



SG Capital Research

Global Market Insights

Research Note – Growth – Equity Analysis (E # 2)

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2011 # MAR_17

For Immediate Release – *Thursday AM (EST)*

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• **Daily SPX - “ Trend Adjusted Signal” – Flat @ 1324**

3x3 /9EMA – Momentum Break Indicator - *Next Signal – Buy SPX close above 1307*

Key point

*In this Risk Managed Growth Portfolio we use “ **Sell Signal TAS**” on SPX at 1324 , therefore we are using SPX since then as a Hedge against the downside protection on Growth stock Portfolio (Refer the P /L Sheet below)*

Top Growth Equity Analysis (E #2) – BI – Weekly Release

- Insights

- **Key observations to note this week In MAEG Growth Stock Portfolio .**

- *During this Correction of 6% in SPX pas few days , Growth Portfolio was down -8% . Hedged this move via TAS on SPX (6%) (Net -2% loss on Risk Management)*
- *Out of (50) stock Holding, (25) of the stocks were in the SETUP # 4 Criteria which upon review **never** were qualified for PQV – CZ Validation.*
- *These (25) Stocks eventually belonged to the Tranche that was up 50% on MO move since 1st Oct, till the Top in SPX @ 1345*
- *We are working on the process to filter such Long Holdings with high F – Score, SD # 2 and Setup # 1) within RA / RI & back testing for future for use at POM 12 or POM 13*
- *Among the SOLD / EXITED Stocks this week (**also classified as Declining MO**) , are now qualified for our MAEG Setup # 4 evaluation, (We have some in our PQV Validation process).*
- *The Current Holding in the Growth Portfolio's SHOULD NOT be considered as Shorts candidate in our MAEG process, till they are SOLD in Growth Portfolio.*
- *Our Objective in the Portfolio still remains “ To Capture LONG Holdings via RA / RI & Short “ Sold out “ as Setup # 4 evaluation*

• **Top 50 Growth Stock Portfolio – (Post POM 14 – MO - 1st Oct 2010 – Current)**

| Symbol | Company Name | EPS % Chg (Last Qtr) | EPS % Chg (Prior Qtr) | EPS Est % Chg (Current Qtr) | EPS Est % Chg (Current Yr) | Sales % Chg (Last Qtr) | Annual ROE (Latest Yr) | Annual Profit Margin (Latest Yr) | Current Price | Validation Price | % gains / losses | Entry Date | Comments |
|--------|--------------------------|----------------------|-----------------------|-----------------------------|----------------------------|------------------------|------------------------|----------------------------------|---------------|------------------|------------------|------------|----------|
| RVBD | Riverbed Technology Inc | 70 | 86 | 64 | 68 | 45 | 15.5 | 19.4 | 39.51 | 23.65 | 67% | 10/1/2010 | |
| PCLN | Priceline.Com Inc | 54 | 53 | 55 | 55 | 37 | 42.1 | 22.6 | 455.96 | 337.82 | 35% | 10/1/2010 | |
| LULU | Lululemon Athletica | 80 | 131 | 25 | 74 | 56 | 30 | 19.1 | 79.35 | 44.59 | 78% | 10/1/2010 | |
| BIDU | Baidu Inc Ads | 109 | 112 | 137 | 124 | 80 | 40.1 | 39.8 | 120.56 | 98.8 | 22% | 10/1/2010 | |
| NFLX | Netflix Inc | 42 | 52 | 20 | 32 | 31 | 45.2 | 12.3 | 213.84 | 154.66 | 38% | 10/1/2010 | |
| DECK | Deckers Outdoor Corp | 24 | 156 | 13 | 25 | 22 | 26.8 | 22.7 | 80.12 | 49.91 | 61% | 10/1/2010 | |
| CMG | Chipotle Mexican Grill | 41 | 33 | 30 | 38 | 23 | 19.1 | 13.4 | 258.22 | 174.5 | 48% | 10/1/2010 | |
| SWKS | Skyworks Solutions Inc | 79 | 100 | 63 | 34 | 37 | 18.9 | 22.8 | 30.85 | 20.65 | 49% | 10/1/2010 | |
| CXO | Concho Resources Inc | 108 | 85 | 21 | 76 | 57 | 9.9 | 41.5 | 101.89 | 67.49 | 51% | 10/1/2010 | |
| ARUN | Aruba Networks Inc | 200 | 233 | 117 | 86 | 44 | 20.8 | 11.5 | 31.03 | 21.08 | 47% | 10/1/2010 | |
| SINA | Sina Corporation | 47 | 45 | 42 | 44 | 12 | 7.6 | 21.9 | 90.91 | 50.66 | 79% | 10/1/2010 | |
| ILMN | Illumina Inc | 76 | 18 | 7 | 26 | 50 | 13.8 | 26 | 63.66 | 49.09 | 30% | 10/1/2010 | |
| INFA | Informatica Corp | 27 | 32 | 19 | 21 | 31 | 21.4 | 25.1 | 46.91 | 38.27 | 23% | 10/1/2010 | |
| EBIX | Ebix Inc | 72 | 50 | 43 | 52 | 43 | 29.9 | 40.8 | 27.74 | 23.23 | 19% | 10/1/2010 | |
| IDCC | Interdigital Inc | 14 | 32 | 30 | 54 | 22 | 77.4 | 52.1 | 42.31 | 30.19 | 40% | 10/1/2010 | |
| NETL | Netlogic Microsystems | 82 | 124 | 20 | 67 | 136 | 13.9 | 22.5 | 39.32 | 27.65 | 42% | 10/1/2010 | |
| CTSH | Cognizant Tech Sol Cl A | 44 | 18 | 30 | 24 | 43 | 24.7 | 20.8 | 72.93 | 65.8 | 11% | 10/1/2010 | |
| ST | Sensata Technologies Hdq | 73 | 214 | 450 | 245 | 27 | 22.2 | 9.3 | 32.00 | 20.09 | 59% | 10/1/2010 | |
| TSCO | Tractor Supply Co | 43 | 37 | 19 | 39 | 11 | 17.2 | 5.7 | 53.32 | 39.2 | 36% | 10/1/2010 | |
| NOG | Northern Oil & Gas Inc | 150 | 600 | 400 | 350 | 103 | 3.2 | 30 | 28.06 | 17.97 | 56% | 10/1/2010 | |
| TPX | Tempur Pedic Intl Inc | 82 | 109 | 50 | 85 | 32 | 70.5 | 15.4 | 48.42 | 31.36 | 54% | 10/1/2010 | |
| SRCL | Stericycle Inc | 18 | 19 | 16 | 19 | 22 | 23.9 | 24.4 | 84.81 | 70.73 | 20% | 10/1/2010 | |
| EW | Edwards Lifesciences Cp | 19 | 15 | 26 | 20 | 7 | 17.6 | 17.9 | 86.26 | 84.92 | 2% | 1/27/2011 | |
| PRGO | Perrigo Co | 23 | 42 | 34 | 27 | 21 | 26.7 | 15.9 | 74.04 | 74.07 | 0% | 1/27/2011 | |

Cont...

| | | | | | | | | | | | | | |
|------|--------------------------|--------|-----|-----|-----|-----|------|------|--------|--------|------|-----------|-----|
| PRGO | Perrigo Co | 23 | 42 | 34 | 27 | 21 | 26.7 | 15.9 | 74.04 | 74.07 | 0% | 1/27/2011 | |
| SLW | Silver Wheaton Corp | 82 | 150 | 100 | 97 | 33 | 9 | 49.3 | 38.48 | 43.58 | -12% | 3/1/2011 | |
| OPEN | Opentable Inc | 114 | 188 | 57 | 33 | 61 | 14.8 | 17.5 | 88.46 | 85.21 | 4% | 3/1/2011 | |
| ALTR | Altera Corp | 112 | 263 | 30 | -1 | 52 | 45.9 | 44.4 | 39.90 | 41.23 | -3% | 3/1/2011 | |
| ARMH | A R M Holdings Plc Adrs | 56 | 67 | 11 | 5 | 29 | 9.8 | 30.9 | 24.40 | 29.22 | -16% | 3/1/2011 | |
| NVO | Novo Nordisk A/S ADR | 63 | 26 | N/A | 24 | 15 | 31.2 | 27.4 | 119.38 | 124.63 | -4% | 3/1/2011 | |
| FFIV | F 5 Networks Inc | 69 | 58 | 54 | 44 | 41 | 22.6 | 35.1 | 106.65 | 113.38 | -6% | 3/1/2011 | |
| SOHU | Sohu.Com Inc | 34 | 21 | 15 | 12 | 27 | 33.3 | 44.2 | 81.38 | 81.29 | 0% | 3/1/2011 | |
| JNPR | Juniper Networks Inc | 31 | 39 | 19 | 18 | 26 | 8.4 | 20.4 | 41.98 | 43.12 | -3% | 3/1/2011 | |
| OTEX | Open Text Corp | 39 | 48 | 39 | 36 | 8 | 22.7 | 26.7 | 55.71 | 56.54 | -1% | 3/1/2011 | |
| BWA | Borg Warner Inc | 112 | 373 | 45 | 38 | 28 | 16.7 | 9 | 72.80 | 75.85 | -4% | 3/1/2011 | |
| TZOO | Travelzoo Inc | 156 | 163 | 73 | 38 | 20 | 24.9 | 14.6 | 44.77 | 39.4 | 14% | 3/1/2011 | |
| ARW | Arrow Electronics Inc | 102 | 192 | 46 | 17 | 25 | 16 | 3.8 | 38.55 | 38.52 | 0% | 3/1/2011 | |
| NTES | Netease.Com Inc ADR | 30 | 52 | 35 | 20 | 35 | 29.1 | 57.2 | 42.90 | 45.76 | -6% | 3/1/2011 | |
| APKT | Acme Packet Inc | 70.88 | 136 | 122 | 50 | 35 | 70 | 20.9 | 69.97 | 69.97 | 0% | 3/17/2011 | New |
| AGP | Amerigroup Corp | 59.14 | 101 | 291 | 2 | -26 | 10 | 25.4 | 57.76 | 57.76 | 0% | 3/17/2011 | New |
| FOSL | Fossil Inc | 82.79 | 42 | 92 | 25 | 23 | 33 | 23.9 | 81.77 | 81.77 | 0% | 3/17/2011 | New |
| HS | Healthspring Inc | 36.87 | 49 | 23 | 0 | 8 | 30 | 19.6 | 37.04 | 37.04 | 0% | 3/17/2011 | New |
| PPO | Polypore International | 55.69 | 17 | 59 | 29 | 32 | 11 | 18.5 | 55.17 | 55.17 | 0% | 3/17/2011 | New |
| GEOI | Georesources Inc | 25 | 86 | 81 | -3 | 24 | 15 | 6.2 | 24.57 | 24.57 | 0% | 3/17/2011 | New |
| EZCH | Ezchip Semiconductor Ltd | 28.14 | 41 | 113 | -22 | -4 | 33 | 15.6 | 27.63 | 27.63 | 0% | 3/17/2011 | New |
| JOYG | Joy Global Inc | 89.87 | 32 | 16 | 17 | 23 | 19 | 42.6 | 88.75 | 88.75 | 0% | 3/17/2011 | New |
| SMTC | Semtech Corporation | 23.38 | 57 | 74 | 23 | 11 | 37 | 14.1 | 23.52 | 23.52 | 0% | 3/17/2011 | New |
| EMC | E M C Corp | 25.47 | 27 | 30 | 19 | 17 | 19 | 16.5 | 25.31 | 25.31 | 0% | 3/17/2011 | New |
| VPHM | Viropharma Inc | 18.32 | 85 | 68 | 25 | -45 | 38 | 19.1 | 18.06 | 18.06 | 0% | 3/17/2011 | New |
| ENDP | Endo Pharmaceuticals Hdq | 33.77 | 31 | 37 | 34 | 23 | 31 | 25.3 | 33.72 | 33.72 | 0% | 3/17/2011 | New |
| PNRA | Panera Bread Co Cl A | 118.92 | 21 | 15 | 30 | 23 | 17 | 18.8 | 118.47 | 118.47 | 0% | 3/17/2011 | New |

Gains on Closed Position 494%

Total P/L 1424%

Absolute Gains 1st Oct 2010 to Current Eq wt gain 28%

Trend Adjusted Hedge on SPX (1228 to 1175) -4.3%

Trend Adjusted Hedge on SPX (1307 to 1283) -1.8%

Trend Adjusted Hedge on SPX (1324 to 1256) -5.1%

Net Gains 17%

SPX 1185 TO 1256.88 SPX Gain 6%

Trend Adjusted Hedge took bite out of it twice on whip saw whiles managing MO risks (see below)

Sold positions Qualifies for SETUP # 4 with RA/ RI Scan

| <u>Closed LONG Position (SELL- SUITABLE FOR SETUP # 4 QUALIFICATION)</u> | | | | | | | |
|--|---------------------------|------------|-------------|-----------|------------|----------------|----------|
| Ticker | Company Name | Entry Date | Entry Price | Exit Date | Exit Price | P/L Since Test | Comments |
| FFIV | F 5 Networks Inc | 10/1/2010 | 103.29 | 27-Jan-11 | 110.94 | 7% | |
| CYD | China Yuchai Intl Ltd | 10/1/2010 | 19.21 | 27-Jan-11 | 29.98 | 56% | |
| ABV | Comp De Bebidas Adr | 10/1/2010 | 24.99 | 27-Jan-11 | 27.74 | 11% | |
| BCSI | Blue Coat Systems Inc | 10/1/2010 | 23.9 | 27-Jan-11 | 29.07 | 22% | |
| JNPR | Juniper Networks Inc | 10/1/2010 | 30.3 | 27-Jan-11 | 37.2 | 23% | |
| AMZN | Amazon.Com Inc | 10/1/2010 | 153.71 | 27-Jan-11 | 184.45 | 20% | |
| CTRP | Ctrip.Com Intl Ltd Adr | 10/1/2010 | 47.45 | 27-Jan-11 | 43.2 | -9% | |
| GOOG | Google Inc | 10/1/2010 | 525.62 | 27-Jan-11 | 616.79 | 17% | |
| INFY | Infosys Technologies Ads | 10/1/2010 | 69.8274 | 27-Jan-11 | 70.06 | 0% | |
| EPB | El Paso Pipeline Partner | 10/1/2010 | 32.13 | 27-Jan-11 | 34.91 | 9% | |
| APKT | Acme Packet Inc | 10/1/2010 | 37.48 | 1-Mar-11 | 70.685 | 89% | |
| VMW | Vmware Inc Cl A | 10/1/2010 | 85.51 | 1-Mar-11 | 81.67 | -4% | |
| ROVI | Rovi Corp | 10/1/2010 | 50.17 | 1-Mar-11 | 54.1 | 8% | |
| NTAP | Netapp Inc | 10/1/2010 | 48.64 | 1-Mar-11 | 50.63 | 4% | |
| VIT | Vanceinfo Tech Inc Ads | 10/1/2010 | 32.49 | 1-Mar-11 | 32.68 | 1% | |
| MELI | Mercadolibre Inc | 10/1/2010 | 71.35 | 1-Mar-11 | 65.47 | -8% | |
| HIBB | Hibbett Sports Inc | 10/1/2010 | 24.85 | 1-Mar-11 | 30.24 | 22% | |
| COH | Coach Inc | 10/1/2010 | 43.12 | 1-Mar-11 | 53.91 | 25% | |
| ENDP | Endo Pharmaceuticals Hdg | 10/1/2010 | 32.88 | 1-Mar-11 | 36.21 | 10% | |
| LYB | Lyondellbasell Ind A Nv | 10/1/2010 | 23.87 | 1-Mar-11 | 37.06 | 55% | |
| WCRX | Warner Chilcott Plc | 10/1/2010 | 21.53 | 1-Mar-11 | 23.35 | 8% | |
| EMS | Emergency Medical Svcs | 10/1/2010 | 53.68 | 1-Mar-11 | 63.27 | 18% | |
| RIMM | Research In Motion Ltd | 10/1/2010 | 50.21 | 1-Mar-11 | 66.4 | 32% | |
| XEC | Cimarex Energy Co | 1/27/2011 | 100.49 | 1-Mar-11 | 114.21 | 14% | |
| ESRX | Express Scripts Inc | 1/27/2011 | 57.83 | 1-Mar-11 | 55.68 | -4% | |
| TXN | Texas Instruments | 1/27/2011 | 34.63 | 1-Mar-11 | 35 | 1% | |
| CLR | Continental Res Inc | 1/27/2011 | 59.74 | 1-Mar-11 | 68.6 | 15% | |
| BIIB | Biogen Idec Inc | 1/27/2011 | 67.09 | 1-Mar-11 | 70.18 | 5% | |
| SHPGY | Shire Plc Ads | 1/27/2011 | 80.49 | 1-Mar-11 | 84.67 | 5% | |
| UNP | Union Pacific Corp | 1/27/2011 | 95.34 | 1-Mar-11 | 92.67 | -3% | |
| CIS | Camelot Info Systems Ads | 10/1/2010 | 17.95 | 17-Mar-11 | 15.58 | -13% | New |
| EZPW | Ezcorp Inc Cl A | 10/1/2010 | 19.84 | 17-Mar-11 | 26.91 | 36% | New |
| AAPL | Apple Inc | 10/1/2010 | 282.52 | 17-Mar-11 | 330.01 | 17% | New |
| AIXG | Aixtron Se | 10/1/2010 | 29.13 | 17-Mar-11 | 39.1 | 34% | New |
| ORCL | Oracle Corp | 10/1/2010 | 27.1414 | 17-Mar-11 | 30.2 | 11% | New |
| JKS | Jinkosolar Hldg Co Ads | 1/27/2011 | 27.2 | 17-Mar-11 | 25.29 | -7% | New |
| CLF | Cliffs Natural Resources | 3/1/2011 | 94.56 | 17-Mar-11 | 83.73 | -11% | New |
| TSL | Trina Solar Ltd Ads | 3/1/2011 | 27.33 | 17-Mar-11 | 27.83 | 2% | New |
| XLNX | Xilinx Inc | 3/1/2011 | 32.7 | 17-Mar-11 | 31.87 | -3% | New |
| BRKR | Bruker Corp | 3/1/2011 | 18.97 | 17-Mar-11 | 18.19 | -4% | New |
| CHKP | Check Point Software Tech | 3/1/2011 | 48.62 | 17-Mar-11 | 47.35 | -3% | New |
| AVGO | Avago Technologies Ltd | 3/1/2011 | 31.9874 | 17-Mar-11 | 29.56 | -8% | New |
| ICON | Iconix Brand Group Inc | 3/1/2011 | 21.5 | 17-Mar-11 | 20.37 | -5% | New |
| Total P/L | | | | | | 494% | |

- Key points

- *Our own Growth Strategy completely fits in to the Criteria of - **Dr Chris Kacher Analysis Fundamentally and Technically** .*
- *With reference to **GMO paper**, this Growth stock Model also very much fits in majority of those criteria , once we overlay F- Score, P/PB strategy and other RA / RI Matrix (HQ) ,It should give us Buy list to project Equally weighted MAEG growth Index for Monitoring purposes with Bi -Monthly rebalancing*
- *For Risk Management via “ Trend Adjusted Signal on SPX” Triggers Sell Signal , the portfolio will be Hedge 100% via Short SPX. Currently SPX is on Buy side, We experience Tow such Sells in past 4 months*
- *Out of the 50 Top Growth stock list, the Sold stocks are complies with Overvaluation, SD # 2 (Sectors), post POM 14 and Technically break on Momentum stock process. This list would fit well with our SETUP # 4 (after it is sort the out for RA / RI Framework in LQ) (*We have began this process*)*
- *Conversely , All high Quality Stocks from this Growth list to be viewed within RA/RI Framework for POM 12, 11 for PQV Analysis at that time (*We will initiate this process Prior to POM 12, 11*)*

- **Objective**

The Focus is to add another dimension to our “Stock selection process” via Bi- Weekly scan of Bottoms up “Growth Stock universe ” and validate Top down to “ Separate potential Long / Short” List Utilizing, POM’s, Sector SD’s, PQV & SETUP INDEX within RA / RI framework as described in process steps below

Step 1 – **SELECTION OF GROWTH STOCKS – Buy Side Discipline**,
Attached, “ Growth Stock list of 50 Stocks” selected with that has distinct characteristics.

- EPS YoY / QoQ*
- Sales Growth YoY /QoQ*
- Positive Earnings Surprises*
- High Relative Performance vs. Market*
- ROE increase YoY*
- Margin Expansion YoY*
- Increase in Ownership YoY*
- Increase in Sponsorship YoY*
- Attractive Free Cash Flow*
- Breakout from Consolidation with Momentum (E.G. Momentum SMA, Pivot point break outs)*

Step 2 – SEPARATION OF GROWTH STOCKS VIA SPX - POM STATUS

- **At POM 14 and above Scan for SHORT list via (OVEREXTENDED & OVERVALUED)**

- Over Valuation of Stock within MAEG -RA/RI framework
- Over Valuation of Sector via Standard deviation (SD's)
- Setup Index Analysis (# 2, #4)
- PQV Validation Analysis
- 3X3 / 9EMA breakpoint – Trend adjusted Signal Analysis (If applicable)

- **At POM 12 and 11 Scan for LONG list via (HIGH QUALITY BUSINESS & UNDERVALUE)**

- Under Valuation of Stock within MAEG -RA/RI framework
- Under Valuation of Sector via Standard deviation (SD's)
- Setup Index Analysis (# 1, # 3)
- PQV Validation Analysis
- 3X3 / 9EMA breakpoint - Trend adjusted Signal Analysis (If applicable)
- Additional key ingredients of Dr Chris Kacher Analysis (if applicable)

Key points

1. Integration of - Dr Chris Kacher Analysis. Since it is Bull market focused, therefore more values can be at POM 12 however part of its Analysis is also utilized within our own PQV process under its own different terminologies inferring the same conclusions
2. At POM 15 Dr Chris Kacher Analysis can add value to our process by taking contra view on the process.
3. 3X3 / 9EMA Breakpoint – Trend Adjusted Signal is more improvised then 10-DMA, which doesn't take into account the break of lows Program trades and Single dimensional 10 DMA tends to whip saw at higher degree.

Step 3 – OUTCOME OF THIS ANALYSIS WILL BE ACTIONABLE IDEAS OF INTEGRATED PROCESS

Appendix

Daily SPX - “ Trend Adjusted Signal”

- 3x3 /9EMA – Break Indicator –

The process utilizes the cumulative Algorithm of price trails 3x3 / 9EMA input signals for Trend formation. This signal tends to work well in Market extensions (i.e. Post POM 14).

This Methodology is implemented by Program Traders especially in Momentum extensions and diagonal triangle formation Trend-following system which bases its reversal signals on breaking a significant closing Break Indicator I to confirm the new trend. (it's important to use a stop if you act on a signal). The reversal price is generated on the close of a bar. (The drawback of strategy is that it can whip saw).

INTERNALS OF 3X3- 9EMA – Break Indicator.

The line break indicator has captured the post POM 14 Moves on a mechanical basis. Although can't guarantee it will continue. But, even if it misses on occasion , it's still is the best indicator we've ever seen in Market for extensions.

Tight trading ranges tend to cause whipsaws and those are environments where trading multiple markets can help for diversification, in SPX & DOW. The reason is that we have a purely mechanical indicator, our line break indicator, that is much better to use. That indicator has proven extremely good over the past several months in many markets in many extensions.

As a reminder of how simple this indicator is, when the market closes above the "break" price level, the indicator is ""bullish"; when the market closes below the break price, the indicator is then "bearish". at the close

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