815,500
20	PennyMac Mortgage	PMT		1.50%	New	\$38,986	1,541,568
21	Southern Copper Corp.	SCCO		1.43%	Added 27%	\$37,076	979,300
22	Eastman Chemical Co.	EMN		1.35%	Added 198%	\$34,985	514,100
23	ADT CORP	ADT		1.33%	New	\$34,356	739,000
24	Rock-Tenn Co.	RKT		1.32%	Added 21%	\$34,102	487,800
25	Westlake Chemical Corp.	WLK		1.19%	New	\$30,794	388,322
26	MONSTER BEVERAGE	MNST		1.16%	Added 2375%	\$30,078	569,225
27	Las Vegas Sands Corp	LVS		1.06%	Cut -49%	\$27,459	594,861
28	Accuray Incorporated	ARAY		0.99%	Cut -11%	\$25,720	4,000,000
29	Cliffs Natural Resources	CLF		0.91%	Added 448%	\$23,663	613,500
30	Monsanto Co.	MON		0.91%	Added 20%	\$23,596	249,300
31	Arcelor Mittal	MT		0.89%	New	\$23,130	1,324,000
32	BHP Billiton Ltd.	BHP		0.87%	Cut -6%	\$22,663	289,000
33	Yamana Gold, Inc.	AUY		0.86%	Added 19%	\$22,361	1,299,300
34	Boise Inc.	BZ		0.82%	Added 24%	\$21,327	2,682,648
35	AK Steel Holding Corp	AKS		0.81%	New	\$21,091	4,585,024
36	Steel Dynamics Inc.	STLD		0.78%	Added 272%	\$20,310	1,479,275
37	ConocoPhillips	COP	PUT	0.72%	New	\$18,557	320,000
38	Vale S.A.	VALE		0.71%	Added 17%	\$18,457	880,600
39	Walter Energy, Inc.	WLT		0.68%	Added 6558%	\$17,556	489,300
40	Google Inc.	GOOG		0.66%	Cut -59%	\$17,189	24,300
41	Allegheny Technologies	ATI		0.63%	Added 33%	\$16,206	533,800
42	CARPENTER TECH	CRS		0.59%	Added 19%	\$15,246	295,300
43	Thoratec Corp.	THOR		0.58%	Cut 0%	\$15,008	400,000
44	QUALCOMM Inc	QCOM		0.58%	Added 12%	\$15,088	243,900
45	ITC Holdings Corp.	ITC		0.58%	Added 840%	\$14,956	194,456

Continued on next page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Lockheed Martin	LMT		0.57%	Cut -72%	\$14,803	160,400
47	Owens-Illinois, Inc.	OI		0.54%	Unchanged	\$13,904	653,700
48	Cloud Peak Energy Inc.	CLD		0.54%	Added 7%	\$14,101	729,500
49	Kaiser Aluminum	KALU		0.53%	Added 15%	\$13,819	224,000
50	NextEra Energy, Inc.	NEE		0.53%	Cut -12%	\$13,624	196,900
51	SPDR Gold Shares	GLD		0.53%	Cut -28%	\$13,837	85,400
52	VIVUS Inc.	VVUS	CALL	0.52%	Added 33%	\$13,420	1,000,000
53	SEADRILL PARTNERS	SDLP		0.52%	New	\$13,595	530,000
54	LINSCO LLC	LNCO		0.50%	New	\$12,848	355,500
55	Peabody Energy Corp.	BTU		0.50%	Added 19%	\$12,855	483,100
56	Nucor Corporation	NUE		0.45%	Cut -50%	\$11,571	268,100
57	SPDR S&P 500	SPY	CALL	0.44%	New	\$11,393	80,000
58	Helmerich & Payne Inc.	HP		0.43%	Cut -28%	\$11,068	197,600
59	Rowan Companies Inc.	RDC		0.40%	Added 98%	\$10,366	331,500
60	Oil States Intl	OIS		0.36%	New	\$9,273	129,620
61	Reliance Steel	RS		0.36%	Cut -50%	\$9,361	150,735
62	Anadarko Petroleum	APC		0.34%	Added 160%	\$8,873	119,400
63	EDGEN GROUP INC	EDG		0.32%	Cut -35%	\$8,243	1,167,591
64	Liberty Global Inc.	LBTYK		0.31%	New	\$7,931	135,000
65	OpenTable, Inc.	OPEN		0.30%	Added 12%	\$7,779	159,400
66	Gilead Sciences Inc.	GILD		0.30%	New	\$7,705	104,900
67	Schlumberger Limited	SLB		0.30%	Added 35%	\$7,810	112,700
68	US Natural Gas Fund LP	UNG	PUT	0.25%	Cut -62%	\$6,426	340,000
69	Priceline.com Inc	PCLN		0.22%	Added 17%	\$5,624	9,066
70	Alpha Natural Resources	ANR		0.21%	New	\$5,433	557,800
71	AutoZone Inc.	AZO		0.21%	Cut -66%	\$5,316	15,000
72	Illumina Inc.	ILMN		0.21%	New	\$5,559	100,000
73	United States Steel NOTE	X		0.21%	Unchanged	\$5,388	5,000,000
74	ROCKWELL COLLINS	COL		0.20%	New	\$5,288	90,900
75	Take-Two Interactive	TTWO		0.20%	Added 35%	\$5,130	465,900
76	Kraft Foods Group, Inc.	KRFT		0.20%	New	\$5,229	115,000
77	Riverbed Technology	RVBD		0.19%	Cut -13%	\$4,975	252,300
78	Idenix Pharmaceuticals	IDIX		0.19%	Unchanged	\$5,006	1,032,192
79	SeaDrill Limited	SDRL		0.17%	New	\$4,394	119,400
80	PBF ENERGY INC	PBF		0.17%	New	\$4,366	150,300
81	Qlik Technologies, Inc.	QLIK		0.17%	Added 48%	\$4,450	204,900
82	zipRealty Inc.	ZIPR		0.16%	Unchanged	\$4,253	1,519,058
83	Orexigen Therapeutics	OREX		0.15%	Unchanged	\$3,938	750,000
84	CBS CORP CL B	CBS		0.14%	New	\$3,729	98,000
85	Mercadolibre, Inc.	MELI		0.14%	Unchanged	\$3,511	44,700
86	Liberty Media Interactive	LINTA		0.14%	Cut -11%	\$3,503	178,000
87	HCA HLDGS INC COM	HCA		0.12%	New	\$3,017	100,000
88	NEXTERA ENERGY INC	NEE/PO		0.12%	Added 50%	\$3,004	60,000
89	Teva Pharmaceutical	TEVA		0.11%	New	\$2,801	75,000
90	Accretive Health, Inc.	AH		0.11%	Unchanged	\$2,895	250,000

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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
91	Dollar General Corporation	DG		0.10%	Cut -17%	\$2,601	59,000
92	Liberty Media	LMCA		0.10%	New	\$2,552	22,000
93	Dendreon Corp. NOTE	DNDN		0.09%	Cut -40%	\$2,285	3,007,000
94	Medicines Co.	MDCO		0.09%	New	\$2,397	100,000
95	Nuance Comm NOTE	NUAN		0.08%	New	\$2,066	1,588,000
96	Amarin Corporation plc	AMRN		0.08%	New	\$2,023	250,000
97	TARGA RESOURCES	TRGP		0.08%	New	\$2,166	41,000
98	Crosstex Energy Inc.	XTXI		0.06%	New	\$1,521	106,100
99	Duke Energy Corporation	DUK		0.06%	New	\$1,474	23,100
100	Sempra Energy	SRE		0.06%	New	\$1,525	21,500
101	Superior Energy Services	SPN		0.06%	Unchanged	\$1,647	79,500
102	Dominion Resources	D		0.06%	New	\$1,487	28,700
103	Timken Co.	TKR		0.05%	Cut -90%	\$1,222	25,551
104	Tyco International Ltd.	TYC		0.05%	New	\$1,316	45,000
105	Manitowoc Co. Inc.	MTW		0.05%	New	\$1,254	80,000
106	SOLAZYME INC	SZYM		0.05%	New	\$1,379	175,500
107	ITT Corporation	ITT		0.05%	New	\$1,173	50,000
108	EnerSys NOTE	ENS		0.05%	New	\$1,173	1,000,000
109	General Electric Co.	GE		0.04%	New	\$1,050	50,000
110	AK Steel Holding NOTE	AKS		0.04%	New	\$1,127	1,000,000
111	IGNITE RESTAURANT	IRG		0.03%	Cut -27%	\$671	51,600
112	Talisman Energy Inc.	TLM		0.03%	New	\$850	75,000
113	iSharesEmergingMarkets	EEM		0.02%	New	\$515	11,617
114	Universal Display Corp.	PANL		0.02%	Cut -42%	\$589	23,000
115	WORKDAY, INC.	WDAY		0.02%	New	\$545	10,000
116	Tesla Motors, Inc.	TSLA		0.02%	New	\$589	17,400
117	SHUTTERSTOCK	SSTK		0.02%	New	\$390	15,000
118	Utilities Select Sector	XLU		0.02%	Cut -95%	\$504	14,444
119	AO Smith Corp.	AOS		0.01%	Unchanged	\$334	5,300
120	Rydex S&P Equal Weight	RSP		0.01%	New	\$304	5,695
121	The Andersons, Inc.	ANDE		0.01%	New	\$292	6,800
122	Esterline Tech	ESL		0.01%	New	\$204	3,211
123	Advanced Energy	AEIS		0.01%	Unchanged	\$334	24,200
124	Badger Meter Inc.	BMI		0.01%	New	\$313	6,600
125	iShares Russell 1000 Value	IWD		0.01%	New	\$302	4,153
126	Applied Materials Inc.	AMAT		0.01%	New	\$225	19,627
127	Cosan Ltd.	CZZ		0.01%	Unchanged	\$331	19,100
128	Photronics Inc.	PLAB		0.01%	New	\$235	39,487
129	TRIANGLE PETROLEUM	TPLM		0.01%	New	\$182	30,349
130	Oshkosh Corporation	OSK		0.01%	New	\$256	8,622
131	Quanta Services, Inc.	PWR		0.01%	Cut -83%	\$330	12,100
132	Tetra Tech Inc.	TTEK		0.01%	Unchanged	\$304	11,500
133	Hexcel Corp.	HXL		0.01%	New	\$318	11,800
134	Industrial Select Sector	XLI		0.01%	New	\$379	10,000
135	SPLUNK INC	SPLK		0.01%	Unchanged	\$319	11,000

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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
136	Watts Water Tech	WTS		0.01%	New	\$305	7,100
137	EMCOR Group Inc.	EME		0.01%	Unchanged	\$360	10,400
138	Exelixis, Inc.	EXEL		0.00%	New	\$49	10,753
139	Riverview Bancorp	RVSB		0.00%	New	\$48	28,409
140	Wendy's/Arby's	WEN		0.00%	New	\$47	10,001
141	Cytori Therapeutics	CYTX		0.00%	New	\$52	18,450
142	SUPERVALU Inc.	SVU		0.00%	New	\$124	50,000
143	Wynn Resorts Ltd.	WYNN			<b>Sold</b>		
144	United States Oil	USO	PUT		<b>Sold</b>		
145	Express-1 Expedited	XPO			<b>Sold</b>		
146	Silicon Graphics	SGI			<b>Sold</b>		
147	V.F. Corporation	VFC			<b>Sold</b>		
148	National Oilwell Varco	NOV			<b>Sold</b>		
149	Molycorp, Inc.	MCP			<b>Sold</b>		
150	AMC NETWORKS	AMCX			<b>Sold</b>		
151	GROUPON INC	GRPN			<b>Sold</b>		
152	Achillion Pharma	ACHN			<b>Sold</b>		
153	Limited Brands, Inc.	LTD			<b>Sold</b>		
154	Darling International	DAR			<b>Sold</b>		
155	SPDR S&P Oil & Gas	XOP	PUT		<b>Sold</b>		
156	Sally Beauty Holdings	SBH			<b>Sold</b>		
157	MAKO Surgical Corp.	MAKO			<b>Sold</b>		
158	Vertex Pharmaceuticals	VRTX			<b>Sold</b>		
159	CF Industries Holdings	CF			<b>Sold</b>		
160	FMC Technologies	FTI			<b>Sold</b>		
161	Transocean Ltd.	RIG			<b>Sold</b>		
162	Alcoa, Inc.	AA			<b>Sold</b>		
163	Yum! Brands, Inc.	YUM			<b>Sold</b>		
164	Alexander & Baldwin	ALEX			<b>Sold</b>		
165	Emulex Corp.	ELX			<b>Sold</b>		
166	Patterson-UTI Energy	PTEN			<b>Sold</b>		
167	SYMMETRICOM, INC.	SYMM			<b>Sold</b>		
168	Advanced Micro Devices	AMD			<b>Sold</b>		
169	Merge Healthcare	MRGE			<b>Sold</b>		
170	Barrick Gold	ABX			<b>Sold</b>		
171	Amazon.com Inc.	AMZN			<b>Sold</b>		
172	Charles Schwab Corp.	SCHW			<b>Sold</b>		
173	Douglas Dynamics	PLOW			<b>Sold</b>		
174	EnerSys	ENS			<b>Sold</b>		
175	THE FRESH MARKET	TFM			<b>Sold</b>		
176	SPDR S&P 500	SPY			<b>Sold</b>		
177	HOMEAWAY INC	AWAY			<b>Sold</b>		
178	Douglas Emmett Inc	DEI			<b>Sold</b>		
179	ZYNGA INC	ZNGA			<b>Sold</b>		
180	Harsco Corporation	HSC			<b>Sold</b>		

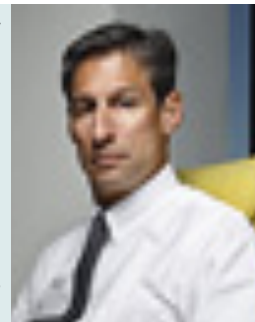
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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
181	SandRidge Energy	SD			Sold		
182	Seacor Holdings Inc.	CKH			Sold		
183	Spectrum Pharma	SPPI			Sold		
184	Ingersoll-Rand Plc	IR			Sold		
185	Keryx Biopharma	KERX			Sold		
186	News Corp.	NWSA			Sold		
187	OCEAN RIG UDW	ORIG			Sold		
188	The Coca-Cola Co	KO			Sold		
189	Kemper Corp	KMPR			Sold		
190	Kelly Services, Inc.	KELYA			Sold		
191	Western Refining Inc.	WNR			Sold		
192	Halozyne Therapeutics	HALO			Sold		
193	Tidewater Inc.	TDW			Sold		
194	Ecolab Inc.	ECL			Sold		
195	Select Medical	SEM			Sold		
196	US Steel Corp.	X			Sold		
197	Alpha&Omega Semi	AOSL			Sold		
198	Qihoo 360 Technology	QIHU			Sold		
199	Fairchild Semiconductor	FCS			Sold		
200	Freescale Semiconductor	FSL			Sold		
201	GrafTech International Ltd.	GTI			Sold		
202	Oil Services ETF	OIH	CALL		Sold		
203	Flagstone Reinsurance	FSR			Sold		
204	Airgas Inc.	ARG			Sold		
205	1-800-Flowers.com Inc.	FLWS			Sold		
206	Quiksilver Inc.	ZQK			Sold		
207	Vical Inc.	VICL			Sold		
208	Agrium Inc.	AGU			Sold		
209	PhotoMedex, Inc.	PHMD			Sold		
210	Apple Inc.	AAPL			Sold		
211	VANGUARD HEALTH	VHS			Sold		
212	Diageo plc	DEO			Sold		
213	CLOVIS ONCOLOGY, INC.	CLVS			Sold		
214	Lamar Advertising Co.	LAMR			Sold		
215	ShoreTel, Inc.	SHOR			Sold		
216	Golar LNG Ltd.	GLNG			Sold		
217	Nxstage Medical, Inc.	NXTM			Sold		
218	SIGMA-ALDRICH CORP	SIAL			Sold		
219	American Capital Agency	AGNC			Sold		
220	JDS Uniphase Corporation	JDSU			Sold		
221	MGM Resorts International	MGM			Sold		
222	TEAVANA HOLDINGS	TEA			Sold		
223	SPX Corporation	SPW			Sold		
224	PlainsExploration&Production	PXP			Sold		
225	Freeport-McMoRan	FCX			Sold		

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Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
226	TFS FINANCIAL	TFSL			<b>Sold</b>		
227	Prestige Brands Holdings	PBH			<b>Sold</b>		
228	Aetna Inc.	AET			<b>Sold</b>		
229	Crimson Exploration Inc.	CXPO			<b>Sold</b>		
230	Discovery Comm	DISCA	PUT		<b>Sold</b>		
231	Mondelez International	MDLZ			<b>Sold</b>		
232	ON Semiconductor Corp.	ONNN			<b>Sold</b>		
233	iShares Russell 2000 Index	IWM			<b>Sold</b>		
234	Con-way Inc.	CNW			<b>Sold</b>		
235	MATADOR RESOURCES	MTDR			<b>Sold</b>		
236	Raytheon Co.	RTN			<b>Sold</b>		





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:

Advance Auto Parts (AAP)  
MGM Resorts (MGM)  
Metlife (MET) Calls  
NRG Energy (NRG) Calls  
Lorillard (LO)

### Sold Out:

SPDR S&P 500 (SPY)  
SPDR S&P 500 (SPY) Puts  
Bank of America (BAC)  
RBS Preferred (RBS-PS)  
RBS Preferred (RBS-PQ)  
Yahoo! (YHOO) Calls  
AMC Networks (AMCX)  
MBIA (MBI)  
Morgan Stanley (MS)  
United Community Banks (UCBI)  
Weatherford (WFT)

and this marks the third consecutive quarter that they were out buying shares.

One adjustment Perry made in the quarter involved their stake in BP (BP). They sold 36% of their equity stake and then added to their call options position by 34%. They've bet on the company's turnaround as the uncertainty surrounding the oil spill liability has lifted. Another trade Perry made is actually worth ignoring (yes, you read that right). They almost doubled their exposure to Nexen (NXY) and this was a risk arbitrage play as the company saw a proposed takeover by CNOOC. This trade is worth ignoring, mainly because the merger-arb spread is tiny now that the deal has been granted approval by both the Canadian and US regulatory bodies. NXY will join CNOOC soon and this position will vanish from Perry's portfolio.

Express Scripts (ESRX) was one of the consensus buys listed at the beginning of this issue and Perry likes the fact that it's now the biggest pharmacy benefits manager in the country (after the merger with Medco Health). Over time, they see the company realizing almost \$1.4 billion in cost synergies and think that the company can eventually begin share repurchases once they pay down the debt raised to finance the merger.

Last, it's worth highlighting Perry's purchase of more put options on the iShares Russell 2000 Index (IWM). This is obviously for hedging purposes and they often hold index puts. They closed out their S&P 500 index put position in the quarter and instead added to their Russell hedge.

Perry Capital was out adding to a bevy of pre-existing positions in the fourth quarter. American International Group (AIG) continues to be their top position. However, it's now a more concentrated stake as they increased the number of shares they own by 42% during the quarter and it's now 19.38% of their reported US holdings (over a \$524 million stake). Lamar Advertising (LAMR) is another position they were buying shares of in Q4 (an increase of 60%). The company announced that it was considering conversion into a real estate investment trust (REIT), which spurred shares higher. Deutsche Bank thinks this conversion could be likely in 2014 and recommended LAMR shares to clients in Q4, noting that they thought valuation at the time did not reflect the full potential upside from REIT conversion. Perry owns 7.4% of the company

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	AmericanInternationalGroup	AIG		19.38%	Added 42%	\$524,766	14,865,903
2	BP plc	BP	CALL	10.30%	Added 34%	\$278,988	6,700,000
3	Lamar Advertising Co.	LAMR		8.34%	Added 60%	\$225,913	5,830,000
4	Nexen Inc.	NXY		7.61%	Added 96%	\$205,956	7,645,000
5	iShares Russell 2000 Index	IWM	PUT	7.47%	Added 84%	\$202,363	2,400,000
6	NRG Energy, Inc.	NRG		6.57%	Added 20%	\$177,924	7,739,203
7	Express Scripts Inc.	ESRX		5.27%	Added 35%	\$142,776	2,644,000
8	Hess Corporation	HES		4.21%	Added 16%	\$113,864	2,150,000
9	HILLSHIRE BRANDS	HSH		4.16%	Unchanged	\$112,560	4,000,000
10	BP plc	BP		3.51%	Cut -36%	\$95,060	2,282,900
11	Teva Pharmaceutical	TEVA	CALL	3.23%	Unchanged	\$87,473	2,342,600
12	Anadarko Petroleum	APC	CALL	2.85%	Unchanged	\$77,059	1,037,000
13	Calpine Corp.	CPN		2.75%	Added 0%	\$74,555	4,112,223
14	Advance Auto Parts Inc.	AAP		2.67%	New	\$72,350	1,000,000
15	Universal American Corp	UAM		2.44%	Unchanged	\$66,130	7,698,432
16	Allied Nevada Gold Corp.	ANV		2.38%	Added 14%	\$64,546	2,142,250
17	MGM Resorts International	MGM		1.90%	New	\$51,535	4,427,377
18	MetLife, Inc.	MET	CALL	1.82%	New	\$49,410	1,500,000
19	Johnson & Johnson	JNJ		1.01%	Cut -17%	\$27,262	388,897
20	NRG Energy, Inc.	NRG	CALL	0.65%	New	\$17,705	770,100
21	North American Energy	NOA		0.58%	Unchanged	\$15,635	4,598,466
22	Lorillard, Inc.	LO		0.46%	New	\$12,467	106,855
23	SanofiContingentValueRight	GCVRZ		0.27%	Cut -25%	\$7,204	4,237,929
24	Caesars Entertainment	CZR		0.10%	Unchanged	\$2,788	402,839
25	General Motors Warrants	GM/WS/A		0.03%	Unchanged	\$836	42,735
26	General Motors Warrants	GM/WS/B		0.02%	Unchanged	\$535	42,735
27	Bank of America Corp	BAC			<b>Sold</b>		
28	SPDR S&P 500	SPY			<b>Sold</b>		
29	RBS Preferred S	RBS-PS			<b>Sold</b>		
30	AMC NETWORKS	AMCX			<b>Sold</b>		
31	Yahoo! Inc.	YHOO	CALL		<b>Sold</b>		
32	SPDR S&P 500	SPY	PUT		<b>Sold</b>		
33	MBIA Inc.	MBI			<b>Sold</b>		
34	Morgan Stanley	MS			<b>Sold</b>		
35	RBS Preferred Q	RBS-PQ			<b>Sold</b>		
36	United Community Banks	UCBI			<b>Sold</b>		
37	Weatherford International	WFT			<b>Sold</b>		

Next Page: Glenview Capital



Known for taking concentrated positions in large caps

Previously a trader at Leon Cooperman's Omega Advisors

## Key Takeaways

### New Positions:

Humana (HUM)  
Charter Communications (CHTR)  
Apple (AAPL)  
Canadian Pacific (CP)  
Hewlett Packard (HPQ)  
Ctrip (CTRP)  
Life Technologies (LIFE) Calls

### Sold Out:

Tyco (TYC)  
Sprint Nextel (S)

Earlier this month, the company reiterated that the strategic review by the board was still ongoing and that they haven't decided on any specific course of action. CEO Greg Lucier said on the company's recent Q4 earnings call that the company actually began its strategic review in the summer of 2012 and that "all ideas are on the table." One Jefferies & Co analyst speculated that a deal could fetch \$50 to \$60 per share in a leveraged buyout (LBO), while a JPMorgan analyst argued higher prices were possible at \$65 to \$75. LIFE currently trades around \$63 after the current spike.

While the majority of hedge funds that owned Apple in this issue were selling shares in the fourth quarter, Larry Robbins' firm was one of the few that stepped in to buy. They took advantage of the decline to initiate a new position in the technology giant. Another stock Glenview was out buying was J.C. Penney (JCP). The hedge fund boosted their holdings by 64% during Q4 after originally starting their position in Q3. Last, Glenview also bought more General Motors (GM) stock, as it's now a top-15 US holding for them. GM is actually one of the most commonly held stocks among all hedge funds.

Shifting to their selling activity, Robbins cut a third of his McKesson (MCK) stake and this is noteworthy because this has been a longstanding position for his firm as it looks like they've finally locked in some profits.

Larry Robbins' Glenview Capital had an excellent 2012 as his main fund gained over 29% before fees and his smaller 'opportunities' fund gained around 60% before fees. His large bet on for-profit hospitals has been a big contributor to his gains. In the fourth quarter, he was out buying even more shares of these companies. He boosted his holdings in Community Health Systems (CYH) by a whopping 424% in Q4 and it's now his seventh largest US long position. He also added to his Health Management Associates (HMA) stake by 37%. In December, HMA was profiled on an episode of CBS's show '60 Minutes' that called into question the company's admission policies. HMA defended itself ahead of the investigative journalism piece that aired. While shares dropped slightly at the time, they have raced higher in the ensuing months, climbing from \$7.25 up to \$10.75 as Robbins wins yet again.

Life Technologies (LIFE) continues to be Glenview's largest holding with a \$548 million stake. Last month, shares spiked higher when the company said it was exploring a possible sale of itself and retained banks to assist in the process.

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		7.75%	Cut -2%	\$548,923	11,195,648
2	Tenet Healthcare Corp.	THC		6.34%	Added 5%	\$449,363	13,839,339
3	AmericanInternationalGroup	AIG		4.65%	Cut -3%	\$329,621	9,337,698
4	Health Management	HMA		4.61%	Added 37%	\$326,755	35,059,503
5	Flextronics International	FLEX		4.32%	Added 9%	\$305,977	49,271,638
6	HCA HLDGS INC COM	HCA		3.79%	Added 6%	\$268,551	8,901,256
7	Community Health Systems	CYH		3.71%	Added 424%	\$262,864	8,551,195
8	Xerox Corp.	XRX		3.28%	Cut -3%	\$232,248	34,053,968
9	McKesson Corporation	MCK		3.22%	Cut -33%	\$228,250	2,354,059
10	CIGNA Corporation	CI		3.15%	Cut -28%	\$222,985	4,171,059
11	BMC Software Inc.	BMC		2.91%	Cut -2%	\$206,443	5,210,579
12	Thermo Fisher Scientific	TMO		2.88%	Cut -20%	\$204,188	3,201,443
13	Fidelity National Info	FIS		2.73%	Cut -19%	\$193,541	5,559,919
14	Pentair, Inc.	PNR		2.43%	Added 31%	\$172,384	3,507,294
15	General Motors	GM		2.42%	Added 41%	\$171,652	5,953,947
16	Computer Sciences Corp	CSC		2.39%	Cut -5%	\$169,571	4,233,990
17	Citigroup, Inc.	C		2.26%	Cut -13%	\$160,311	4,052,345
18	Aon Corporation	AON		2.22%	Cut 0%	\$157,267	2,828,041
19	URS Corporation	URS		2.07%	Unchanged	\$146,441	3,730,040
20	Babcock & Wilcox	BWC		2.04%	Added 0%	\$144,826	5,527,708
21	Cardinal Health, Inc.	CAH		2.03%	Cut -22%	\$143,676	3,488,981
22	J. C. Penney Company	JCP		2.03%	Added 64%	\$143,865	7,299,112
23	Rovi Corporation	ROVI		1.96%	Added 12%	\$138,561	8,979,966
24	Humana Inc.	HUM		1.92%	New	\$135,973	1,981,241
25	Time Warner Cable	TWC		1.80%	Added 59%	\$127,491	1,311,774
26	Electronic Arts Inc.	EA		1.66%	Cut -11%	\$117,712	8,106,855
27	ETRADE Financial	ETFC		1.45%	Unchanged	\$102,829	11,489,265
28	Hospira Inc.	HSP		1.40%	Added 99%	\$99,509	3,185,323
29	Charter Communications	CHTR		1.29%	New	\$91,501	1,200,173
30	Lifepoint Hospitals Inc.	LPNT		1.28%	Unchanged	\$90,686	2,402,277
31	Clearwire Corporation	CLWR		1.23%	Added 7%	\$86,851	30,052,249
32	Lamar Advertising Co.	LAMR		1.16%	Added 37%	\$82,236	2,122,212
33	Apple Inc.	AAPL		1.05%	New	\$74,504	140,000
34	Canadian Pacific Railway	CP		1.01%	New	\$71,876	707,248
35	Take-Two Interactive	TTWO		1.00%	Cut -10%	\$70,503	6,403,564
36	Constellation Brands Inc.	STZ		0.92%	Added 493%	\$65,263	1,844,095
37	B/E AEROSPACE	BEAV		0.84%	Added 37%	\$59,421	1,202,858
38	Lowe's Companies Inc.	LOW		0.83%	Cut -57%	\$59,028	1,661,834
39	Mueller Water Products	MWA		0.79%	Cut -18%	\$55,893	9,963,107
40	Liberty Global Inc.	LBTYA		0.77%	Unchanged	\$54,405	864,114
41	CIT Group, Inc.	CIT		0.73%	Added 162%	\$51,396	1,330,114
42	Meritor, Inc.	MTOR		0.64%	Added 30%	\$45,441	9,606,963
43	Hewlett-Packard Company	HPQ		0.58%	New	\$41,325	2,900,000
44	Ctrip.com International	CTRP		0.48%	New	\$33,808	1,491,948
45	SIRIUS XM Radio Inc.	SIRI		0.41%	Cut -75%	\$28,900	10,000,000

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Hartford Financial	HIG		0.34%	New	\$23,847	1,062,700
47	Chimera Investment	CIM		0.31%	Added 68%	\$22,148	8,485,741
48	United Parcel Service	UPS		0.26%	New	\$18,433	250,000
49	Life Technologies	LIFE	CALL	0.24%	New	\$17,161	350,000
50	Capital One Financial	COF		0.20%	Unchanged	\$14,005	241,759
51	Sensata Technologies	ST		0.11%	Unchanged	\$7,961	245,100
52	Citigroup Warrants	C/WS/A		0.05%	Unchanged	\$3,613	8,561,020
53	UNWIRED PLANET	UPIP		0.03%	Unchanged	\$1,804	1,503,543
54	Tyco International Ltd.	TYC			<b>Sold</b>		
55	Sprint Nextel Corp.	S			<b>Sold</b>		

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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:

Alexion Pharmaceuticals (ALXN)  
Las Vegas Sands (LVS)  
AutoZone (AZO)  
Comcast (CMCSA)  
EMC (EMC)  
Michael Kors (KORS)  
Virgin Media (VMED)

#### Sold Out:

Apple (AAPL)  
Priceline.com (PCLN)  
Viacom (VIAB)  
Eli Lilly (LLY)  
TripAdvisor (TRIP)  
Walmart (WMT)  
Stericycle (SRCL)

Viking Global's founder Andreas Halvorsen spoke at the Milken Institute where he said that good management teams are extremely underappreciated in their ability to take market share, even in low growth environments. He equally believes poor management teams are underappreciated in that they can destroy things quicker than you think. He says Viking focuses on finding the winners and losers. On the topic of shorting stocks, Halvorsen noted that it's a "heartwrenching activity, because you can lose a lot of money doing it." He takes a defensive approach there, saying that you can't short a bunch of the underperforming stocks because the risk is too high if you're wrong. And when you are wrong, "you have to get out very quickly, which means you can't have very large positions." The Viking manager says that you have to have patience in any business, and hedge funds are no different. As to how Viking approaches investing, he notes they start by looking

at industries/sectors and talking to competitors, suppliers, etc. He talks with management to see how they think about the competitive dynamics of the industry. He likes to bet on a management team that has a view of the underlying dynamics similar to what Viking believes. Halvorsen said he is also fascinated by investors' focus on fees, arguing that instead they should be focusing on the net return after fees. Lastly, he said there are certain macro backdrop risks that are concerning.

After selling part of their position in Priceline.com (PCLN) in the third quarter, Viking Global liquidated the rest of their stake in the fourth quarter. They also exited their Apple (AAPL) stake, something many other managers did during the same timeframe. Last quarter's issue of Hedge Fund Wisdom drew attention to the fact that Viking had decided to allocate more capital to its technology, media & telecom team. That decision is expressed mainly via increased positions in media companies. Viking's top holding is Time Warner (TWX) as they boosted their stake by 45% in Q4. They also added to their position in News Corp (NWSA), their second largest position.

In the financial sector, Capital One Financial (COF) has drawn Viking's attention, as it's now their fourth largest position after they bought more shares. COF is featured later in this issue's [equity analysis section](#). In activity since the end of Q4, Viking has disclosed that they now own 5.3% of Michael Kors (KORS) with over 10.6 million shares as of February 8<sup>th</sup> (an increase over what they reported on the next page).

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	Time Warner Inc.	TWX		6.48%	Added 45%	\$935,770	19,564,518
2	News Corp.	NWSA		6.06%	Added 12%	\$874,871	34,295,229
3	Danaher Corp.	DHR		5.57%	Added 132%	\$803,913	14,381,274
4	Capital One	COF		5.48%	Added 36%	\$791,821	13,668,594
5	QUALCOMM	QCOM		4.90%	Added 12%	\$708,263	11,449,533
6	Williams Companies	WMB		4.41%	Added 26%	\$636,622	19,444,793
7	Visa, Inc.	V		3.64%	Cut -35%	\$525,026	3,463,694
8	Estee Lauder	EL		3.34%	Added 12%	\$482,378	8,058,449
9	ACE Limited	ACE		3.04%	Added 10%	\$439,126	5,502,835
10	LyondellBasell	LYB		2.98%	Cut -20%	\$430,628	7,542,972
11	H&R Block, Inc.	HRB		2.96%	Cut -3%	\$426,806	22,983,678
12	Eastman Chemical	EMN		2.85%	Added 0%	\$411,776	6,051,085
13	Intuitive Surgical	ISRG		2.78%	Added 841%	\$401,415	818,598
14	Biogen Idec Inc.	BIIB		2.76%	Added 36%	\$398,998	2,725,961
15	Crown Castle	CCI		2.65%	Added 31%	\$382,243	5,297,165
16	Alexion Pharma	ALXN		2.61%	New	\$376,295	4,014,242
17	Schlumberger	SLB		1.91%	Cut -48%	\$276,180	3,985,860
18	Las Vegas Sands Corp	LVS		1.89%	New	\$273,248	5,919,605
19	Mastercard Inc	MA		1.88%	Cut -33%	\$271,560	552,762
20	Humana Inc.	HUM		1.68%	Added 115%	\$242,320	3,530,829
21	American Tower	AMT		1.62%	Added 108%	\$233,844	3,026,330
22	Valeant Pharma	VRX		1.61%	Cut -27%	\$231,872	3,879,419
23	AmericanInternationalGroup	AIG		1.56%	Cut -15%	\$225,618	6,391,462
24	DaVita, Inc.	DVA		1.54%	Cut -31%	\$222,909	2,016,734
25	Citigroup, Inc.	C		1.48%	Added 170%	\$213,728	5,402,650
26	Carter's, Inc.	CRI		1.44%	Added 3%	\$208,069	3,738,900
27	AutoZone Inc.	AZO		1.43%	New	\$206,561	582,800
28	Berkshire Hathaway	BRK-B		1.43%	Added 147%	\$206,686	2,304,200
29	SanDisk Corp.	SNDK		1.35%	Added 377%	\$194,980	4,482,305
30	Equinix, Inc.	EQIX		1.34%	Added 85%	\$193,226	937,081
31	BlackBerry	BBRY		1.31%	Added 247%	\$189,703	15,981,784
32	Medivation, Inc.	MDVN		1.19%	Cut -13%	\$171,652	3,355,218
33	Comcast Corporation	CMCSA		1.09%	New	\$157,222	4,208,300
34	State Street Corp.	STT		1.02%	Cut -50%	\$146,704	3,120,700
35	Colfax Corporation	CFX		0.92%	Cut -12%	\$132,748	3,289,934
36	Sherwin-Williams Co.	SHW		0.86%	Cut -48%	\$123,941	805,757
37	EQT Corporation	EQT		0.84%	Cut -25%	\$121,705	2,063,500
38	EMC Corporation	EMC		0.81%	New	\$117,045	4,626,300
39	MICHAEL KORS	KORS		0.80%	New	\$116,103	2,275,200
40	Southwestern Energy Co.	SWN		0.75%	Added 194%	\$108,904	3,259,637
41	Universal Health	UHS		0.71%	Cut -29%	\$101,868	2,106,894
42	Cardinal Health, Inc.	CAH		0.61%	Cut -59%	\$88,365	2,145,834
43	Cepheid	CPHD		0.59%	Cut -3%	\$84,826	2,505,210
44	W.R. Grace & Co.	GRA		0.56%	Cut -26%	\$80,574	1,198,494
45	Virgin Media, Inc.	VMED		0.51%	New	\$74,021	2,014,200

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Tibco Software, Inc.	TIBX		0.40%	New	\$57,185	2,601,700
47	Marsh & McLennan	MMC		0.37%	Cut -52%	\$53,916	1,564,159
48	ICICI Bank Ltd.	IBN		0.36%	Cut -10%	\$52,201	1,197,000
49	Verisk Analytics	VRSK		0.29%	New	\$41,842	820,917
50	Ctrip.com	CTRP		0.26%	New	\$37,770	1,666,827
51	CATAMARAN	CTRX		0.23%	Cut -16%	\$32,642	693,049
52	Tenet Healthcare	THC		0.19%	New	\$27,940	860,500
53	Dollar General	DG		0.16%	New	\$22,446	509,100
54	Huntsman Corp	HUN		0.15%	New	\$21,546	1,355,100
55	Mosaic Co.	MOS		0.11%	New	\$16,142	285,048
56	Prudential Financial	PRU		0.08%	Cut -73%	\$12,041	225,800
57	TransDigm Group	TDG		0.06%	New	\$9,272	68,000
58	Oncothyreon Inc	ONTY		0.04%	Added 3%	\$6,453	3,361,315
59	MEDNAX, Inc.	MD		0.03%	Cut -90%	\$4,771	60,000
60	Newell Rubbermaid	NWL		0.02%	New	\$3,304	148,400
61	Facebook, Inc.	FB			<b>Sold</b>		
62	Thermo Fisher	TMO			<b>Sold</b>		
63	Viacom Inc	VIAB			<b>Sold</b>		
64	CIGNA Corporation	CI			<b>Sold</b>		
65	Eli Lilly & Co.	LLY			<b>Sold</b>		
66	Whole Foods	WFM			<b>Sold</b>		
67	Cabot Oil & Gas	COG			<b>Sold</b>		
68	Ariad Pharma	ARIA			<b>Sold</b>		
69	Apple Inc.	AAPL			<b>Sold</b>		
70	MetLife, Inc.	MET			<b>Sold</b>		
71	CIT Group, Inc.	CIT			<b>Sold</b>		
72	Stericycle, Inc.	SRCL			<b>Sold</b>		
73	Hartford Financial	HIG			<b>Sold</b>		
74	Albemarle Corp.	ALB			<b>Sold</b>		
75	U.S. Bancorp	USB			<b>Sold</b>		
76	Noble Corp.	NE			<b>Sold</b>		
77	TripAdvisor Inc	TRIP			<b>Sold</b>		
78	Wynn Resorts Ltd.	WYNN			<b>Sold</b>		
79	Priceline.com Inc	PCLN			<b>Sold</b>		
80	Invesco Ltd.	IVZ			<b>Sold</b>		
81	Wal-Mart Stores	WMT			<b>Sold</b>		
82	WellCare Health	WCG			<b>Sold</b>		

Next: Farallon Capital

Typically focuses on risk arbitrage strategies

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



## Key Takeaways

### New Positions:

Dollar General (DG)  
EMC (EMC)  
Walt Disney (DIS)  
Sally Beauty (SBH)  
SPDR Gold Trust (GLD) Puts  
SPDR Gold (GLD) Calls  
American Express (AXP)  
National Bank Holdings (NBHC)  
McMoRan Exploration (MMR)

### Sold Out:

WellPoint (WLP)  
General Dynamics (GD)  
Qualcomm (QCOM)  
Apple (AAPL)  
CBS (CBS)  
NetApp (NTAP)  
Ancestry.com ~ bought out

production from some of MMR's properties.

Brand new positions for Andrew Spokes' firm (recall Farallon founder Thomas Steyer is stepping down) include Dollar General (DG) and EMC (EMC). Dollar stores as a whole saw buying activity from numerous managers profiled in the newsletter (DG and Dollar Tree (DLTR) were the two most popular). It looks like Farallon took advantage of the big slide in shares and stepped in once they saw that valuation was cheap.

Media was a sector that Farallon was out allocating capital to in the fourth quarter as well. They boosted their existing stake in News Corp (NWSA) and started a brand new position in Walt Disney (DIS). The thesis on DIS is that the company has finally finished a long cycle of capital expenditure on its Parks segment and could see margin expansion soon. Children's Investment Fund in the UK believes that DIS is entering a "multiyear growth and re-rating phase" and think a long-term transfer of economics is underway from distributors to content providers.

Recent European regulatory rules have forced hedge funds to disclose short positions over a certain size. After searching the databases, it was revealed that Farallon was short -1.18% of Icon in Ireland as of the end of November.

Last year, Farallon was ranked one of the top ten hedge funds by net gains since inception with a \$12.2 billion net gain since 1987.

Last quarter's section on Farallon Capital highlighted their merger arbitrage play on Nexen (NXY). During the fourth quarter, the spread widened before regulatory approval was eventually granted by Canadian and US authorities. The deal will close soon and NXY will vanish from Farallon's portfolio, as they'll move on to the next risk arbitrage opportunity. One such play in their portfolio from the fourth quarter is McMoRan Exploration (MMR). The company received a somewhat surprising takeover bid from Freeport McMoran (FCX). Prior to the bid, MMR shares were languishing. FCX will acquire MMR for \$3.4 billion in cash. Upon closing, MMR shareholders will also receive units in a distribution from a royalty trust which will have a 5% interest on future

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	Hudson Pacific Properties	HPP		5.96%	Unchanged	\$257,645	12,233,861
2	Nexen Inc.	NXY		4.89%	Cut -10%	\$211,075	7,835,000
3	News Corp.	NWSA		4.46%	Added 28%	\$192,623	7,542,000
4	Dollar General Corporation	DG		4.41%	New	\$190,689	4,325,000
5	Google Inc.	GOOG		3.61%	Added 28%	\$156,061	220,000
6	Priceline.com Incorporated	PCLN		3.11%	Cut -14%	\$134,303	216,200
7	ROCKWELL COLLINS INC	COL		3.11%	Added 22%	\$134,349	2,309,600
8	EMC Corporation	EMC		3.04%	New	\$131,181	5,185,000
9	State Street Corp.	STT		3.00%	Cut -5%	\$129,489	2,754,500
10	Owens-Illinois, Inc.	OI		3.00%	Cut -6%	\$129,428	6,085,000
11	Fidelity National Info	FIS		2.98%	Added 47%	\$128,553	3,693,000
12	Check Point Software	CHKP		2.95%	Added 79%	\$127,294	2,672,000
13	TransDigm Group	TDG		2.94%	Added 4%	\$126,973	931,161
14	Visa, Inc.	V		2.92%	Cut -29%	\$126,327	833,400
15	Union Pacific Corp	UNP		2.72%	Cut 0%	\$117,548	935,000
16	Walt Disney Co.	DIS		2.64%	New	\$114,019	2,290,000
17	Equinix, Inc.	EQIX		2.60%	Added 37%	\$112,173	544,000
18	Sally Beauty Holdings	SBH		2.58%	New	\$111,604	4,735,000
19	American Tower Corp.	AMT		2.50%	Cut -19%	\$108,163	1,399,800
20	Express Scripts Inc.	ESRX		2.47%	Added 67%	\$106,650	1,975,000
21	KINDER MORGAN	KMI		2.45%	Cut -4%	\$105,990	3,000,000
22	SPDR Gold Shares	GLD	PUT	2.27%	New	\$98,184	606,000
23	Yahoo! Inc.	YHOO		2.27%	Cut -13%	\$98,107	4,930,000
24	SPDR Gold Shares	GLD	CALL	2.27%	New	\$98,184	606,000
25	Mondelez International	MDLZ		2.03%	New	\$87,775	3,448,500
26	OAKTREE CAPITAL	OAK		1.76%	Unchanged	\$75,944	1,669,460
27	Oracle Corp.	ORCL		1.75%	Cut -22%	\$75,703	2,272,000
28	American Express	AXP		1.75%	New	\$75,759	1,318,000
29	Shaw Group Inc.	SHAW		1.71%	Cut -26%	\$73,877	1,585,000
30	United Technologies	UTX		1.66%	Added 16%	\$71,915	876,900
31	Moody's Corp.	MCO		1.20%	Cut -19%	\$51,830	1,030,000
32	Town Sports Intl	CLUB		1.00%	Unchanged	\$43,240	4,060,082
33	BP plc	BP		0.93%	Added 15%	\$40,391	970,000
34	NATIONAL BANK	NBHC		0.88%	New	\$37,838	1,992,500
35	FEI Co.	FEIC		0.70%	Cut -9%	\$30,327	546,828
36	CHICAGO BRIDGE&IRON	CBI		0.65%	Added 126%	\$28,274	610,000
37	VCA Antech Inc.	WOOF		0.64%	Added 18%	\$27,786	1,320,000
38	Life Technologies Corp	LIFE		0.61%	Unchanged	\$26,521	540,364
39	Illumina Inc.	ILMN		0.51%	Cut -33%	\$21,958	395,000
40	McMoRan Exploration Co.	MMR		0.48%	New	\$20,945	1,305,000
41	Allscripts Healthcare	MDRX		0.41%	New	\$17,757	1,885,000
42	Copa Holdings SA	CPA		0.34%	New	\$14,484	145,636
43	Team Health Holdings, Inc.	TMH		0.34%	New	\$14,529	505,000
44	Westport Innovations	WPRT		0.30%	Added 17%	\$13,064	489,100
45	EnCana Corp.	ECA		0.29%	Unchanged	\$12,473	631,236

Continued on Next Page...

Rank	Company Name	Ticker	Put/Call	% of Portfolio	Activity	Value x \$1000	# of Shares
46	Knight Capital NOTE	KCG		0.28%	Unchanged	\$11,910	12,000,000
47	HALCON RESOURCES	HK		0.27%	Unchanged	\$11,832	1,709,816
48	NOVADAQ TECH	NVDQ		0.26%	Unchanged	\$11,330	1,278,800
49	Kinder Morgan Warrants	KMIIV		0.26%	Cut -23%	\$11,450	3,029,200
50	Freeport-McMoRan	FCX		0.25%	New	\$10,773	315,000
51	CVS Caremark	CVS		0.25%	Unchanged	\$10,615	219,536
52	Fresh Del Monte Produce	FDP		0.25%	Added 16%	\$10,626	403,282
53	ABBVIE INC.	ABBV		0.24%	New	\$10,248	300,000
54	eBay Inc.	EBAY		0.22%	Unchanged	\$9,482	185,845
55	Pep Boys	PBY		0.22%	Unchanged	\$9,602	976,800
56	FLIR Systems, Inc.	FLIR		0.20%	Added 92%	\$8,491	380,582
57	Potash Corp	POT		0.20%	Unchanged	\$8,584	210,955
58	Ultra Petroleum Corp.	UPL		0.18%	Unchanged	\$7,589	418,600
59	7 Days Group Holdings	SVN		0.18%	New	\$7,718	640,000
60	Fuel Systems Solutions	FSYS		0.17%	Unchanged	\$7,158	486,945
61	MERRIMACK PHARMA	MACK		0.15%	Unchanged	\$6,501	1,067,538
62	Chiquita Brands	CQB		0.14%	Unchanged	\$6,243	756,727
63	Tata Motors Ltd.	TTM		0.13%	Unchanged	\$5,673	197,514
64	Activision Blizzard, Inc.	ATVI		0.13%	New	\$5,446	512,830
65	Clearwire Corporation	CLWR		0.13%	New	\$5,780	2,000,000
66	HORIZON PHARMA	HZNP		0.12%	Unchanged	\$5,180	2,223,071
67	PENDRELL CORP	PCO		0.12%	Added 12%	\$5,076	3,996,899
68	WebMD Health Corp.	WBMD		0.07%	Cut -29%	\$3,060	213,357
69	Gardner Denver Inc.	GDI		0.06%	New	\$2,398	35,000
70	Dynavax Technologies	DVAX		0.06%	New	\$2,431	850,000
71	SanofiContigentValueRight	GCVRZ		0.06%	Cut -37%	\$2,607	1,533,671
72	Idenix Pharmaceuticals	IDIX		0.05%	Unchanged	\$2,061	425,000
73	Sycamore Networks Inc.	SCMR		0.05%	New	\$2,224	992,715
74	Cymer Inc.	CYMI		0.05%	New	\$2,170	24,000
75	Horsehead Holding Corp.	ZINC		0.05%	Unchanged	\$2,176	213,100
76	MIPS TECHNOLOGIES	MIPS		0.05%	New	\$1,977	252,862
77	DELPHI AUTOMOTIVE	DLPH		0.04%	Unchanged	\$1,812	47,368
78	YM BioSciences Inc.	YMI		0.02%	New	\$893	311,028
79	BioMimetic Therapeutics	BMTI	PUT	0.02%	New	\$724	100,000
80	WellPoint Inc.	WLP			<b>Sold</b>		
81	General Dynamics Corp.	GD			<b>Sold</b>		
82	ANCESTRY COM	ACOM			<b>Sold</b>		
83	Molycorp, Inc.	MCP			<b>Sold</b>		
84	QUALCOMM Inc	QCOM			<b>Sold</b>		
85	Myriad Genetics Inc.	MYGN			<b>Sold</b>		
86	Cooper Industries plc	CBE			<b>Sold</b>		
87	Collective Brands	PSS			<b>Sold</b>		
88	Apple Inc.	AAPL			<b>Sold</b>		
89	NetApp, Inc.	NTAP			<b>Sold</b>		
90	CBS CORP CL B	CBS			<b>Sold</b>		

Next: Icahn Capital

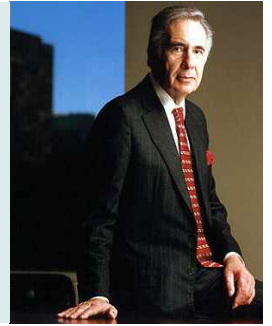


# Icahn Capital

Carl Icahn

Known as a 'rabblrouser' and a corporate raider

Typically takes controlling stakes & uses activism



## Key Takeaways

### New Positions:

Transocean (RIG)

### Sold Out:

Oshkosh (OSK)

Commercial Metals Company (CMC)

Everyone's favorite corporate activist was active yet again in the fourth quarter. The main takeaways are that he completely exited his prior position in OshKosh (OSK) and started a brand new position in Transocean (RIG). Additionally, he beefed up his stake in Netflix, over tripling his position. And, he's already made a ton of money on that stake as NFLX shares have skied from around \$53 up to current levels of \$189. According to Institutional Investor's Alpha, Icahn Partners returned an estimated 22.4% in 2012. This comes on the heels of a 28% return in 2011, an 11.4% return in 2010, a 24.75% return in 2009, and a (35.6)% return in 2008. Overall, Icahn Partners has seen average annual returns of 12.75%. If you invested \$100 with Icahn at the beginning of 2005, you'd now have \$223.

In activity since quarter end, Icahn has initiated another new position: Herbalife (HLF). Icahn filed an activist 13D with the SEC due to trading activity on February 4<sup>th</sup>. However, reading the fine print on the filing details that Icahn was buying over various dates (as early as December 20<sup>th</sup> and as recent as February 14<sup>th</sup>). He now owns 12.98% of the company with 14,015,151 shares. This share count includes common stock as well as numerous call option positions. In fact, the vast majority of Icahn's stake was built via options. In the filing, Icahn notes that, "The Reporting Persons have conducted significant analysis with respect to

the Issuer. The Reporting Persons have concluded that the Company has a legitimate business model, with favorable long-term opportunities for growth. The Reporting Persons intend to have discussions with management of the Issuer regarding the business and strategic alternatives to enhance shareholdervalue, such as a recapitalization or a going-private transaction."

As detailed earlier in this issue, Bill Ackman of Pershing Square Capital laid out a detailed case for shorting the company in December, calling it a pyramid scheme. Dan Loeb of Third Point responded by going long and defending the company in his quarterly letter. Now, Carl Icahn has jumped into the ring. Icahn and Ackman actually had a very public argument on television on CNBC and it's very apparent that the two don't get along. Given the timing of Icahn's purchase (post-television fight), it's worth wondering whether Icahn is doing this mainly to spite Ackman and to try and squeeze him out of his short position (thus costing him tons of money). Herbalife (HLF) is analyzed in-depth in the equity analysis section [later on](#).

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		33.96%	Cut -79%	\$4,370,062	97,764,251
2	CVR Energy, Inc.	CVI		27.00%	Unchanged	\$3,473,785	71,198,718
3	Forest Laboratories Inc.	FRX		8.42%	Unchanged	\$1,082,982	30,662,005
4	Chesapeake Energy	CHK		7.71%	Added 19%	\$992,192	59,698,689
5	Federal-Mogul Corp.	FDML		4.78%	Unchanged	\$615,116	76,697,804
6	Netflix, Inc.	NFLX		4.00%	Add 343%	\$514,100	5,541,066
7	The Hain Celestial Group	HAIN		3.05%	Added 2%	\$392,551	7,239,963
8	AmericanRailcarIndustries	ARII		2.93%	Unchanged	\$376,675	11,871,268
9	Mentor Graphics Corp.	MENT		2.13%	Unchanged	\$274,367	16,120,289
10	Transocean Ltd.	RIG		2.03%	New	\$260,684	5,838,386
11	Navistar International	NAV		2.00%	Add 16%	\$257,869	11,845,167
12	Take-Two Interactive	TTWO		1.03%	Add 47%	\$132,349	12,020,744
13	WebMD Health Corp.	WBMD		0.75%	Unchanged	\$96,085	6,700,525
14	Enzon Pharmaceuticals	ENZN		0.20%	Unchanged	\$26,159	5,904,863
15	Motricity, Inc.	MOTR		0.02%	Unchanged	\$2,781	6,782,039
16	Oshkosh Corporation	OSK			<b>Sold</b>		
17	Commercial Metals	CMC			<b>Sold</b>		

Next: JANA Partners

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:

Copart (CPRT)  
VeriSign (VRSN)  
ADT (ADT)  
TripAdvisor (TRIP)  
Waste Management (WM)  
Iron Mountain (IRM)  
Fifth & Pacific (FNP)

#### Sold Out:

Apple (AAPL)  
Priceline.com (PCLN)  
Motorola Solutions (MSI)  
Google (GOOG)  
Michael Kors (KORS)

JANA Partners did a significant amount of buying in the fourth quarter. They started a sizable stake in Copart (CPRT), over tripled their exposure to QEP Resources (QEP), and over doubled their exposure to Liberty Interactive Ventures (LVNTA). LVNTA is the tracking stock created by John Malone that was spun-off to shareholders of Liberty Interactive (LINTA). LVNTA tracks Liberty's ownership stakes in various companies such as Expedia, TripAdvisor and more. It seems plausible that JANA would accumulate a stake in these shares due to a potential disparity between LVNTA's valuation and the collective valuation of all the stakes Liberty holds in other companies. As of the end of the fourth quarter, JANA owned 5.93% of LVNTA shares. JANA also owns a LINTA position, but cut it almost in half during Q4.

JANA's Barry Rosenstein and Scott Ostfeld recently gave an interview to Columbia Business School's Graham & Doddsville where they talked about their investment style. Rosenstein says one of the most important lessons he's learned is to not blink when taking risks and to remain fearless.

JANA typically focuses on activist investing and he commented on how this impacts portfolio construction: “Our highest conviction ideas are the ideas where we have the most impact on the outcome. Those are our activist ideas ... In our approach, we're extremely disciplined. I don't want to be only an activist because when you force things the quality of your ideas is diluted. We came up with this rubric we call V-cubed, which is value, votes, and variety of ways to win. Basically, we have to be comfortable buying in at a valuation that provides us with a margin of safety, irrespective of any activism we will attempt to initiate and that may be unsuccessful. In my experience, if you have all three of those checked off, you're guaranteed victory. If you're missing one of them, there's a good chance you're going to lose. We're extremely judicious.”

Highlighting some additional portfolio activity from JANA, the hedge fund launched a position in Fifth and Pacific (FNP) during the fourth quarter. This is the former Liz Claiborne company and houses the popular Kate Spade brand as well as Juicy Couture. There has been speculation that FNP will put the latter brand up for sale or change its management team. Rosenstein's team also initiated positions in ADT (ADT) and VeriSign (VRSN), two hedge fund favorites as of late.

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		26.70%	Added 28%	\$943,644	9,448,593
2	QEP Resources, Inc.	QEP		7.55%	Added 365%	\$266,881	8,816,692
3	COPART INC (DE)	CPRT		5.11%	New	\$180,725	6,126,276
4	Coca-Cola Enterprises Inc.	CCE		4.70%	Added 10%	\$166,165	5,236,840
5	Liberty Interactive Ventures	LVNTA		3.97%	Added 178%	\$140,428	2,072,435
6	Coventry Health Care Inc.	CVH		3.94%	Added 14%	\$139,353	3,108,487
7	Rockwood Holdings Inc.	ROC		3.88%	Added 59%	\$137,237	2,774,710
8	AmericanInternationalGroup	AIG		3.46%	Added 123%	\$122,431	3,468,292
9	Aetna Inc.	AET		3.38%	Added 10%	\$119,556	2,581,649
10	VeriSign Inc.	VRSN		3.36%	New	\$118,872	3,062,128
11	ADT CORP	ADT		3.34%	New	\$118,201	2,542,498
12	The McGraw-Hill Co	MHP		3.34%	Cut -17%	\$118,004	2,158,475
13	Visteon Corp	VC		2.88%	Cut -3%	\$101,772	1,890,963
14	Expedia Inc.	EXPE		2.86%	Added 58%	\$101,130	1,645,994
15	TripAdvisor Inc	TRIP		2.70%	New	\$95,305	2,273,502
16	Netflix, Inc.	NFLX		2.62%	Added 138%	\$92,590	1,000,000
17	Liberty Media	LMCA		2.59%	Cut -50%	\$91,381	787,701
18	RYMAN HOSPITALITY	RHP		2.57%	New	\$90,774	2,360,230
19	SPDR Gold Shares	GLD		2.12%	Added 58%	\$74,920	462,412
20	Liberty Media Interactive	LINTA		1.43%	Cut -42%	\$50,541	2,568,138
21	Waste Management, Inc.	WM		1.23%	New	\$43,627	1,293,026
22	Teekay Corporation	TK		1.22%	Added 29%	\$43,153	1,344,337
23	Iron Mountain Inc.	IRM		1.22%	New	\$43,117	1,388,643
24	FIFTH AND PACIFIC	FNP		1.16%	New	\$41,000	3,293,135
25	SEMGROUP CORP A	SEMX		0.60%	Cut -28%	\$21,046	538,546
26	Kinder Morgan Warrants	KMIIV		0.37%	Added 13%	\$13,227	3,499,226
27	Spectra Energy Corp.	SE		0.35%	New	\$12,321	450,000
28	Convergys Corporation	CVG		0.28%	Added 4%	\$9,789	596,517
29	Big Lots Inc.	BIG		0.28%	New	\$10,040	352,762
30	Leucadia National Corp.	LUK		0.17%	New	\$6,142	258,161
31	Opko Health, Inc.	OPK		0.16%	Cut -57%	\$5,626	1,169,630
32	DIAMONDBACK ENERGY	FANG		0.15%	New	\$5,382	281,490
33	KAR Auction Services, Inc.	KAR		0.14%	New	\$5,060	250,000
34	Symantec Corporation	SYMC	CALL	0.08%	New	\$2,823	150,000
35	KINDER MORGAN	KMI		0.05%	Cut -92%	\$1,896	53,668
36	Apple Inc.	AAPL			<b>Sold</b>		
37	Blyth, Inc.	BTH			<b>Sold</b>		
38	Priceline.com Incorporated	PCLN			<b>Sold</b>		
39	MICHAEL KORS	KORS			<b>Sold</b>		
40	Motorola Solutions, Inc.	MSI			<b>Sold</b>		
41	POST HOLDINGS INC	POST			<b>Sold</b>		
42	Google Inc.	GOOG			<b>Sold</b>		
43	Eagle Materials Inc.	EXP			<b>Sold</b>		
44	Pentair, Inc.	PNR			<b>Sold</b>		
45	Dollar General Corporation	DG			<b>Sold</b>		
46	AMERICAN RLTY	ARCT			<b>Sold</b>		
47	ROCKWELL COLLINS	COL			<b>Sold</b>		
48	Liberty Interactive Rights	LVNAR			<b>Sold</b>		

Next: Pennant Capital



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:

American International Group (AIG)  
Owens Corning (OC)  
Mattress Firm (MFRM)  
PBF Energy (PBF)

### Sold Out:

Amgen (AMGN)  
Old Republic (ORI)  
Eli Lilly (LLY) Calls  
Google (GOOG)  
Coca Cola Enterprises (CCE)

stake after bailing the company out during the financial crisis.

Pennant also added 47% to their small position in Vivus (VVUS) that they originally started in the third quarter. This position is most likely sized small to reflect the risk/reward in shares. Vivus is a pharmaceutical company that had Qsymia (a new weight loss drug) approved by the FDA. The stock soared when this happened, but then plummeted back down once initial prescription data was released. With a large portion of the American population considered overweight or obese, there is certainly a large opportunity for the drug to gain traction. Some investors feel Vivus would perform better under the wing of a larger pharmaceutical company. The risks involved are patent risk, possibility that Doctors could prescribe alternative generics, and the fact that Vivus is really just a one-drug company so it's either a home run or go home. Vivus is spending cash and lacks a true big pharma marketing partner for the drug as well. John Burbank's Passport Capital also holds a position in VVUS (and was buying again in the fourth quarter as well). It's currently a much bigger position for him though as it's his fourth largest US long.

**P**ennant Capital is usually the epitome of lower turnover and often has little portfolio activity on a quarter over quarter basis. However, this time around Pennant was quite active for the first time in a while. The most notable transaction in their portfolio was almost doubling their stake in MRC Global (MRC). This is a name you don't really see any other prominent hedge funds owning, so it seems to be somewhat of a contrarian pick. Pennant is the company's second largest institutional shareholder. MRC is a holding company, formerly known as McJunkin Red Man Holding Company. They distribute pipes, valves, and fittings as well as various services to the energy industry. The company has a market cap of \$3.25 billion

Pennant started a stake in Cognizant Technology Solutions (CTSH) in the third quarter and continued to accumulate shares in the fourth quarter. In fact, they came close to doubling their position and it's now in their top twenty holdings. Alan Fournier's hedge fund firm also made a new purchase of American International Group (AIG) shares as the government finally exited its ownership

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	DaVita, Inc.	DVA		6.31%	Cut -3%	\$302,186	2,733,972
2	TransDigm Group	TDG		6.27%	Cut -3%	\$300,225	2,201,710
3	Terex Corp.	TEX		5.78%	Unchanged	\$276,832	9,848,172
4	NVR Inc.	NVR		4.98%	Cut -3%	\$238,558	259,302
5	WellPoint Inc.	WLP		4.06%	Cut -3%	\$194,292	3,189,292
6	MRC GLOBAL INC.	MRC		4.06%	Added 85%	\$194,320	6,994,971
7	WABCO Holdings Inc.	WBC		4.02%	Unchanged	\$192,687	2,955,771
8	HuntingtonIngallsIndustries	HII		4.00%	Unchanged	\$191,410	4,416,467
9	Priceline.com Incorporated	PCLN		3.90%	Unchanged	\$186,799	301,100
10	TripAdvisor Inc	TRIP		3.90%	Unchanged	\$186,819	4,456,550
11	QUALCOMM Incorporated	QCOM		3.74%	Cut -12%	\$179,031	2,894,154
12	Fidelity National Info	FIS		3.72%	Cut -27%	\$178,229	5,120,066
13	Sally Beauty Holdings Inc.	SBH		3.67%	Added 10%	\$175,828	7,459,817
14	Sensata Technologies	ST		3.25%	Added 3%	\$155,687	4,793,304
15	WESCO International Inc.	WCC		3.13%	Cut -3%	\$149,986	2,224,324
16	Dollar General Corporation	DG		3.10%	Cut -9%	\$148,619	3,370,816
17	Cognizant Technology	CTSH		2.91%	Added 80%	\$139,414	1,886,977
18	Union Pacific Corporation	UNP		2.83%	Cut -16%	\$135,685	1,079,263
19	Citigroup, Inc.	C		2.79%	Added 2%	\$133,492	3,374,422
20	AmericanInternationalGroup	AIG		2.69%	New	\$128,741	3,647,048
21	Apple Inc.	AAPL		2.36%	Cut -29%	\$113,063	212,455
22	Range Resources Corp	RRC		2.29%	Unchanged	\$109,621	1,744,716
23	PHH CORP	PHH		2.21%	Cut -9%	\$105,673	4,644,950
24	Family Dollar Stores Inc.	FDO		1.82%	Cut -38%	\$87,163	1,374,597
25	Unitedhealth Group, Inc.	UNH		1.78%	Unchanged	\$85,446	1,575,331
26	Owens Corning	OC		1.36%	New	\$65,265	1,764,400
27	MATTRESS FIRM	MFRM		1.04%	New	\$50,032	2,039,630
28	Pfizer Inc.	PFE		1.00%	Cut -32%	\$47,816	1,906,574
29	Middleby Corp.	MIDD		0.92%	Unchanged	\$43,952	342,809
30	Universal Stainless & Alloy	USAP		0.81%	Unchanged	\$38,707	1,052,668
31	AEROFLEX HOLDING	ARX		0.69%	Added 34%	\$32,818	4,688,293
32	Valero Energy Corp.	VLO		0.69%	Added 10%	\$32,926	965,000
33	Fluor Corporation	FLR		0.63%	Added 2%	\$29,957	510,000
34	FORUM ENERGY TECH	FET		0.56%	Added 17%	\$26,869	1,085,611
35	Foster Wheeler AG	FWLT		0.49%	Added 5%	\$23,226	955,000
36	Canadian Natural Resources	CNQ		0.48%	Added 12%	\$22,952	795,000
37	Quest Diagnostics Inc.	DGX		0.45%	Cut -1%	\$21,693	372,290
38	Petroleo Brasileiro	PBR-A		0.39%	Cut -14%	\$18,538	960,000
39	Broadcom Corp.	BRCM		0.38%	Cut -22%	\$18,099	545,000
40	PBF ENERGY INC	PBF		0.33%	New	\$15,687	540,000
41	Ford Motor Co.	F		0.14%	Cut -40%	\$6,475	500,000
42	VIVUS Inc.	VVUS		0.07%	Added 47%	\$3,355	250,000
43	Old Republic International	ORI			<b>Sold</b>		
44	Eli Lilly & Co.	LLY	CALL		<b>Sold</b>		
45	Coca-Cola Enterprises Inc.	CCE			<b>Sold</b>		
46	Google Inc.	GOOG			<b>Sold</b>		

Next: Investment Thesis Summaries

# Investment Thesis Summaries & Equity Analysis

To see what stocks are analyzed in the new issue, [click here to subscribe](#)

## Overview

These 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 notable 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:

1. **Investment Thesis Summary of Capital One Financial (COF):** Disappointing Q4 results may present a buying opportunity, though low interest rates, consumer deleveraging, and increasing regulatory oversight may continue to pressure results and constrain growth.

Since publication, this pick is up over 33.3%

2. **Long Versus Short Analysis of Herbalife (HLF):** Battleground consumer products company with hedge fund heavyweights on both sides wagering large sums of money.

Since publication, this pick is up over 80%

3. **Investment Thesis Summary of Spirit AeroSystems (SPR):** Mis-managed and poorly positioned aero-structures manufacturer seen as a 'cheap' bet on the commercial aircraft up-cycle.

Since publication, this pick is up 95%

Next: Investment Thesis on Capital One Financial (COF)





## Overview

Disappointing fourth quarter results may present a buying opportunity, though low interest rates, consumer deleveraging, and increasing regulatory oversight may continue to pressure results and constrain growth.

## Hedge Fund Activity

Lone Pine Capital and Third Point started new positions in Capital One (COF) with 4.4 million and 900,000 shares respectively. Soros Fund doubled their position to 1.3 million shares and Viking Global increased its position in COF by 35%.

## Company Background

COF is a \$300 billion in assets and \$20 billion in sales financial institution based in McLean, VA. It is ranked the 11<sup>th</sup> largest financial holding company based on assets and is focused on consumer lending (primarily credit cards and auto loans).

COF was founded in 1988 by Richard Fairbank, who still runs the company today. The founder brought a high degree of technology and analytics to the lending business, and pioneered the mass marketing of credit cards. The company developed an analytical competitive advantage on asset gathering but lacked a stable funding base, and in the mid-2000s all the growth was in mortgages, so eventually it got into retail banking.

It first bought Hibernia in 2005 to establish a southern franchise, and in 2006 it bought North Fork on the east coast. In 2008, it bought Chevy Chase Bank, and in 2012 it closed the acquisition of ING Direct and the purchase of HSBC's US cards business. Unfortunately, the acquisition of North Fork brought along the GreenPoint mortgage platform, which created significant problems for COF and eventually was shut down.

Company Background (Continued)



### Company Background (Continued)

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In the early 2000s, COF was considered a high-growth specialty franchise with a competitive advantage, and was growing rapidly. As a result, it commanded a premium multiple. Since then, along with most financial institutions, its multiple has compressed substantially. The reasons being threefold primarily:

- Investors have become more skeptical about the risks of bank franchises and the opacity of their results
- Continued consumer deleveraging means slow asset growth, or even declining balances in the short term
- Increasing government regulation following the financial crisis and an effort to protect the consumer spell slower growth and lower margins over the longer term

COF was less than half its current size in terms of sales in the early 2000s, but its EPS grew quickly from \$4 to almost \$7. After the mid-2000s, when it started buying retail-banking franchises, its EPS peaked at almost \$8 in 2006 but hasn't quite recovered since. In 2008, it reported a loss, and in 2009 it was only slightly profitable, due to large writedowns primarily related to mortgage exposures. Between 2010-2012, its EPS has been in the \$6-7 range, comparable to pre-2005 levels.

Nevertheless, the stock was trading near \$90 back in 2005-2006, whereas now it trades in the mid-\$50s. It's interesting to note that some financial institutions have actually rebounded to almost peak prices, e.g., JPMorgan and American Express are trading back to their 2006-2007 levels.



### Current Situation

In the fourth quarter of 2012, COF traded in the \$55-61 range, then it trended higher to almost \$63 in early January, and it is currently below the low-point in Q4 at \$54. Since October, COF is down 5.2%, whereas Discover (DFS) is down 1.5%, American Express (AXP) is up 8.5%, the KBW Bank Index (BKX) is up 11.2%, and the S&P 500 is up 5.5%. The reason for COF's underperformance was the disappointing fourth quarter results and subsequent sell-side downgrades.

On January 18th, the stock dropped from \$62 to \$57, in reaction to its earnings release and call after the close on January 17. Reported EPS came in at \$1.41 compared to consensus of \$1.58 and a "whisper" number closer to \$1.65 due to a weaker than expected spread income and higher operating expenses at the bank. COF's margin was weak as it built up cash to redeem \$3.6 billion of trust preferred securities. Results in cards declined over the prior quarter, more accurately reflecting the pressures of recent changes in card fees.

Perhaps more importantly though, management gave disappointing top-line guidance, saying that the fourth quarter was representative of what investors should expect for 2013, even though Q4 is a seasonally weak quarter. The company faces the industry-wide issue of softening consumer demand for credit, as well as a persistent very-low interest rate environment.

Additionally, Capital One just agreed to sell its \$7 billion Best Buy private label portfolio to Citigroup at approximately book value. The transaction is expected to close in the third quarter of 2013. This portfolio was originally part of the HSBC deal from 2012. Some sell-side analysts are disappointed that COF has lost yet another private label relationship.

### Bulls vs. Bears

As the employment picture in the US gradually improves, credit card charge-offs will continue to decline, and card companies' earnings power will eventually shine through.

One way investors look at financial institutions is to calculate the pre-tax pre-provision earnings, and then calculate an earnings power based on normalized loan loss provisions. During crises, credit losses are much higher and banks can earn very little or even lose money, but depending on the trajectory of these losses and whether they might need additional capital in the future, those can be good times to buy at depressed valuations.

Based on the low end of sell-side earnings estimates, COF is expected to have an EPS of \$5.79 for 2013 and \$6.29 for 2014, a 9% year-over-year growth rate, and the stock is trading at 9.3x forward earnings. Using the mid-point of sell-side analysts' estimates of \$6.45 for 2013 and \$6.83 for 2014, COF trades at 8.4x forward earnings but the growth is also lower at 6%. The big question is, what is a normalized charge-off rate, and what does the going-forward growth profile of the business look like?

Buyers expect credit quality to improve sooner based on positive employment reports; sellers avoid the stock because of weak growth opportunities and increased uncertainty. 2012 and 2013 continue to be transition years for COF with continued portfolio runoffs, substantial acquisitions – making recent trends less predictive of future performance – and results pressured by purchase accounting adjustments, amortizations and merger-related expenses. On the other hand, COF's restructuring could translate into much higher profitability a few years out.

Since publication, this pick is up  
over 33%



## Hedge Fund Activity

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Bill Ackman's Pershing Square in December gave [a presentation](#) on why he has a short position in Herbalife (HLF). He has reportedly shorted around 20 million shares, or more than half the total short interest. This presentation caused HLF to plummet and prompted the following hedge fund buying:

Carl Icahn bought 14 million shares (13% of the company). Third Point established a new position in the stock valued at around \$120 million (though [CNBC is reporting](#) that Third Point recently sold a portion of his position recently). Ken Heebner's Capital Growth Management purchased almost 1 million additional shares. Tiger Consumer increased its position by more than 50%. Visium bought more than 2 million shares and Lone Pine Capital bought calls on HLF.

## Company Background

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HLF is a multi-level marketing (MLM) company that sells nutritional, weight loss, and other health and beauty products through 2.5 million independent distributors in 88 countries.

In MLM programs, a company sells its products through an independent (instead of a captive) sales force. These independent distributors earn commissions on products sold, and they are recruited through conferences or by other distributors. In addition to marketing the company's products, distributors also market the company itself.

Growth comes from a distributor selling more product, or from a distributor adding other distributors to the system. In order to incentivize this growth, the company pays the recruiter a commission based on the 'downline' distributor's sales.

MLM programs often require that distributors make an investment in the company, e.g., by placing an initial product order and maintaining a certain commitment to make recurring purchases. If downline distributors end up not selling the product, they lose money, which ends up in top-level distributors' pockets, making MLM programs potential pyramid schemes. However, there are many MLM programs that are perfectly legal.

HLF was founded by Mark Hughes in 1980, went public in 1986, and was taken private by JH Whitney and Golden Gate in 2002 for \$700 million. In 2003, the president of Walt Disney International, Michael Johnson, became – and currently is – HLF's CEO, in preparation of going public in 2004.

Since it IPO'd in late 2004, HLF has grown from \$1.2bn to \$3.9bn in sales, its gross margin has been stable at 80%, but operating margin has improved from 9% to 16%. As a result, EPS has increased from less than \$0.50 to \$4. Over the same period, its stock price has grown from \$7 (the split adjusted IPO price) to a high of \$72 in April 2012. After a low of \$26 in late December 2012 it has partially recovered to \$39.



## Hedge Fund Battleground: The Short Side

HLF is a battleground stock with big investors on both side of the fence. On the short side, Ackman says that the company is a pyramid scheme. On the other side of the argument is Carl Icahn, Dan Loeb and more.

On December 19th, Ackman announced that he would be discussing HLF at an Ira Sohn conference. The next day, he presented analysis concluding that HLF is a pyramid scheme because distributors' earnings come predominantly from the recruitment of other distributors. He said that since the company was founded, it has cost distributors \$3.5 billion, which has been re-distributed to the top of the pyramid. On December 18th, HLF's stock was at \$42.50, and its precipitous fall stopped at \$26 on December 24th.

Ackman questions HLF's business model based on the following key point: he finds it inconceivable that a company with a more limited product offering, insignificant R&D and marketing expenses, and without retail distribution, can be outselling three of its major competitors combined, since its products are significantly more expensive and not meaningfully differentiated.

Therefore, the only way to sell all this product would be by bundling it along with a business opportunity. The idea behind the short thesis is that if HLF's product isn't all that great and couldn't be sold otherwise, relying on the business opportunity means that the real money is made through recruiting, making it a de facto pyramid scheme.

From the Pershing Square presentation, according to the FTC: 1) an organization is deemed to be a pyramid scheme if the participants obtain their monetary benefits primarily from recruitment

rather than the sale of goods and services to consumers, and 2) pyramid schemes are illegal because they must eventually collapse.

HLF management quickly reacted to Ackman's allegations with a press release that hinted that Pershing Square was buying puts that would expire in the following days and stood to make a hefty profit with the presentation. By Friday, the company had scheduled an analyst meeting for January 7th to respond in more detail to Ackman. In its presentation, HLF countered that it spends on manufacturing, infrastructure, and R&D at least as much as its peers; and it challenged a number of assertions in the Pershing Square presentation (e.g., international distribution, price competitiveness, and the number of retail customers).

Ackman has made some of his resources available publicly:

- Ackman's [presentation on his short](#)
- Ackman's follow up: [questions for HLF](#)
- The website Ackman setup: [www.factsaboutherbalfife.com](http://www.factsaboutherbalfife.com)



## Hedge Fund Battleground: The Long Side

During the sell-off following Ackman's presentation, a number of investors jumped in and bought the stock:

**Third Point's View:** In early January, Third Point disclosed an 8% position in HLF. Dan Loeb argued that price markups in "commodity" products exist where there is a community and a brand identity, which is the case with HLF. Also, there are very few complaints filed with the FTC against HLF, and it seems highly unlikely that the FTC has allowed a pyramid scheme to go on for more than 30 years now.

Third Point outlined their thesis on HLF in their fourth quarter letter, writing:

"Based on its strong financial performance, Herbalife is a classic 'compounder' – a well-managed company that sustains consistent top-line growth, has a leading market position, and steadily increases margins, earnings per share and free cash flow while demonstrating shareholder-friendly behavior.

Management has a history of returning 100% of net income to shareholders in the form of dividends and buybacks. If management were to deploy its existing \$950 million buyback authorization in the \$40-45 range (only taking leverage to approximately 1.5x), we estimate that run-rate EPS for 2013 could be \$5.50-5.70 using the reduced share count."

Third Point believes that HLF could trade up to \$55-68 per share using a 10-12x earnings multiple. Do note that [CNBC is reporting](#) that Third Point has recently sold some of its HLF position (undoubtedly locking in some profits after they purchased during the Ackman presentation carnage).

**Carl Icahn's View:** On Friday, February 15th, HLF was up more than 25% higher in pre-market trading, following Carl Icahn's SEC filing that showed he had bought a 13% stake in the company. Nevertheless, the stock ended only 1% higher for the day. In his activist 13D filing, Icahn said that he "intend(s) to have discussions with management regarding the business and strategic alternatives to enhance shareholder value, such as a recapitalization or a going-private transaction."

**Bronte Capital's View:** In mid-January, Bronte Capital posted a [blog entry](#) reflecting on a recent visit to an HLF club. It concluded that HLF is not a commodity product and that Ackman has misunderstood the whole value proposition. Presumably, HLF provides a very important and differentiating support community required to sell these weight-loss products. Bronte Capital concluded that it's a product/service that indeed works.





## Hedge Fund Battleground Stock

*Summary*

*The short thesis is that HLF is a pyramid scheme based on an overpriced commodity and a mis-represented business opportunity. The long thesis is that HLF is a well-managed company that has been growing top line at a steady pace and EPS at an accelerated rate based on operating leverage and share buybacks. Buyers took advantage of temporary pressure on the stock at the end of the year, following Bill Ackman's presentation. Both sides have wagered large sums of money, making this situation particularly interesting.*

Since publication, this pick is up over 80%



## Hedge Fund Activity

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Scopia doubled its position to almost 17 million shares and \$300 million in market value, making it its second largest position. Citadel doubled its position to 3.4 million shares. Canyon made it its 10<sup>th</sup> largest position, now at almost 1 million shares.

## Company Background

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Spirit AeroSystems (SPR) is the largest manufacturer of fuselages and other aero-structures. It traces its history to Stearman Aircraft in the 1920s, which was acquired by Boeing in the late 1920s. In 2005, it was acquired by Onex, and in late 2006 it went public. Initially, the only customer was Boeing, but with the 2006 acquisition of BAE Systems' aero-structures business in Europe, it added Airbus and expanded geographically. Customer concentration continues to be an issue with its two major customers accounting for >95% of sales: Boeing 85% and Airbus >10%.

SPR's business requires a significant upfront investment to design and develop new products, and then it recoups that money once it starts shipping the product. It uses the contract method of accounting, which means that total revenue and total cost are estimated for a contract. Then, based on the percentage-of-completion method, revenue and expenses are recognized based on the units shipped in a period.

Under contract accounting, the revenues on the contracted units are easier to estimate, but costs require assumptions on a learning curve and supply chain efficiencies as volumes ramp up. The cost of manufacturing the first unit is very different than the cost to manufacture the 100<sup>th</sup> unit.

The company has to reassess its assumptions on a quarterly basis. If the assumptions prove correct, then shipments are booked at the predicted margin and earnings are very consistent. However, if assumptions are wrong, the company needs to make cumulative catch-up adjustments. If the contracted business ends up being more profitable than originally estimated, then the company will book a gain on already-delivered units, and adjust the forward margin higher. The opposite happens if costs end up higher than expected.

In the case that the costs already included in in-process inventory and the future costs required to complete a contract exceed the expected revenue for the contract, the company takes a charge to cost of goods sold and reduces the inventory to its realizable value, meaning that future booked revenues flow through at a zero margin. As sales from zero-margin contracts continue to increase, the company's margins get pressured.

SPR has developed many programs and extrapolates in part from past experience in order to figure out the correct assumptions. Nevertheless, after it went public it started expanding into new products and working with new customers, making its past experiences unreliable predictors. The result has been a number of lump-sum charges that have made its earnings very volatile.



## Current Situation

On October 25th, SPR announced \$590 million in pretax charges related to design changes and schedule delays that were not factored in to the company's original cost estimates for the development of the Boeing 787, G650 wing, G650 engine nacelle, and G280 wing programs.

Management blamed the higher-than-anticipated complexity of the company's diversification and growth strategy: it added manufacturing locations and started on many new development programs within a short timeframe, creating the perfect storm for the following years.

As a result of increasing supply chain, factory, and labor costs, SPR expects to incur a loss on many of these programs, which were previously accounted for at zero margin. The reason that SPR continues to be committed to these contracts is that it has already incurred high costs and they will be net-cashflow positive to the company.

On November 1st, it issued financial guidance for 2013 of \$5.8-6.0 billion sales (>10% growth year-over-year) and \$1.90-2.10 EPS, and the business should be cashflow breakeven.

Since publication, this pick is up a whopping 95%

## Bulls vs. Bears

Investors tend to get disappointed and sell off SPR, but then the company looks like a "cheap" bet on the aircraft refresh cycle and projected growth (both in units and in content in the new aircraft). The longer-term industry fundamentals are a great tailwind, but SPR has consistently disappointed investors with its performance, and structurally it seems to be poorly positioned.

Nevertheless, following such a large catch-up adjustment, perhaps there is the potential for upwards adjustments going forward. The idea being that, if a management team takes such a large charge, it is better off to be very conservative in its estimates in order to avoid any more charges in the future.

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This concludes the Q4 2012 edition of Hedge Fund Wisdom

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