



Value-oriented Equity Investment Ideas for Sophisticated Investors

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"If our efforts can further the goals of our members by giving them a discernible edge over other market participants, we have succeeded."

TM

Investing In The Tradition of Graham, Buffett, Klarman

Year IV, Volume V
June 1, 2011

When asked how he became so successful, Buffett answered:
"We read hundreds and hundreds of annual reports every year."

Top Ideas In This Report

Big Lots (NYSE: BIG)	108
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About The Manual of Ideas

Our goal is to bring you investment ideas that are compelling on the basis of value versus price. In our quest for value, we analyze the top holdings of top fund managers. We also use a proprietary methodology to identify stocks that are not widely followed by institutional investors.

Our research team has extensive experience in industry and security analysis, equity valuation, and investment management. We bring a "buy side" mindset to the idea generation process, cutting across industries and market capitalization ranges in our search for compelling equity investment opportunities.

THE SUPERINVESTOR ISSUE

- ▶ Screening for bargains owned by superinvestors
 - ▶ Latest holdings of 50+ top investors
 - ▶ 20 companies profiled by MOI research team
- ▶ Proprietary selection of Top 3 candidates for investment
 - ▶ Plus: Exclusive interview with Amitabh Singhi
 - ▶ Plus: Favorite stock screens for value investors

Superinvestor companies mentioned in this issue include
Activision Blizzard, Adventrx Pharma, Aeropostale, AIG, Alcoa, Alexander & Baldwin, Allied Nevada Gold, Amdocs, American Tower, Ascent Media, Autodesk, AVEO Pharmaceuticals, Avnet, Bank of NY Mellon, Barclays, Beazer Homes, Best Buy, Big Lots, BP, Bucyrus, CF Industries, ChinaCast Education, CIT Group, Commercial Metals, Con-way, Cooper Tire & Rubber, Costco Wholesale, Cresud, Crexus Investment, Crown Holdings, CVS Caremark, DaVita, Diamond Offshore, Dillard's, Duoyuan Global Water, EchoStar, El Paso, Eli Lilly, EMC, Expedia, First Horizon, Flowserve, Furiex Pharma, Gannett, General Motors, GenOn Energy, Halliburton, Hologic, Howard Hughes, IAC/InterActiveCorp, Intel, Interval Leisure, Ivanhoe Energy, Journal Comms, Kimberly-Clark, Kronos Worldwide, Lam Research, Lubrizol, MannKind, Markel, Market Leader, Masco, McDonald's, McGraw-Hill, Media General, Medicis Pharma, Meritor, Mylan, Nalco Holding, Net 1 UEPS Technologies, Noble Corp., NVR, Office Depot, Oritani Financial, Packaging Corp., Pennsylvania REIT, Petroleo Brasileiro, Pool, Qualcomm, Raytheon Financial, RLI Corp., Royal Caribbean, Sauer-Danfoss, Sealed Air Corp., Sealy, Snap-on, Spectrum Brands, Sunoco, SunTrust Banks, Symetra Financial, T. Rowe Price, Take-Two, Taylor Capital, Telefonica, Teradyne, TJX Companies, U.S. Bancorp, Vail Resorts, Valero Energy, Walter Energy, White Mountains, Xerium Technologies, XL Group, Yahoo!, and more.

(analyzed companies are underlined)

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50+ Portfolios With Signal Value™

Revealing the Top Ideas of Top Investors

“Signal value” as opposed to “noise.” We present the holdings of some of the world’s top investors. We look for investors who have amassed impressive track records over long periods of time. We choose these investors carefully to avoid the noise inherent in most 13F-HR filings.

The following analysis is based on Schedules 13F-HR (institutional holdings report) filed with the SEC for the most recent quarter, as well as Schedules 13G or 13D and Forms 3 or 4 filed subsequent to the end of the quarter.

MOI Signal Rank answers the question, “What are this investor’s top ten ideas right now?” Rather than simply presenting each investor’s largest holdings as of the recently filed quarter end, the *MOI*’s proprietary methodology ranks the companies in each investor’s portfolio based on the investor’s current level of conviction in each holding, *as judged by the MOI*.

Our proprietary methodology takes into account a number of variables, including the size of a position in an investor’s portfolio, the size of a position relative to the market value of the corresponding company, the most recent quarterly change in the number of shares owned, and the change in the stock price of a position since the most recent quarterly filing date.

For example, an investor might have the most conviction in a position that is only the tenth-largest position in such investor’s portfolio. This might be the case if an investor invests in a small company, resulting in a holding that is simply too small to rank highly based on size alone. On the other hand, such a holding might represent 19.9% of the shares outstanding of the subject company, suggesting a high level of conviction. Our estimate of the conviction level would rise further if the subject company has a 20% poison-pill threshold, thereby suggesting that the investor has bought as much of the subject company as is practically feasible.

Top investors included in this section:

- Bill Ackman, Pershing Square
- Chuck Akre, Akre Capital
- Zeke Ashton, Centaur Capital
- Jonathan Auerbach, Hound Partners
- Brian Bares, Bares Capital
- Bruce Berkowitz, Fairholme
- Richard Breeden, Breeden Capital
- Tom Brown, Second Curve
- Warren Buffett, Berkshire Hathaway
- Francis Chou, Chou Associates
- Chase Coleman, Tiger Global
- James Crichton, Scout
- Ian Cumming and Joe Steinberg, Leucadia
- Boykin Curry, Eagle
- **NEW** Charles de Vaulx, Int’l Value Advisors
- David Einhorn, Greenlight
- Phil Falcone, Harbinger
- Alan Fournier, Pennant
- Glenn Fuhrman and John Phelan, MSD Capital
- Jeffrey Gates, Gates Capital
- Tom Gayner, Markel Gayner
- Kian Ghazi, Hawkshaw
- Ed Gilhuly and Scott Stuart, Sageview
- Glenn Greenberg, Brave Warrior
- John Griffin, Blue Ridge
- Andreas Halvorsen, Viking Global
- Mason Hawkins, Southeastern
- Lance Helfert and Paul Orfalea, West Coast
- Chris Hohn, Children’s Investment Fund
- Carl Icahn, Icahn
- Robert Jaffe, Force Capital
- Rehan Jaffer, H Partners
- Seth Klarman, Baupost
- Eddie Lampert, ESL Investments
- Quincy Lee, Teton Capital
- Dan Loeb, Third Point
- Steve Mandel, Lone Pine
- Sandy Nairn, Edinburgh Partners
- Mohnish Pabrai, Pabrai Funds
- John Paulson, Paulson & Co.
- Boone Pickens, BP Capital
- Mark Rachesky, MHR
- Lisa Rapuano, Lane Five
- Larry Robbins, Glenview
- Alexander Ropers, Atlantic Investment
- Wilbur Ross, WL Ross
- Ken Shubin Stein, Spencer
- **NEW** Toby Symonds, Altai Capital
- David Tepper, Appaloosa
- Steve Tananbaum, GoldenTree
- **NEW** Jeffrey Ubben, ValueAct
- Prem Watsa, Fairfax
- Wally Weitz, Weitz Funds
- David Winters, Wintergreen
- **NEW** Meryl Witmer, Eagle Value

Akre Capital (Chuck Akre)

Chuck Akre has been in the investment business since 1968. While sometimes viewed as a small cap growth manager, Akre follows a value strategy that focuses on returns on equity, management quality and cash flow-oriented valuation analysis.

MOI Signal Rank™ – Top Current Ideas of Akre Capital

Company / Ticker	Market Value (\$mn)	Price		Shares Owned		Holdings as % of		P/E (Est.)		Price/Tang. Book
		Recent (\$)	Δ from Mar. 31	Recent ('000)	Δ from Dec. 31	Co.	Fund*	This FY	Next FY	
1 American Tower / AMT	21,275	53.64	4%	1,389	8%	<1%	14%	55x	41x	n/m
2 Dollar Tree / DLTR	7,646	62.53	13%	711	16%	<1%	8%	17x	15x	5.8x
3 Ross Stores / ROST	9,494	80.79	14%	632	12%	<1%	10%	15x	14x	6.8x
4 Lamar Advertising / LAMR	2,741	29.53	-20%	1,257	1%	1%	7%	>99x	>99x	n/m
5 O'Reilly Automotive / ORLY	7,981	57.89	1%	504	7%	<1%	6%	16x	14x	3.3x
6 LPL Investment / LPLA	3,801	34.92	-2%	98	>100%	<1%	1%	18x	14x	n/m
7 MasterCard / MA	33,493	277.57	10%	159	14%	<1%	8%	16x	14x	8.5x
8 Annaly Capital / NLY	14,639	18.00	3%	208	>100%	<1%	1%	7x	8x	1.2x
9 optionsXpress / OXPS	1,010	17.58	-4%	631	58%	1%	2%	18x	15x	>9.9x
10 Aeropostale / ARO	1,477	18.30	-25%	100	new	<1%	0%	9x	8x	4.2x

Top Holdings of Akre Capital – By Dollar Value

Company / Ticker	Market Value (\$mn)	Price		Shares Owned		Holdings as % of		P/E (Est.)		Price/Tang. Book
		Recent (\$)	Δ from Mar. 31	Recent ('000)	Δ from Dec. 31	Co.	Fund*	This FY	Next FY	
1 American Tower / AMT	21,275	53.64	4%	1,389	8%	<1%	14%	55x	41x	n/m
2 Ross Stores / ROST	9,494	80.79	14%	632	12%	<1%	10%	15x	14x	6.8x
3 Markel / MKL	4,028	414.42	0%	112	-3%	1%	9%	29x	24x	1.7x
4 Enstar Group / ESGR	1,382	100.87	1%	459	-1%	3%	9%	9x	8x	1.5x
5 Dollar Tree / DLTR	7,646	62.53	13%	711	16%	<1%	8%	17x	15x	5.8x
6 MasterCard / MA	33,493	277.57	10%	159	14%	<1%	8%	16x	14x	8.5x
7 Lamar Advertising / LAMR	2,741	29.53	-20%	1,257	1%	1%	7%	>99x	>99x	n/m
8 O'Reilly Automotive / ORLY	7,981	57.89	1%	504	7%	<1%	6%	16x	14x	3.3x
9 Hartford Financial / HIG	12,063	27.09	1%	753	0%	<1%	4%	7x	7x	.6x
10 FactSet Research / FDS	4,990	108.15	3%	154	-6%	<1%	3%	30x	26x	>9.9x

New Positions

Aeropostale / ARO
Enterprise Products / EPD
Entertainment Prop. / EPR
Exxon Mobil / XOM

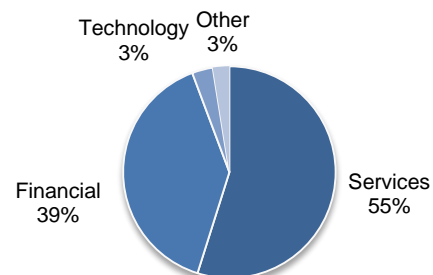
Sold Out Positions

Carter's / CRI
Enterprise GP / EPE
Fox Chase Bancorp / FXCB
Greenlight Re / GLRE
MSCI Inc. / MSCI
Transatlantic / TRH
Primo Water / PRMW
Visa / V
W.R. Berkley / WRB

Portfolio Metrics *

Portfolio size	\$524 million
Top 10 as % of portfolio	78%
Median market value	\$5.0 billion
Average market value	\$25 billion
Median P/E (this FY)	17x
Median P/E (next FY)	14x
Median P / tangible book	2.6x

Sector Weightings *



* Based on equity holdings disclosed in 13F-HR filings with the SEC. Excludes portfolio cash, leverage, certain non-U.S. holdings, and non-equity securities.

Screening 850+ Holdings of 50+ Superinvestors

Top 100, by Market Value

	Price (\$)	Move to 52-Week		Market Value (\$bn)	Enter. Value (\$bn)	TTM Rev./ EV	TTM GP/ EV	TTM NI/ MV	TTM FCF Yield	P/E (Est.)		Div. Yield	Tang. Book/ MV	5-Yr. EBIT Margin	Rev./ Empl. (\$'000)
		Low	High							This FY	Next FY				
Exxon Mobil / XOM	82	-31%	8%	402	405	101%	32%	9%	4%	9x	9x	2.3%	38%	16%	4,868
Apple / AAPL	335	-31%	9%	310	281	31%	12%	6%	7%	14x	12x	--	19%	22%	1,877
Royal Dutch Shell / RDS.A	70	-29%	12%	219	245	160%	36%	11%	-2%	8x	7x	4.8%	70%	11%	4,040
General Electric / GE	20	-30%	10%	208	593	26%	5%	7%	9%	14x	12x	3.1%	21%	12%	508
Petroleo Brasileiro / PBR	34	-8%	26%	207	289	42%	17%	9%	-11%	n/m	n/m	3.6%	66%	23%	1,561
Microsoft / MSFT	24	-7%	20%	207	168	41%	32%	11%	9%	9x	9x	2.6%	19%	37%	771
IBM / IBM	170	-29%	2%	206	223	46%	21%	7%	5%	13x	12x	1.8%	-3%	16%	238
Berkshire Hath. / BRK.A	118K	-13%	11%	195	210	66%	51%	6%	8%	19x	16x	--	57%	13%	530
Wal-Mart / WMT	55	-14%	5%	193	239	178%	45%	8%	4%	12x	11x	2.6%	25%	6%	203
Procter & Gamble / PG	67	-13%	1%	188	218	37%	19%	6%	5%	17x	16x	3.1%	-13%	20%	635
AT&T / T	31	-24%	2%	185	249	50%	29%	11%	3%	13x	12x	5.5%	-11%	13%	479
Johnson & Johnson / JNJ	66	-13%	3%	180	171	36%	25%	7%	4%	13x	12x	3.5%	14%	26%	540
Oracle / ORCL	34	-38%	7%	173	164	21%	16%	4%	5%	16x	14x	.7%	4%	34%	318
JPMorgan Chase / JPM	43	-18%	12%	171	n/m	n/m	n/m	11%	-17%	9x	8x	2.3%	62%	n/m	257
Google / GOOG	524	-17%	23%	169	135	23%	15%	5%	4%	15x	13x	--	25%	32%	1,183
Pfizer / PFE	21	-32%	3%	163	181	37%	29%	5%	9%	9x	9x	3.9%	-8%	20%	611
Coca-Cola / KO	68	-28%	1%	156	170	22%	14%	8%	1%	18x	16x	2.8%	3%	26%	273
Wells Fargo / WFC	28	-18%	22%	148	n/m	n/m	n/m	9%	17%	10x	8x	1.7%	47%	n/m	193
Vodafone / VOD	28	-35%	15%	145	197	38%	12%	9%	-2%	10x	10x	5.1%	18%	2%	876
BP / BP	45	-41%	10%	141	168	192%	15%	-2%	-9%	7x	7x	3.7%	56%	9%	4,050
TOTAL / TOT	57	-24%	14%	139	159	132%	44%	12%	-2%	7x	7x	5.5%	55%	16%	2,270
Philip Morris / PM	70	-39%	1%	125	140	49%	13%	6%	4%	15x	14x	3.6%	-8%	16%	877
Intel / INTC	23	-24%	3%	123	113	41%	26%	10%	4%	10x	10x	3.1%	26%	22%	494
Citigroup / C	41	-14%	26%	120	n/m	n/m	n/m	8%	-1%	10x	8x	.1%	111%	n/m	296
Bank of America / BAC	12	-6%	40%	117	n/m	n/m	n/m	-3%	51%	11x	7x	.3%	98%	n/m	255
Merck / MRK	37	-16%	2%	114	119	39%	24%	2%	4%	10x	10x	4.1%	4%	29%	496
Schlumberger / SLB	84	-38%	15%	113	118	27%	7%	4%	1%	22x	16x	1.2%	11%	23%	296
PepsiCo / PEP	71	-15%	1%	113		n/m	n/m	5%	4%	16x	15x	2.9%	-10%	17%	205
GlaxoSmithKline / GSK	43	-26%	2%	112	125	36%	26%	3%	1%	12x	11x	4.9%	-5%	28%	465
Telefonica / TEF	24	-25%	16%	109	184	48%	33%	13%	2%	9x	9x	8.3%	-36%	23%	310
Verizon / VZ	37	-33%	5%	105	152	70%	41%	11%	8%	17x	14x	5.2%	-59%	13%	544
ConocoPhillips / COP	73	-34%	13%	103	117	180%	34%	12%	2%	9x	8x	3.6%	64%	8%	7,133
Sanofi-Aventis / SNY	38	-27%	6%	101	104	44%	32%	5%	1%	8x	8x	4.8%	12%	18%	452
Anheuser-Busch / BUD	60	-25%	7%	98	138	27%	15%	7%	6%	16x	14x	2.0%	-42%	27%	323
Qualcomm / QCOM	57	-45%	4%	96	84	15%	10%	4%	2%	18x	17x	1.5%	22%	28%	736
Banco Santander / STD	11	-22%	24%	95	n/m	n/m	n/m	13%	-12%	n/m	n/m	7.6%	49%	40%	234
Cisco Systems / CSCO	17	-1%	57%	91	65	66%	41%	8%	10%	10x	10x	1.5%	30%	23%	606
Amazon.com / AMZN	199	-47%	4%	90	83	45%	10%	1%	2%	80x	52x	--	6%	4%	974
McDonald's / MCD	82	-21%	1%	85	96	26%	10%	6%	2%	16x	15x	3.0%	14%	25%	61
Abbott Labs / ABT	54	-17%	1%	83	95	38%	22%	5%	6%	12x	11x	3.6%	-5%	18%	406
Occidental Petrol. / OXY	100	-28%	17%	82	84	24%	17%	6%	-5%	12x	10x	1.8%	41%	41%	1,831
Walt Disney / DIS	42	-26%	7%	78	88	45%	8%	6%	4%	16x	14x	1.0%	6%	18%	265
Hewlett-Packard / HPQ	36	0%	37%	78	88	145%	36%	12%	10%	7x	7x	.9%	-6%	9%	394
UPS / UPS	74	-24%	4%	73	80	63%	16%	5%	0%	17x	15x	2.8%	7%	9%	126
AstraZeneca / AZN	52	-22%	4%	71	68	49%	40%	11%	7%	7x	9x	5.8%	2%	31%	545
Goldman Sachs / GS	135	-4%	30%	70	n/m	n/m	n/m	11%	1%	9x	7x	1.0%	92%	n/m	1,182
Comcast / CMCSA	25	-35%	8%	69	107	38%	20%	6%	7%	16x	13x	1.8%	-92%	19%	401
Caterpillar / CAT	104	-47%	12%	67	92	51%	14%	6%	2%	16x	12x	1.7%	14%	9%	449
3M / MMM	94	-22%	5%	66	68	41%	19%	6%	3%	15x	13x	2.4%	11%	23%	345
Visa / V	78	-17%	7%	65	61	14%	12%	5%	5%	16x	14x	.8%	5%	22%	1,269

	Price (\$)	Move to 52-Week		Market Value (\$bn)	Enter. Value (\$bn)	TTM Rev./EV	TTM GP/ EV	TTM NI/ MV	TTM FCF Yield	P/E (Est.)		Div. Yield	Tang. Book/ MV	5-Yr. EBIT Margin	Rev./ Empl. (\$'000)
		Low	High							This FY	Next FY				
Suncor Energy / SU	41	-32%	19%	64	72	52%	27%	5%	1%	n/m	n/m	1.1%	53%	15%	3,128
Kraft Foods / KFT	35	-22%	1%	62	90	56%	21%	5%	-1%	16x	14x	3.3%	-45%	12%	397
American Express / AXP	51	-27%	2%	62	n/m	n/m	n/m	7%	10%	13x	12x	1.4%	28%	16%	488
ABB / ABB	26	-39%	5%	60	58	57%	17%	5%	3%	17x	14x	2.6%	12%	13%	284
Home Depot / HD	37	-28%	6%	59	68	100%	34%	6%	3%	16x	14x	2.7%	29%	9%	359
Novo Nordisk / NVO	124	-41%	7%	58	56	21%	17%	5%	3%	22x	19x	1.5%	11%	27%	386
Altria Group / MO	28	-30%	1%	58	67	36%	14%	7%	-1%	14x	13x	5.5%	-20%	24%	2,425
EMC / EMC	28	-39%	2%	58	56	32%	19%	4%	5%	19x	16x	--	7%	12%	366
Amgen / AMGN	61	-17%	1%	57	52	29%	25%	8%	9%	12x	11x	--	19%	33%	887
AIG / AIG	31	-13%	71%	55	136	56%	11%	16%	315%	9x	10x	--	154%	n/m	1,209
Barclays / BCS	18	-14%	23%	54	n/m	n/m	n/m	14%	-64%	11x	9x	2.0%	127%	27%	220
UnitedHealth / UNH	50	-45%	3%	54	56	173%	43%	9%	9%	12x	11x	1.0%	1%	9%	1,108
CVS Caremark / CVS	38	-30%	1%	52	60	165%	34%	6%	6%	14x	12x	1.3%	5%	6%	490
Diageo / DEO	83	-29%	2%	52	64	25%	15%	6%	1%	16x	15x	3.0%	-6%	28%	683
Union Pacific / UNP	102	-35%	3%	50	58	30%	22%	6%	3%	16x	13x	1.9%	36%	23%	397
General Motors / GM	31	-6%	27%	49	42	334%	41%	11%	15%	8x	6x	--	-28%	n/m	684
U.S. Bancorp / USB	25	-19%	15%	49	n/m	n/m	n/m	7%	17%	12x	10x	2.0%	33%	n/m	202
Bristol Myers / BMY	28	-22%	2%	48	47	42%	31%	10%	4%	13x	14x	4.7%	15%	23%	729
Apache / APA	123	-33%	9%	47	56	24%	19%	7%	4%	10x	9x	.5%	49%	30%	2,999
Baidu.com / BIDU	135	-51%	16%	47	46	3%	2%	1%	0%	51x	34x	--	3%	37%	128
MetLife / MET	44	-20%	10%	47	96	58%	23%	6%	16%	9x	8x	1.7%	81%	6%	840
News Corp. / NWSA	17	-34%	4%	47	50	65%	24%	7%	4%	16x	13x	.9%	12%	8%	638
Teva Pharma / TEVA	50	-10%	15%	46	52	32%	18%	7%	7%	10x	9x	1.6%	3%	17%	417
Canadian Natural / CNQ	42	-29%	24%	46	55	24%	14%	2%	0%	n/m	n/m	.9%	46%	29%	2,775
Barrick Gold / ABX	46	-13%	22%	46	48	24%	15%	8%	0%	n/m	n/m	1.1%	30%	12%	571
Medtronic / MDT	42	-27%	3%	45	52	30%	23%	7%	6%	12x	12x	2.1%	7%	24%	403
Potash / POT	52	-46%	23%	45	50	14%	6%	5%	2%	n/m	n/m	.5%	16%	34%	1,281
Eli Lilly / LLY	38	-17%	2%	45	44	53%	43%	11%	9%	9x	10x	5.1%	21%	18%	614
Halliburton / HAL	47	-55%	9%	43	45	43%	8%	5%	-1%	16x	12x	.8%	22%	20%	325
Colgate Palmolive / CL	87	-16%	1%	42	45	35%	20%	6%	3%	17x	16x	2.7%	-2%	21%	401
eBay / EBAY	32	-41%	9%	42	37	26%	18%	4%	5%	17x	15x	--	21%	19%	537
Accenture / ACN	57	-37%	1%	41	36	68%	21%	5%	5%	n/m	n/m	1.6%	6%	12%	121
Emerson Electric / EMR	54	-21%	15%	41	44	51%	20%	6%	4%	17x	14x	2.6%	-1%	14%	177
Texas Instruments / TXN	35	-35%	5%	41	38	37%	20%	8%	4%	14x	12x	1.5%	23%	24%	498
Walgreen / WAG	44	-41%	2%	41	41	171%	49%	6%	6%	17x	15x	1.6%	31%	6%	395
Nike / NKE	85	-22%	9%	40	36	55%	26%	5%	3%	20x	18x	1.5%	23%	13%	586
Brookfield Asset / BAM	33	-35%	3%	40	72	20%	5%	8%	1%	n/m	n/m	1.6%	21%	9%	788
Royal Bank Scotland / RBS	14	-14%	24%	39	n/m	n/m	n/m	-6%	189%	n/m	n/m	--	245%	n/m	246
DIRECTV / DTV	50	-34%	1%	38	48	51%	26%	6%	6%	15x	12x	--	-16%	14%	1,070
BlackRock / BLK	198	-30%	6%	38	40	22%	12%	6%	4%	15x	13x	2.8%	-10%	29%	957
Anadarko Petroleum / APC	75	-54%	15%	37	47	24%	20%	1%	0%	23x	18x	.5%	42%	29%	2,522
Morgan Stanley / MS	24	-6%	30%	37	n/m	n/m	n/m	12%	48%	11x	8x	.8%	101%	n/m	593
POSCO / PKX	103	-15%	17%	37	36	68%	19%	10%	0%	9x	9x	2.2%	48%	16%	815
Marathon Oil / MRO	51	-42%	6%	36	39	200%	31%	9%	7%	8x	8x	2.0%	64%	9%	2,629
Costco Wholesale / COST	83	-36%	1%	36	33	247%	32%	4%	4%	25x	22x	1.2%	32%	3%	1,000
Monsanto / MON	66	-33%	16%	36	36	30%	15%	4%	4%	23x	20x	1.7%	18%	20%	508
Enterprise Products / EPD	42	-33%	7%	35	49	72%	5%	4%	-6%	22x	20x	5.7%	21%	6%	6,978
Devon Energy / DVN	83	-29%	13%	35	39	23%	18%	5%	-6%	13x	10x	.8%	37%	7%	1,773
Bank of NY Mellon / BK	28	-16%	15%	35	n/m	n/m	n/m	8%	7%	12x	10x	1.8%	24%	57%	73
Baxter International / BAX	60	-33%	0%	34	37	36%	18%	6%	4%	14x	13x	2.1%	12%	19%	275

Abbreviations: MV = market value, EV = enterprise value, Rev. = revenue, GP = gross profit, NI = net income, FCF = free cash flow.

Aeropostale (ARO) — Akre ↑↑

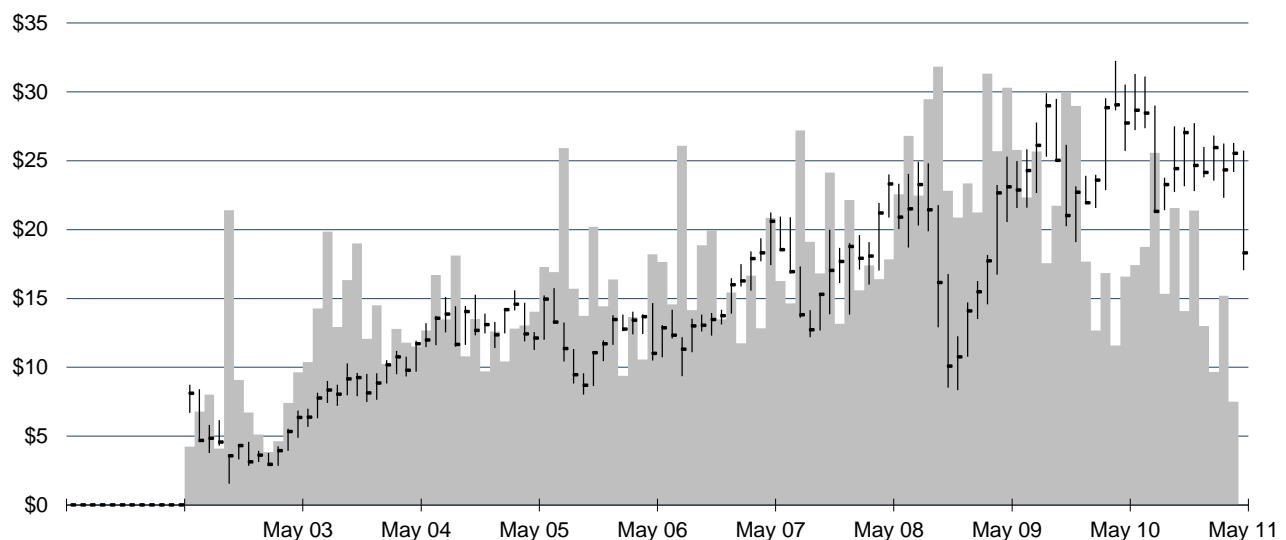
Services: Retail (Apparel), Member of S&P MidCap 400

New York, NY, 646-485-5410

www.aeropostale.com

Trading Data	Consensus EPS Estimates			Valuation	
Price: \$18.30 (as of 5/20/11)		Month	# of	P/E FYE 1/29/11	7x
52-week range: \$17.06 - \$31.31		<u>Latest</u>	<u>Ago</u>	<u>Ests</u>	
Market value: \$1.5 billion	This quarter	\$0.27	\$0.40	31	P/E FYE 1/31/12 9x
Enterprise value: \$1.3 billion	Next quarter	0.56	0.62	31	P/E FYE 1/30/13 8x
Shares out: 80.7 million	FYE 1/31/12	1.93	2.33	32	P/E FYE 1/30/14 7x
Ownership Data	FYE 1/30/13	2.29	2.61	29	EV/ LTM revenue 0.6x
Insider ownership: 1%	FYE 1/30/14	2.65	2.94	4	EV/ LTM EBIT 4x
Insider buys (last six months): 17	LT growth	12.9%	12.4%	12	P / tangible book 4.2x
Insider sales (last six months): 9	<u>EPS Surprise</u>	<u>Actual</u>	<u>Estimate</u>	Greenblatt Criteria	
Institutional ownership: 92%	5/19/11	\$0.20	\$0.20	LTM EBIT yield	25%
				LTM pre-tax ROC	>100%

Operating Performance and Financial Position										
(\$ millions, except per share data)	Fiscal Years Ended							LTME 4/30/11	FQE 5/1/10	FQE 4/30/11
	1/29/05	1/28/06	2/3/07	2/2/08	1/31/09	1/30/10	1/29/11			
Revenue	964	1,204	1,413	1,591	1,886	2,230	2,400	2,406	464	469
Gross profit	320	362	455	553	654	847	886	840	183	137
Operating income	136	135	168	203	248	383	387	339	75	28
Net income	84	84	107	129	149	230	231	202	45	16
Diluted EPS	0.65	0.67	0.88	1.15	1.47	2.27	2.49	2.23	0.48	0.20
Shares out (avg)	125	124	120	111	100	100	92	89	94	83
Cash from operations	137	144	177	171	202	334	264	n/a	7	n/a
Capex	48	58	45	82	83	54	101	n/a	15	n/a
Free cash flow	89	86	133	89	119	281	163	n/a	(8)	n/a
Cash & investments	182	225	276	112	229	347	266	139	313	139
Total current assets	280	339	399	285	394	530	470	341	486	341
Intangible assets	3	3	1	0	0	0	0	0	0	0
Total assets	406	504	581	514	658	792	773	654	758	654
Short-term debt	0	0	0	0	0	0	0	0	0	0
Total current liabilities	97	126	165	197	175	242	216	172	193	172
Long-term debt	0	0	0	0	0	0	0	0	0	0
Total liabilities	168	219	269	317	303	358	341	301	305	301
Preferred stock	0	0	0	0	0	0	0	0	0	0
Common equity	238	285	312	197	355	435	433	353	453	353
EBIT/capital employed	>100%	100%	>100%	>100%	>100%	>100%	>100%	>100%	n/m	n/m

Ten-Year Stock Price Performance and Trading Volume Dynamics


BUSINESS OVERVIEW

Aeropostale is a mall-based retailer of casual apparel and accessories. It sells own-brand merchandise solely through two store concepts (including related e-commerce sites):

Aeropostale targets 14-17 year-old kids through 914 stores in the U.S. and 60 stores in Canada (all stores are leased).

P.S. from Aeropostale targets 7-12 year-old children through 57 stores in the U.S. (all stores are leased).

INVESTMENT HIGHLIGHTS

- **Mall-based, teen apparel retailer** with a proven business model. Aeropostale, which maintains control over its proprietary brands by designing, sourcing and selling all of its own merchandise, has delivered superior returns on capital in the past.
- **EV-to-five-year average EBIT is <5x despite 20+% higher store square footage today.** While EV-to-trailing EBIT is ~4.0x, EBIT declined 60+% y-y in the April quarter. However, even on lower run-rate profitability, the valuation is intriguing.
- **~\$140 million of cash and no debt** as of April 30. The net cash balance sheet (ignoring fixed operating lease liabilities) affords management with flexibility to restructure/exit unprofitable stores quickly.
- **Consistently profitable and cash-generative throughout the weak U.S. economy.** Despite recent same-store sales declines, Aeropostale has an impressive track record and remains profitable.
- **Repurchased 4.2 million shares for ~\$100 million in the April quarter** (~\$24/share). While some past buybacks have been ill-timed, Aeropostale has a consistent track record of returning capital.
- **Exploiting capital-light growth models online and through licensing.** E-commerce sales increased 18% y-y to \$28 million in F1Q11 (6% of revenue).
- **Terminated co-CEO structure** by promoting Thomas Johnson (53) to sole CEO in late 2010.

COMPARABLE PUBLIC COMPANY ANALYSIS

	MV (\$mn)	EV (\$mn)	EV / Rev.	P / Tang. Book	This FY P/E	Next FY P/E
GPS	11,200	9,980	.7x	3.0x	11x	9x
ANF	6,520	5,760	1.7x	3.4x	24x	16x
AEO	2,630	1,900	.6x	2.0x	13x	12x
PLCE	1,320	1,110	.7x	2.1x	15x	13x
ARO	1,480	1,340	.6x	4.2x	9x	8x

MAJOR HOLDERS

Insiders 1% | BlackRock 11% | FMR 7% | Wellington 6% | Hussman 6% | Vanguard 5% | State Street 4% | Perkins 3%

SELECTED OPERATING DATA

FYE January 31	2007	2008	2009	2010	2011	YTD ¹ 4/30/11
Δ same-store sales	2%	3%	8%	10%	1%	-7%
Δ stores (end)	11%	12%	10%	4%	6%	7%
Δ sales / avg sq ft	2%	0%	5%	9%	0%	n/m
Δ inventory / sq ft (end)	0%	20%	-17%	-2%	9%	n/a
Δ revenue	17%	13%	19%	18%	8%	1%
Revenue (\$bn)	1.4	1.6	1.9	2.2	2.4	0.5
<i>% of revenue by category:</i>						
Women's	72%	72%	71%	70%	69%	n/a
Men's	28%	28%	29%	30%	31%	n/a
<i>Selected items as % of revenue:</i>						
Gross profit	32%	35%	35%	38%	37%	29%
EBIT	12%	13%	13%	17%	16%	6%
Net income	8%	8%	8%	10%	10%	3%
D&A	2%	2%	2%	2%	2%	2%
Capex	3%	5%	4%	2%	4%	5%
<i>Selected operational metrics:</i>						
Stores (end)	742	828	914	952	1,012	1,027
Avg square footage (mn)	2.6	2.8	3.1	3.4	3.6	3.7
Sales/avg square foot (\$)	543	545	572	624	626	n/m
Return on tang. equity	36%	51%	54%	58%	53%	16% ²
Tangible equity to assets	55%	46%	47%	54%	55%	57%
Δ shares out (avg)	-3%	-7%	-10%	-1%	-8%	-12%

¹ The April quarter is a seasonally weak quarter. Due to the back-to-school and holiday seasons, the third and fourth fiscal quarters are historically the strongest.
² Annualized.

INVESTMENT RISKS & CONCERNS

- **“Intensely promotional” teen apparel retail sector pressuring same-store sales and margins.** Same-store sales declined 7% y-y in the April quarter, while gross margin was down by 10 percentage points to 29%. Net income declined ~65% y-y.
- **Changing fashion trends and low entry barriers** may make historical performance irrelevant in assessing future growth and profitability prospects.
- **Low worst-case downside protection,** as tangible book is only \$350 million. All stores are leased.
- **“P.S.” brand may prove unsuccessful.** A previous effort to enter a new age segment failed: Jimmy'Z, launched in 2005, was shut in '09. Returning capital may be a better option than growing to 500+ P.S. stores (store potential as estimated by management).
- **Dependence on mall traffic may hurt** if economic weakness persists in the U.S.

RATINGS

VALUE Intrinsic value materially higher than market value?	☆☆☆☆
DOWNSIDE PROTECTION Low risk of permanent loss?	☆☆☆
MANAGEMENT Capable and properly incentivized?	☆☆☆
FINANCIAL STRENGTH Solid balance sheet?	☆☆☆☆
MOAT Able to sustain high returns on invested capital?	☆☆☆
EARNINGS MOMENTUM Fundamentals improving?	☆☆
MACRO Poised to benefit from economic and secular trends?	☆☆☆

THE BOTTOM LINE

Aeropostale is a well-managed apparel retailer with a consistent track record of profitable growth. In a fickle and competitive teen apparel retail industry, however, even the best companies are not immune to “stumbling.” While only time will tell whether recent same-store sales declines and margin pressure is temporary, the ~30% share price fall since early May discounts a rather pessimistic outlook. Enterprise value-to-EBIT is less than 5x, based on *average* EBIT during the last five years (ignores 20+% higher recent store square footage). The lack of tangible asset protection tempers our enthusiasm only slightly.

Favorite Stock Screens For Value Investors

"Magic Formula," based on Trailing Operating Income

Companies with high returns on capital employed, trading at high trailing EBIT-to-enterprise value yield

Company	Ticker	Price (\$)	Move To 52-Week		MV (\$mn)	EV (\$mn)	EV/Sales	Trailing EBIT/EV	EBIT/Capital Employed	Tax Rate	Price/Tangible Book	Insiders		
			Low	High								% Own.	Buys/Sells	
1	Daily Journal	DJCO	75.00	-17%	7%	104	26	.7x	44%	infinite	37%	1.5x	0%	- / -
2	Unisys	UIS	27.68	-38%	49%	1,191	977	.2x	37%	7640%	34%	n/m	1%	19 / 12
3	ITT Educational	ESI	68.49	-27%	62%	1,923	1,732	1.1x	35%	infinite	39%	>9.9x	1%	15 / 4
4	Argan	AGX	9.78	-24%	13%	133	50	.3x	34%	infinite	41%	1.7x	2%	- / -
5	Bridgepoint Edu.	BPI	20.08	-37%	20%	1,061	761	1.0x	33%	infinite	40%	3.8x	0%	6 / 6
6	SuperGen	SUPG	2.99	-43%	9%	181	56	1.0x	30%	infinite	1%	1.4x	0%	- / -
7	PDL BioPharma	PDLI	6.63	-30%	2%	926	1,290	3.5x	25%	infinite	38%	n/m	0%	1 / -
8	ACADIA Pharma	ACAD	2.03	-68%	63%	107	70	1.7x	22%	infinite	n/m	3.6x	0%	- / -
9	ePlus	PLUS	25.87	-36%	17%	219	195	.2x	22%	infinite	39%	1.2x	2%	5 / 4
10	* DepoMed	DEPO	8.23	-69%	26%	442	307	2.1x	22%	infinite	n/m	3.5x	0%	5 / 2
11	Apollo Group	APOL	40.97	-18%	37%	5,802	4,959	1.0x	28%	518%	60%	5.5x	3%	13 / 9
12	Tessera Technologies	TSRA	18.08	-17%	28%	924	425	1.4x	30%	412%	43%	1.7x	1%	6 / 5
13	Metropolitan Health	MDF	4.67	-31%	14%	192	145	.4x	30%	381%	39%	2.7x	3%	4 / 5
14	Career Education	CECO	22.00	-26%	35%	1,707	1,310	.6x	26%	419%	33%	4.0x	1%	15 / 11
15	Power-One	PWER	8.73	-28%	49%	905	717	.6x	45%	240%	39%	2.9x	3%	12 / 3
16	Dell	DELL	16.01	-29%	6%	30,527	23,658	.4x	18%	infinite	20%	>9.9x	13%	13 / 11
17	Amerigroup	AGP	69.04	-56%	4%	3,425	2,764	.5x	18%	infinite	37%	3.5x	2%	20 / 17
18	ViroPharma	VPHM	18.54	-44%	20%	1,408	1,061	2.2x	22%	327%	38%	5.5x	0%	6 / 6
19	* Ascena Retail	ASNA	31.24	-34%	8%	2,444	2,044	.7x	46%	186%	8%	3.6x	6%	3 / 4
20	Oshkosh	OSK	28.25	-13%	42%	2,573	3,294	.4x	27%	212%	33%	n/m	0%	12 / 5
21	Veeco Instruments	VECO	54.79	-46%	2%	2,232	1,627	1.5x	20%	301%	11%	3.0x	1%	5 / 5
22	United Online	UNTD	5.94	-20%	26%	527	679	.7x	16%	infinite	40%	n/m	5%	9 / 10
23	Microsoft	MSFT	24.49	-7%	20%	206,519	168,284	2.5x	16%	infinite	22%	5.2x	4%	11 / 10
24	* Cray	CRAY	6.52	-31%	29%	236	114	.3x	26%	180%	7%	1.7x	3%	- / 9
25	* Capella Education	CPLA	48.25	-3%	100%	759	573	1.3x	17%	476%	37%	3.8x	6%	10 / 2
26	Forest Labs	FRX	35.37	-32%	0%	10,119	6,385	1.4x	21%	198%	22%	2.2x	1%	8 / 9
27	* Amtech Systems	ASYS	21.91	-63%	41%	210	142	.7x	26%	161%	40%	2.4x	2%	8 / 7
28	DeVry	DV	51.90	-30%	20%	3,570	2,971	1.4x	16%	599%	33%	5.7x	2%	8 / 6
29	Almost Family	AFAM	31.01	-24%	31%	290	236	.7x	21%	189%	40%	3.9x	10%	10 / 4
30	* Smart Technologies	SMT	7.06	-2%	155%	320	540	.7x	23%	145%	34%	n/m	0%	- / -
31	* Kulicke and Soffa	KLIC	11.87	-56%	7%	855	675	.8x	26%	130%	3%	2.8x	2%	14 / 12
32	IDT Corp.	IDT	27.07	-69%	13%	485	267	.2x	14%	infinite	6%	2.6x	18%	11 / 3
33	H&R Block	HRB	16.33	-38%	10%	4,985	5,280	1.4x	14%	infinite	36%	n/m	0%	1 / -
34	InterDigital	IDCC	42.67	-44%	37%	1,935	1,408	3.9x	14%	infinite	36%	7.9x	1%	17 / 11
35	AutoChina	AUTC	28.24	-30%	41%	556	403	.6x	14%	infinite	22%	2.4x	0%	- / -
36	* Magellan Health	MGLN	51.95	-33%	4%	1,661	1,167	.4x	20%	149%	38%	3.3x	0%	8 / 8
37	Providence Service	PRSC	13.48	-12%	36%	175	287	.3x	18%	177%	43%	n/m	2%	6 / 2
38	AmSurg	AMSG	25.42	-36%	10%	795	1,038	1.4x	22%	131%	16%	n/m	3%	6 / 6
39	SanDisk	SNDK	46.46	-29%	15%	11,075	9,837	2.0x	15%	356%	12%	1.9x	0%	8 / 10
40	Lihua International	LIWA	7.40	-13%	76%	222	134	.3x	44%	112%	27%	1.3x	47%	2 / -
41	Rimage	RIMG	14.45	-3%	26%	137	20	.2x	66%	108%	37%	1.1x	1%	3 / 2
42	EarthLink	ELNK	7.77	-1%	20%	855	901	1.3x	20%	138%	42%	2.6x	1%	11 / 5
43	USA Mobility	USMO	15.42	-21%	25%	341	369	1.6x	16%	206%	n/m	7.5x	2%	12 / 1
44	* Teradyne	TER	15.84	-44%	21%	2,937	2,236	1.4x	19%	141%	4%	2.6x	0%	5 / 5
45	* Research In Motion	RIMM	43.52	-2%	62%	22,975	20,854	1.0x	22%	121%	27%	3.5x	0%	- / -


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* New additions are highlighted. Screening criteria: ► Market value > \$100 million ► ADRs and banks excluded



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