



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2011 # JULY _30

For Immediate Release – *Sunday AM (EST)*

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

Triggered – TAS Sell at 1307, dt 7/27 on close - currently Hedged
Next Trigger to be advised

3x3 /9EMA – Momentum Break Indicator MO – Trend Adjusted Signal (TAS)

In 2011 - (5) – TAS – Signals for Risk Management were Triggered as Hedge with SPX

- **Key points of observation**

- **Past 2 weeks (since last Report) - Growth Portf down (– 6.6 %) v/s SPX (– 2.0 %)**
- **Currently Hedged since 1307 dt 7/27 -**
- **YTD – Top 50 Growth up 14.8% v/s 2.8 % - SPX**

Top 50 Growth Portfolio (Risk Managed) – (1st Jan 2011 – Current) – Real Time

- 1st of Jan 2011 – YTD – MAEG Risk Adjusted Portfolio **is up + 14.8 % v/s 2.8 % 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	LULU	Lululemon Athletica	80	131	25	74	56	30	19.1	60.54	68.42	-12%	12/31/2010	Mark to Market 1st Jan 2011
2	BIDU	Baidu Inc Ads	109	112	137	124	80	40.1	39.8	157.07	96.53	63%	12/31/2010	Mark to Market 1st Jan 2011
3	NFLX	Netflix Inc	42	52	20	32	31	45.2	12.3	265.99	175.7	51%	12/31/2010	Mark to Market 1st Jan 2011
4	DECK	Deckers Outdoor Corp	24	156	13	25	22	26.8	22.7	99.25	79.74	24%	12/31/2010	Mark to Market 1st Jan 2011
5	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	324.58	212.66	53%	12/31/2010	Mark to Market 1st Jan 2011
6	ILMN	Illumina Inc	76	18	7	26	50	13.8	26	62.45	63.34	-1%	12/31/2010	Mark to Market 1st Jan 2011
7	INFA	Informatica Corp	27	32	19	21	31	21.4	25.1	51.13	44.03	16%	12/31/2010	Mark to Market 1st Jan 2011
8	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	65.92	48.49	36%	12/31/2010	Mark to Market 1st Jan 2011
9	TPX	Tempur Pedic Intl Inc	82	109	50	85	32	70.5	15.4	72.01	40.06	80%	12/31/2010	Mark to Market 1st Jan 2011
10	ARMH	A R M Holdings Plc Ads	56	67	11	5	29	9.8	30.9	28.79	29.22	-1%	3/1/2011	
11	AGP	Amerigroup Corp	59.14	101	291	2	-26	10	25.4	55.00	57.76	-5%	3/17/2011	
12	FOSL	Fossil Inc	82.79	42	92	25	23	33	23.9	125.67	81.77	54%	3/17/2011	
13	HS	Healthspring Inc	36.87	49	23	0	8	30	19.6	41.04	37.04	11%	3/17/2011	
14	TIBX	Tibco Software Inc	33	35	20	20	20	16.2	24.7	26.04	26.96	-3%	4/8/2011	
15	PRGO	Perrigo Co	44	23	26	33	23	26.9	16.2	90.31	81.04	11%	4/8/2011	
16	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	63.03	49.59	27%	4/15/2011	
17	SRCL	Stericycle Inc	25	18	16	11	25	23.2	24.2	82.12	90.66	-9%	4/15/2011	
18	BIIB	Biogen Idec Inc	32	18	11	14	9	22.6	38.3	101.87	97.65	4%	4/30/2011	
19	CHSI	Catalyst Health Sltns	24	23	26	27	49	16.5	3.5	65.53	59.53	10%	4/30/2011	
20	AH	Accretive Health Inc	29	0	150	88	24	27.5	6.4	30.04	28.24	6%	4/30/2011	
21	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	55.72	106.75	-48%	5/14/2011	
22	CRR	Carbo Ceramics Inc	59	64	48	49	22	16.1	25.2	156.07	153.53	2%	5/14/2011	
23	ACOM	Ancestry.Com Inc	125	19	67	51	41	11.2	18.7	35.61	39.80	-11%	5/14/2011	
24	EZPW	Ezcorp Inc Cl A	31	33	35	30	21	20.8	20.7	33.28	30.13	10%	5/14/2011	
25	AVGO	Avago Technologies Ltd	36	81	5	22	9	40.7	25.7	33.63	33.77	0%	6/2/2011	

Cont... - New Buys indicated in green

25	AVGO	Avago Technologies Ltd	36	81	5	22	9	40.7	25.7	33.63	33.77	0%	6/2/2011	
26	BPI	Bridgepoint Education	88	32	17	20	47	68.4	30.5	24.76	23.68	5%	6/2/2011	
27	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	66.23	62.67	6%	6/2/2011	
28	PCLN	Priceline.Com Inc	56	71	58	51	38	44.2	28.4	537.65	524.80	2%	7/2/2011	
29	SOLR	G T Solar International	78	84	182	35	40	91.8	30.1	13.64	16.18	-16%	7/2/2011	
30	HANS	Hansen Natural Corp	69	-7	17	27	50	30	26.8	76.62	83.63	-8%	7/2/2011	
31	CHKP	Check Point Software Tech	16	20	14	12	15	21	59.5	57.65	56.75	2%	7/2/2011	
32	VMW	Vmware Inc Cl A	50	48	38	30	33	19.5	28	100.34	99.90	0%	7/2/2011	
33	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	303.25	314.47	-4%	7/2/2011	
34	NUS	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	37.54	37.85	-1%	7/2/2011	
35	CVLT	Commvault Systems Inc	19	16	64	16	22	20.4	17	38.72	44.67	-13%	7/2/2011	
36	JAZZ	Jazz Pharmaceuticals Inc	228	91	164	95	45	N/A	35.1	40.47	34.80	16%	7/2/2011	
37	TNAV	Telenav Inc	42	85	-5	55	27	56	40.3	10.03	20.83	-52%	7/16/2011	
38	COH	Coach Inc	24	33	2	24	14	45.9	31.9	64.56	65.48	-1%	7/16/2011	
39	NTES	Netease.Com Inc Adr	69	30	42	34	34	26	46.8	50.52	49.42	2%	7/16/2011	
40	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	56.80	56.80	0%	7/30/2011	New
41	SLW	Silver Wheaton Corp	162	133	220	136	84	14.9	65.3	36.08	36.08	0%	7/30/2011	New
42	WLT	Walter Energy Inc	80	320	88	107	31	93.1	36.9	122.57	122.57	0%	7/30/2011	New
43	AAPL	Apple Inc	122	92	50	80	82	35.3	28.4	390.48	390.48	0%	7/30/2011	New
44	DV	Devry Inc	18	25	4	20	12	26.6	21.5	62.14	62.14	0%	7/30/2011	New
45	RADS	Radiant Systems Inc	35	32	-4	-3	10	18.7	13.1	28.19	28.19	0%	7/30/2011	New
46	CLF	Cliffs Natural Resources	52	309	86	105	52	30.3	27.6	89.82	89.82	0%	7/30/2011	New
47	ISRG	Intuitive Surgical Inc	33	22	30	21	21	21.4	40.5	400.55	400.55	0%	7/30/2011	New
48	SOHU	Sohu.Com Inc	31	34	10	10	35	24.9	42.7	90.10	90.10	0%	7/30/2011	New
49	GOOG	Google Inc	36	20	14	20	32	23.3	41.5	603.69	603.69	0%	7/30/2011	New
50	SSRI	Silver Standard Res	N/A	N/A	216	-85	421	44.7	329.2	27.40	27.40	0%	7/30/2011	New

Gains on Closed Position 158%

Total P/L 464%

1st JAN 2010 to Current (ABSOLUTE GA Eq wt gain 9.3% Buy & Hold th' Corrections

SPX HEDGES Trend Adjusted Hedge on SPX SELL(1307 to 1283) 1.8% RISK MANAGEMENT P/L

Trend Adjusted Hedge on SPX SELL(1324 to 1309) -1.1%

Trend Adjusted Hedge on SPX (1324 to 1335) Buy -0.1%

Trend Adjusted Hedge on SPX (1337 to 1285) 3.8%

Trend Adjusted Hedge on SPX (1307 to TBA ?) 1.1% Currently SPX Hedge on Portfolio since 7/27 @ 1307

YTD Net Gains after Hedges 14.8%

YTD SPX 1257 TO 1292.28 SPX Gain 2.8%

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

OTEX	Open Text Corp	3/1/2011	56.54	16-Jul-11	68.73	22%	New
ENDP	Endo Pharmaceuticals Hdq	4/8/2011	40.95	16-Jul-11	40.27	-2%	New
SMTC	Semtech Corporation	4/15/2011	25.71	16-Jul-11	25.3	-2%	New
ABV	Comp De Bebidas Adr	5/14/2011	31.19	16-Jul-11	31.4	1%	New
PNRA	Panera Bread Co Cl A	5/14/2011	123.97	16-Jul-11	130.24	5%	New
ROST	Ross Stores Inc	6/2/2011	80.72	16-Jul-11	77.67	-4%	New
NETL	Netlogic Microsystems	7/2/2011	41.43	16-Jul-11	38.04	-8%	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

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- *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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