



SG Capital Research

Global Market Insights

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

**MAEG – BI - WKLY GROWTH\_EQUITY ANALYSIS SG 2011 # MAY\_ 15**

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• **Daily SPX - “ Trend Adjusted Signal” TAS - MO –**

**Triggered TAS sell at 1337 , 5/5- Hedge is ON**

**3x3 /9EMA – Momentum Break Indicator –**

- In 2011 - (4) – TAS – Signal for Risk Management were Triggered as **Hedged** with SPX

*All Details of the GROWTH MODEL & Integration process with RA / RI framework is work in progress depicted in APPENDIX below*

## Top 50 Growth Stock Portfolio – ( Post POM 14 – **MO** - 1<sup>st</sup> Jan 2011 – Current)

- **1<sup>st</sup> of Jan 2011 – YTD – MAEG Risk Adjusted Portfolio is up +17.6 % % v/s 6.4 % SPX on Real time basis**

Srno	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
1	PCLN	Priceline.Com Inc	54	53	55	55	37	42.1	22.6	520.61	399.55	30%	12/31/2010	Mark to Market 1st Jan 2011
2	LULU	Lululemon Athletica	80	131	25	74	56	30	19.1	95.23	68.42	39%	12/31/2010	Mark to Market 1st Jan 2011
3	BIDU	Baidu Inc Ads	109	112	137	124	80	40.1	39.8	131.28	96.53	36%	12/31/2010	Mark to Market 1st Jan 2011
4	NFLX	Netflix Inc	42	52	20	32	31	45.2	12.3	246.52	175.7	40%	12/31/2010	Mark to Market 1st Jan 2011
5	DECK	Deckers Outdoor Corp	24	156	13	25	22	26.8	22.7	89.64	79.74	12%	12/31/2010	Mark to Market 1st Jan 2011
6	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	280.40	212.66	32%	12/31/2010	Mark to Market 1st Jan 2011
7	ARUN	Aruba Networks Inc	200	233	117	86	44	20.8	11.5	32.24	20.88	54%	12/31/2010	Mark to Market 1st Jan 2011
8	SINA	Sina Corporation	47	45	42	44	12	7.6	21.9	106.88	68.82	55%	12/31/2010	Mark to Market 1st Jan 2011
9	ILMN	Illumina Inc	76	18	7	26	50	13.8	26	76.26	63.34	20%	12/31/2010	Mark to Market 1st Jan 2011
10	INFA	Informatica Corp	27	32	19	21	31	21.4	25.1	54.14	44.03	23%	12/31/2010	Mark to Market 1st Jan 2011
11	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	61.89	48.49	28%	12/31/2010	Mark to Market 1st Jan 2011
12	TPX	Tempur Pedic Intl Inc	82	109	50	85	32	70.5	15.4	64.07	40.06	60%	12/31/2010	Mark to Market 1st Jan 2011
13	OPEN	Opentable Inc	114	188	57	33	61	14.8	17.5	93.05	85.21	9%	3/1/2011	
14	ALTR	Altera Corp	112	263	30	-1	52	45.9	44.4	48.30	41.23	17%	3/1/2011	
15	ARMH	A R M Holdings Plc Ads	56	67	11	5	29	9.8	30.9	28.51	29.22	-2%	3/1/2011	
16	NVO	Novo Nordisk A/S Adr	63	26	N/A	24	15	31.2	27.4	124.14	124.63	0%	3/1/2011	
17	SOHU	Sohu.Com Inc	34	21	15	12	27	33.3	44.2	83.36	81.29	3%	3/1/2011	
18	OTEX	Open Text Corp	39	48	39	36	8	22.7	26.7	61.97	56.54	10%	3/1/2011	
19	TZOO	Travelzoo Inc	156	163	73	38	20	24.9	14.6	69.52	39.4	76%	3/1/2011	
20	APKT	Acme Packet Inc	70.88	136	122	50	35	70	20.9	77.97	69.97	11%	3/17/2011	
21	AGP	Amerigroup Corp	59.14	101	291	2	-26	10	25.4	67.39	57.76	17%	3/17/2011	
22	FOSL	Fossil Inc	82.79	42	92	25	23	33	23.9	105.34	81.77	29%	3/17/2011	
23	HS	Healthspring Inc	36.87	49	23	0	8	30	19.6	43.44	37.04	17%	3/17/2011	
24	ORCL	Oracle Corp	42	31	15	28	37	30.4	43.5	35.19	33.43	5%	4/1/2011	
25	TIBX	Tibco Software Inc	33	35	20	20	20	16.2	24.7	29.49	26.96	9%	4/8/2011	

# Cont...

26	MELI	Mercadolibre Inc	38	76	41	25	27	39.8	33.7	85.59	84.57	1%	4/8/2011	
27	ENDP	Endo Pharmaceuticals Hdq	31	37	35	24	31	25.3	36.3	42.39	40.95	4%	4/8/2011	
28	PRGO	Perrigo Co	44	23	26	33	23	26.9	16.2	86.60	81.04	7%	4/8/2011	
29	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	55.51	49.59	12%	4/15/2011	
30	SSW	Seaspan Corporation	79	59	-30	-12	50	10.9	34.6	17.97	18.08	-1%	4/15/2011	
31	SMTC	Semtech Corporation	57	74	23	11	37	23.6	29.4	28.12	25.71	9%	4/15/2011	
32	SRCL	Stericycle Inc	25	18	16	11	25	23.2	24.2	93.02	90.66	3%	4/15/2011	
33	RVBD	Riverbed Technology Inc	100	73	62	51	45	20.8	25.7	37.42	35.17	6%	4/30/2011	
34	BIIB	Biogen Idec Inc	32	18	11	14	9	22.6	38.3	96.61	97.65	-1%	4/30/2011	
35	WLT	Walter Energy Inc	80	320	93	102	31	93.1	36.9	119.30	138.10	-14%	4/30/2011	
36	CHSI	Catalyst Health Sltns	24	23	26	27	49	16.5	3.5	64.18	59.53	8%	4/30/2011	
37	SWKS	Skyworks Solutions Inc	67	79	63	39	37	18.9	22.8	28.34	31.46	-10%	4/30/2011	
38	AH	Accretive Health Inc	29	0	150	88	24	27.5	6.4	25.27	28.24	-11%	4/30/2011	
39	CTRP	Ctrip.Com Intl Ltd Adr	50	68	-12	-5	44	28.4	48.9	47.52	48.72	-2%	4/30/2011	
40	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	106.75	106.75	0%	5/14/2011	New
41	CRR	Carbo Ceramics Inc	59	64	48	49	22	16.1	25.2	153.53	153.53	0%	5/14/2011	New
42	ACOM	Ancestry.Com Inc	125	19	67	51	41	11.2	18.7	39.80	39.80	0%	5/14/2011	New
43	ABV	Comp De Bebidas Adr	32	55	33	17	17	32.8	37.6	31.19	31.19	0%	5/14/2011	New
44	EZPW	Ezcorp Inc Cl A	31	33	35	30	21	20.8	20.7	30.13	30.13	0%	5/14/2011	New
45	PNRA	Panera Bread Co Cl A	33	21	36	25	16	18.8	11.7	123.97	123.97	0%	5/14/2011	New
46	EW	Edwards Lifesciences Cp	33	31	9	12	19	17.8	20.1	88.25	88.25	0%	5/14/2011	New
47	HUM	Humana Inc	30	11	-5	1	10	18.6	5.6	78.33	78.33	0%	5/14/2011	New
48	SPRD	Spreadtrum Comm Inc Ads	224	917	29	21	163	52.4	26	20.64	20.64	0%	5/14/2011	New
49	AAPL	Apple Inc	92	75	60	62	83	35.3	28.4	340.50	340.50	0%	5/14/2011	New
50	MNTA	Momenta Pharmaceuticals	N/A	N/A	359	195	2018	24.8	31.9	18.74	18.74	0%	5/14/2011	New

										Gains on Closed Position		204%		
										Total P\L	847%			
										1st JAN 2010 to Current ( ABSOLUTE GAIN	Eq wt gain	16.9%		
										SPX HEDGES	Trend Adjused Hedge on SPX SELL( 1307 to 1283)	1.8%		
											Trend Adjused Hedge on SPX SELL( 1324 to 1309)	-1.1%		
											Trend Adjused Hedge on SPX ( 1324 to 1335) Buy	-0.1%		
											Trend Adjused Hedge on SELL 5/5_SPX ( 1337 to ?? )	LATEST OPEN ( fully hedge)		
										Net Gains after Hedge losses	17.6%			
										SPX 1257 TO 1337.77	SPX Gain	6.4%		

**Trend Adjusted Hedge due to whip saw takes bite out of it whiles managing MO risks**

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

NETL	Netlogic Microsystems	12/31/2010	31.41	14-May-11	39.35	25%	New
CTSH	Cognizant Tech Sol Cl A	12/31/2010	73.29	14-May-11	76.47	4%	New
SLW	Silver Wheaton Corp	3/1/2011	43.58	14-May-11	34.1	-22%	New
NTESS	Netease.Com Inc Adr	3/1/2011	45.76	14-May-11	45.5	-1%	New
PPO	Polypore International	3/17/2011	55.17	14-May-11	66.33	20%	New
GEOI	Georesources Inc	3/17/2011	24.57	14-May-11	23.66	-4%	New
JOYG	Joy Global Inc	3/17/2011	88.75	14-May-11	87.48	-1%	New
GPOR	Gulfport Energy Corp	4/1/2011	36.13	14-May-11	26.83	-26%	New
CIS	Camelot Info Systems Ads	4/30/2011	19.30	14-May-11	18.9	-2%	New
SWI	Solarwinds Inc	4/30/2011	24.23	14-May-11	23.6	-3%	New
COH	Coach Inc	4/30/2011	59.81	14-May-11	59.99	0%	New

**Key point – These EQUITIES are Sold and are good candidate to review for RA / RI over valuation for SHORT SELL**

- **APPENDIX - Key points ( Notes from past)**

- *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*

- **Our Objective on BUY SIDE of this Portfolio** – to be Refined / Filtered further within RA / RA framework for POM 13 entry (**Process still pending**) . Also note worthy is, currently some of these growth stocks has premature texture of SETUP # 4 that continues to drive P/L on this Portfolio as LONG POSITIONS
- **Our Objective on SELL SIDE of this Portfolio** - Among the SOLD / EXITED stocks ( **also classified as Declining MO** ) , are now qualified for our MAEG Setup # 4 evaluation ( We have some in our PQV Validation process, awaiting Trigger). (**Process initiated**)

### 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**

## • Growth Insights

- *We are working on Rational filtering process on “Buy Side” Objective on these MO stocks.*
- *Simultaneously has been filtering SETUP # 4 ‘s on “Sell Side” for Short Sell. ( see list below)*
- *This Work in Progress for Research Team*

## 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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