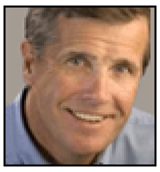

The Top 10 List is Thriving

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Lady Luck isn't going to bail you out in this cycle. You're either in sync or you're not. The performance disparity between those who are and those who aren't makes the Grand Canyon look narrow.

Back in the 1980s and '90s, you could get lazy, sloppy or both -- and still make money. If you bought an **S&P** index fund, for example, you'd outperform just about anybody and anything. That's not the case in this cycle. Those who buy S&P 500 index funds are leaving heaping piles of money on the table, as I'll show below in my quarterly update of the Top 10 list for 2010.

Like the list for 2009 -- which is currently up 117% since it was posted on these pages in December 2008 vs. an S&P gain of 30% -- the list for 2010 is easily beating the S&P 500. It's up 17% since it was posted in December vs. an S&P return of just 3%. (Note that the calculation is based on prices as of the time the columns were posted.)

Which of the picks below are still worth buying? That's an easy one -- all of them. Since each stock still trades considerably below what I think is a conservative estimate of value, they should be bought.

Name	Ticker	Initial Price	Current Price	% Return
Metro Bank	METR	$ 10.59	$ 12.73	20.2%
Liz Claiborne	LIZ	$ 4.64	$ 7.35	58.4%
SmartBalance	SMBL	$ 5.60	$ 5.56	-.7%
Huntsman	HUN	$ 10.75	$ 13.52	25.8%
Leucadia	LUK	$ 22.67	$ 25.02	10.4%
NCR	NCR	$ 10.40	$ 13.27	27.6%
MEMC Electronics	WFR	$ 12.88	$ 13.63	5.8%
Manitowoc	MTW	$ 10.18	$ 12.65	24.3%
Humboldt Wedag	KHD	$ 13.72	$ 13.93	1.5%
Legg Mason	LM	$ 29.30	$ 28.81	-1.7%
			AVERAGE	**17.2%**

For those most sensitive to risk, I'd recommend **NCR** (NCR), **Humboldt Wedag** (KHD) and **Legg Mason** (LM). NCR has a good chance to trade in the $20s in the near future as a pension requirement that masks a healthy cash earnings stream will soon become less of an issue.

Humboldt Wedag is in the process of splitting its stock into two publicly traded entities -- one will be a cement plant engineering firm with healthy growth prospects in emerging economies, the other will be a mineral royalty company. Like NCR, Humboldt Wedag boasts a cash-rich, debt-free balance sheet.

While Legg Mason isn't likely to get back over the $100-a-share threshold that it frequently traded at before the credit crisis, it should at least double from its current quote. Fair value is not difficult to compute here given the number of publicly traded comparables, such as **Franklin Resources** (BEN), **T. Rowe Price** (TROW) and **Janus Capital Group** (JNS).

For those looking for the most upside -- this assumes, by the way, that you're willing to be an owner of the stock for three to five years or even longer -- then I'd recommend **Metro Bancorp** (METR), **MEMC Electronics** (WFR) and **Manitowoc** (MTW). Each has prospective upside that is several times its current quote, with MEMC having perhaps the most upside. At least with MEMC, you can look to 2007 and see that it traded over $90; patient investors stand a good chance of seeing MEMC get back to those lofty levels.

Why Is the Market So Easy to Beat?

There are two primary reasons the S&P 500 is easy to beat in this cycle. One is not too hard to figure out: The big-cap stocks that dominate the indices are just not that undervalued. In many cases, they've either fully recovered from the mega-bear market or they've very nearly recovered.

The second reason is a little less obvious, but you can see it by engaging in a cursory review of the companies on the Top 10 list. With the notable exception of **Liz Claiborne** (LIZ), the companies don't need to "fix" anything. In other words, their stocks were crushed during the bear market for only one reason, a reason that's external to the companies -- namely, a sourpuss of an economy.

As the economy improves, these companies are set to enjoy the fruits of their labors. They've been busy scrubbing operations, fine-tuning efficiency to levels that will become evident with a better economy.

I should mention, too, that of the three things Liz Claiborne had to fix -- improving liquidity, bringing the historic Claiborne brand back to profitability and restoring the pre-eminence of the Mexx brand in Europe -- the first two have been accomplished. We'll see about Mexx, but early indications are that it will be back to profitability in 2011.

The Future Is Quite Promising

When should investors begin to worry that an end to the bull cycle is nigh? It'll end as all bull cycles do -- when complacency returns to the market and enthusiasm about equities once again predominates, the bull's days will be numbered. We're not even close now. There is an abject lack of interest in stocks (investors continue to be net sellers of equity funds) because of the psychological damage wrought by 10 years of underperformance punctuated by a ravaging bear market that ended in March 2009.

It's a safe bet to say that it will take years, not months, to restore confidence in stocks, the asset class that outperforms all other asset classes over the long term by a factor of 2-to-1 or more.

At time of publication, Alsin and/or ACM was long METR, LIZ, SMBL, HUN, LUK, NCR, WFR, MTW, KHD and LM, although holdings can change at any time. Arne Alsin is the founder and principal of Alsin Capital Management, a California-based investment adviser. Under no circumstances does the information in this column represent a recommendation to buy or sell stocks.