



PROMISED LAND ANDREW FEINBERG

A Blog Worth Reading

As a private money manager, I'm always open to new ideas, no matter where I find them. Recently, I found a great blogger who has helped me line my pockets and those of my investors. Todd Sullivan, 42, of Westborough, Mass., has no formal training, but he is a rigorous analyst whose posts are always illuminating. His chapter-and-verse analysis of

mall operator General Growth Properties, which is in bankruptcy reorganization, has been characterized by both brilliance and common sense, a rare combination in the blogosphere.

The background. Sullivan started blogging three years ago, after selling a pool-installation company and a gym and deciding to focus on managing his money. I discovered him on the Web site Seeking Alpha, an excellent source of investment ideas. You can read his general musings at no charge at www.valueplays.net, but his stock picks cost \$50 a month or \$400 a year. Sullivan, who has 300 paid subscribers, says his portfolio gained 461% in 2009 and lost a relatively modest 18% in 2008.

Sullivan is a true deep-value investor. Since he began blogging, he has owned shares of McDonald's, Dow Chemical, Sears Holdings and a grab bag of small-company stocks.

Recently, Sullivan's top picks—the stocks with the biggest potential gains relative to their risks—were **GENERAL GROWTH (SYMBOL GGP)**, **JAMBA INC. (JMBA)** and **DOW CHEMICAL (DOW)**. Dow is a play not only on a global economic recovery but also on the company's relatively little-known agribusiness, which Sullivan believes will be enormous in three or four years. Dow traded at \$30 in mid March.

Jamba, the most speculative pick, owns and franchises Jamba Juice stores. Sullivan thinks the stock, recently \$2.04, could hit \$3.50 by the end of 2011 as the company rolls out new hot beverages and take-home smoothie mixes for West Coast supermarkets.

Unable to refinance its debt because of the credit crisis, General Growth filed for Chapter 11 in April 2009. Sullivan began investing in the real estate investment trust at 49 cents a share and added to his position twice

as the stock vaulted to \$15 by mid March (the shares were \$4 when I suggested them in my January column). Sullivan thinks the shares could double after General Growth emerges from bankruptcy in a plan led by Brookfield Asset Management. Or, he says, the company could be acquired for \$18 to \$22 a share by one of many potential buyers circling around.

Sullivan's mettle was tested in December when hedge-fund manager Eric Hovde issued a report saying General Growth's true value was between \$0 and \$5 per share. The stock

for General Growth: For potential buyers, it is a once-in-a-lifetime opportunity.

Update. There have been developments aplenty with my top stock picks for 2010, so a review is warranted (see "Promised Land," Jan.). I still love General Growth, and it remains my second-largest holding. Ideally, I will continue to own the shares when the company emerges from bankruptcy.

I sold KVH Industries (KVHI) at about \$12.50 because I was concerned about its earnings guidance. The stock, \$11 when

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promptly tanked. I thought Hovde's analysis was deeply flawed because he assumed that General Growth's properties were comparable in quality to those that another shopping-mall REIT had recently sold. They aren't. At any rate, Sullivan helped buttress my confidence in the stock. He showed that some of the figures Hovde used in valuing the company were misleading. He also noted that Hovde dismissed the most salient point of the case

I recommended it, traded at \$13 in mid March.

My final pick, Medivation (MDVN), was a disaster. The stock lost two-thirds of its value on March 3 after the company announced that Dimebon, once thought to be a promising new drug for treating Alzheimer's, didn't work in a late-stage trial. I sold all of my shares. ■

COLUMNIST ANDREW FEINBERG WRITES ABOUT THE CHOICES AND CHALLENGES FACING INDIVIDUAL INVESTORS. FEINBERG OWNS SHARES OF GENERAL GROWTH PROPERTIES, DOW CHEMICAL AND JAMBA INC.

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