

Each month, we screen for attractive “bond replacement” investment candidates by looking up the reports of investments purchased by “Superinvestors” covered by the Dataroma site. Dataroma follows 64 managers that are all using value-based strategies.

The fourth quarter of 2018 — the period during which data for this Covered Call Corner were drawn — saw a market downturn, so we found many managers buying more stocks. Some time has passed and a couple of the names on our list are higher, but most are 10% higher or less, so there still may be some interesting bargains here.

We drew from two portfolios, the \$500 million AUM Meridian Contrarian Fund and Howard Marks’ \$3.2 billion Oaktree Capital. The industries from which these eight ideas are drawn are very diverse; pulling in everything from small-cap international shipper, Eagle Bulk Shipping [EGLE](#) to biopharma giant Celgene [CELG](#).

An interesting tidbit is that Marks’ fund bought several sub-\$10 / share stocks. Eagle Bulk Shipping is one example and Caesar’s Entertainment is another.

In our screen, we looked for any transactions that met the following criteria:


Stocks listed represented more than 2% of the portfolio’s value

Stocks listed were a new purchase for the fund OR the position was increased by a material amount (+20% or more)

These conditions were designed to screen for the stocks in which the manager had demonstrated the most confidence (by portfolio weight) and about which he had made an active decision to invest. As we explain in our [video introduction to “Bond Replacement” investments](#), we are using these portfolio managers’ actions as an indication of undervaluation.

In the end, eight holdings met the above screening criteria. Apologies for publishing a few days after the start of the next month — I have been traveling a lot over the last two weeks and am writing you today from a hospital waiting room in Honolulu, Hawaii!

You can find the spreadsheet here:

[February 2019 Covered Call Corner Spreadsheet](#) 

A PDF copy of the spreadsheet is embedded below. Please reach out if you have any questions about these materials!

[Download \[216.90 KB\]](#)

