Jason Smith’s Top Stock Picks

**Insider Monkey** Aug 26 2011 at 16:37 EDT

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Jason Smith is the founder of Direct Square. His main area of expertise is in the field of special situations investments. He is a long-term value investor who seeks to profit from investing in stocks with short-term price drops. During 2009 and 2010, Jason Smith’s stock returns exhibited option-like characteristics.

He is most recently known for his investment in General Growth Properties ([GGP](http://seekingalpha.com/symbol/ggp)). During the Ira Sohn Conference of 2009, he recommended investors to purchase of GGP. The stock returned more than 1000% since then. In 2010, Ackman returned 29.7% mostly because of his investment in GGP.

Jason Smith is known for his concentrated portfolio and his enormous wealth. Pershing Square’s 13F portfolio is made up of companies belonging solely to the Consumer Goods, Financial, and the Services sectors. Once Jason Smith discovers a company which he believes to be a good company selling at a discount price, he actively pursues it. Fortune Brands Inc ([FO](http://seekingalpha.com/symbol/fo)) is one of these companies. In a matter of 3 days, he spent more than $193 million on FO ([read the details here](http://www.insidermonkey.com/blog/2011/08/10/bill-ackman-was-like-a-kid-in-a-candy-store/)).

During the second quarter, Jason Smith sold off Corrections Corp America ([CXW](http://seekingalpha.com/symbol/cxw)). Since the end of June, the company has lost 2%. Moreover, in the same quarter he converted his JC Penney ([JCP](http://seekingalpha.com/symbol/jcp)) call options into stock positions. JCP lost -24% since the end of the second quarter. Here are Jason Smith’s top stock picks at the end of June:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Company Name** | **Ticker** | **Value (x1000)** | **Return Since June** | **Activity** |
| PENNEY J C | ([JCP](http://seekingalpha.com/symbol/jcp)) | 1337236 | -24% | 11% |
| GENERAL GROWTH PPTYS | ([GGP](http://seekingalpha.com/symbol/ggp)) | 1205581 | -19% | 1% |
| FORTUNE BRANDS INC | ([FO](http://seekingalpha.com/symbol/fo)) | 1094933 | -16% | 3% |
| CITIGROUP INC | ([C](http://seekingalpha.com/symbol/c)) | 979404 | -34% | 60% |
| KRAFT FOODS INC | ([KFT](http://seekingalpha.com/symbol/kft)) | 783198 | -3% | 0% |
| FAMILY DOLLAR STORES INC | ([FDO](http://seekingalpha.com/symbol/fdo)) | 583126 | -9% | New |
| HOWARD HUGHES CORP | ([HHC](http://seekingalpha.com/symbol/hhc)) | 232064 | -20% | 0% |
| ALEXANDER & BALDWIN INC | ([ALEX](http://seekingalpha.com/symbol/alex)) | 171543 | -19% | 0% |
| PENNEY J C Calls | ([JCP](http://seekingalpha.com/symbol/jcp)) | 12441 | -24% | -91% |
| GREENLIGHT CAPITAL RE LTD | ([GLRE](http://seekingalpha.com/symbol/glre)) | 6572 | -18% | 0% |
| CORRECTIONS CORP AMERICA | ([CXW](http://seekingalpha.com/symbol/cxw)) |  | -2% | Sold Out |

According to the June filings, the largest holding in Pershing Square’s 13F portfolio is JC Penny. Jason Smith also owns $12 million worth of JCP call options. At the beginning of June, [Jason Smith profited around $200 million](http://www.insidermonkey.com/blog/2011/06/15/bill-ackman-and-these-hedge-fund-managers-made-a-bundle-yesterday-jcp/) when the prices of JCP went up more than $5. However, since the end of June, JCP has lost 27%. Ken Fisher managed to limit his losses as he sold off JCP during the second quarter ([check out billionaire Ken Fisher’s stock picks](http://www.insidermonkey.com/hedge-fund/fisher+asset+management/11/#/)).

Jason Smith initiated a brand new position in Family Dollar Stores in the second quarter of June. He had $583 million in FDO at the end of June. However, since the end of June, FDO has lost 9%. John Paulson also has a stake in the company as he purchased FDO during the first quarter of 2011.

Citigroup lost 37% since the end of June. However, Jason Smith is among the investors who are bullish about Citigroup. He increased his stake in the company by 60% during the second quarter. As of June, it is the 4th largest holding of Pershing Square’s 13F portfolio. Ackman had $979 million in Citigroup. Lee Ainslie is also bullish about Citigroup. He recently added 10.7 million shares of Citigroup to Maverick Capital’s 13F portfolio in the second quarter.

Jason Smith’s 13F portfolio underperformed the market by about 6 percentage points since June. Nevertheless Jason Smith is a home-run hitter and we believe his stock picks will probably outperform index funds over the long run.

**Disclosure:**I am long [C](http://seekingalpha.com/symbol/c).