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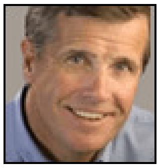

Top Ten for 2010: Part 2

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It's the analytical edge available to all, but employed by few: Go deep. Few investors take the time to dig into the data, to learn anything and everything about a company before they invest.

Many investors probably don't have the time. I estimate it takes at least 20 hours of research and study to get a rudimentary understanding of a company's operations. And that's only the first review. More company-specific analysis is required, as well as a detailed consideration of every major peer-group company.

Though the effort required to go deep is substantial, the payoff is just as great. It's how all truly wonderful opportunities are discovered. You aren't going to identify a two- or three-bagger opportunity by looking at the surface stuff. For example, you won't see

Liz Claiborne (LIZ) (one of my Top 10 picks from last week) as a jaw-dropping bargain, without making a variety of adjustments to the data, for everything from the **J.C. Penny** (JCP) collaboration to a resized cost structure.

Smart Balance (SMBL) and **Metro Bancorp** (METR) , also recommended last week, are even more complicated than Liz Claiborne. What they look like today and what they'll look like in two years are completely different. You can figure it out. But only if you go deep.

In this, the second installment of my Top Ten list for 2010, I have three new additions to the list:

Huntsman (HUN) : All hell broke loose shortly after Apollo Management's Hexion Specialty Chemicals agreed to acquire Huntsman, a diversified chemical company, for $28 a share in July 2007. However, Huntsman's business faltered, and Apollo Management claimed it couldn't get the financing necessary to complete the deal. Because there was very little wiggle room to exit the deal, Apollo Management and a consortium of banks ended up paying Huntsman more than $1.5 billion to settle the suits that followed the collapsed deal.

Fast forward to the present. Huntsman's business is intact and stabilized and, because of the cash settlement, its balance sheet is much improved, with $1.6 billion in cash. With the stock trading at $10.60 a share, the market values the business at $2.5 billion. That's a long way from my own calculation, which is predicated, in part, on the company's demonstrated ability to generate ample cash flow of up to $1 billion annually. I think the company is worth $5 billion, or $22 per share.

Leucadia National (LUK) : Dive into the details of this conglomerate and you may never return. Yes, it's *that* complicated. Here's the easy part: The company is akin to Berkshire Hathaway in that it is led by capital allocators who can boast of amazing track records. Under Chief Executive Ian Cumming and Chief Operating Officer Joseph Steinberg, the company's book value has compounded at 17.3% annually since 1979, compared with 7.6% for the S&P (including dividends) for the same period.

As to the details of Leucadia, the company owns 9.9% of **Fortescue Metals Group** (FMG on the Australian exchange), and has interests in copper mines and mining companies, as well as 30% of the common stock of **Jeffries Group** (JEF) and 25% of **AmeriCredit** (ACF) . That's just the start of its asset list, which includes interests in gaming, timber, plastics and more. My valuation estimate for this $22 stock is $35 to $55. Because it is significantly leveraged to a variety of commodities, the stock has to get a bump from commodity pricing to reach the upper end of the range.

NCR (NCR) : Get the broom. This $10.50 stock is woefully mispriced, but you'll see it only if you sweep away the debris and rubbish from the past few quarters. NCR is a remarkable, if not rare, gem that's got it all: A horde of cash and no debt, a No.1, or No. 2 market position in the growing ATM and self-service, point-of-sale technology sectors, and a stock that is grossly undervalued because it requires extra work to understand.

As with many companies, proper analysis begins with identifying what's important and what's not. You don't have to dig deep to figure out that its earnings are depressed because of an underfunded pension. And it doesn't take much to realize that the pension liability is really a nonissue -- an increase in interest rates would all but erase the liability because of an upward adjustment to the pension discount rate.

If I had to single out one stock from my Top 10 list and say that I know you'll make a hefty rate of return if you buy it, it would be NCR. The issues that cloud its outlook will soon dissipate, leaving sunshine and a stock floating around $18 to $20 a share.

Look for Part 3, the last installment of this column, next Monday, when I'll reveal the final four stocks from my top 10 list for 2010.

At time of publication, Alsin and/or ACM was long NCR, LUK, HUN, LIZ, METR, and SMBL, 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.