



SG Capital Research

Global Market Insights

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

**MAEG – BI - WKLY GROWTH\_EQUITY ANALYSIS SG 2011 # SEPT\_18**

**For Immediate Release – *Sunday AM (EST)***

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

• **Momentum Break Indicator MO – Trend Adjusted Signal ( TAS)**

**In 2011 - (6) – TAS – Signals for Risk Management were Triggered as Hedge with SPX**

**Refer our last Report – 11<sup>st</sup> Aug stated –**

**TAS – SPX “Buy” at 1135 @ 10.am, dt. 8/11 . – No Hedge Protection since then. NEW - TAS – “ SELL” Trigger – Close under 1205. ( Note- This signal is Risk protection, Independent of POM 12). *Trend Adjusted Hedge due to whip saw takes bite out of it whiles managing MO risks***

- **Key points of observation – Real time**

- **TREND ADJUSTED SIGNAL (TAS) on SPX Hedge proved its merit in Market declines & its effect on Growth Portfolio .**

- **Refer our last E # 3 Report. As stated within the Report , Our Portfolio is currently not hedged since 11<sup>th</sup> Aug SPX @ 1135 @ 10.AM**

- **In Past 4 weeks ( since last Report) - Risk Managed Growth ( only) Portfolio was UP + 7.6% v/s SPX UP + 7.5%**

- **YTD – Top 50 Growth Portfolio (with Risk Managed Hedges ) up + 19.2% v/s (- 3.2%) SPX .**

## Top 50 Growth Portfolio ( Risk Managed) – ( 1<sup>st</sup> Jan 2011 – Current) – Real Time

- 1<sup>st</sup> of Jan 2011 – YTD – MAEG Risk Adjusted Portfolio **is up + 19.2 % v/s (- 3.2) % 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	57.76	68.42	-16%	12/31/2010	Mark to Market 1st Jan 2011
2	BIDU	Baidu Inc Ads	109	112	137	124	80	40.1	39.8	146.95	96.53	52%	12/31/2010	Mark to Market 1st Jan 2011
3	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	318.06	212.66	50%	12/31/2010	Mark to Market 1st Jan 2011
4	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	68.84	48.49	42%	12/31/2010	Mark to Market 1st Jan 2011
5	PRGO	Perrigo Co	44	23	26	33	23	26.9	16.2	96.35	81.04	19%	4/8/2011	
6	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	70.46	49.59	42%	4/15/2011	
7	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	58.45	106.75	-45%	5/14/2011	
8	EZPW	Ezcorp Inc Cl A	31	33	35	30	21	20.8	20.7	33.14	30.13	10%	5/14/2011	
9	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	75.54	62.67	21%	6/2/2011	
10	PCLN	Priceline.Com Inc	56	71	58	51	38	44.2	28.4	525.47	524.80	0%	7/2/2011	
11	HANS	Hansen Natural Corp	69	-7	17	27	50	30	26.8	92.11	83.63	10%	7/2/2011	
12	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	346.95	314.47	10%	7/2/2011	
13	NUS	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	44.95	37.85	19%	7/2/2011	
14	JAZZ	Jazz Pharmaceuticals Inc	228	91	164	95	45	N/A	35.1	42.89	34.80	23%	7/2/2011	
15	NTES	Netease.Com Inc Adr	69	30	42	34	34	26	46.8	44.84	49.42	-9%	7/16/2011	
16	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	62.07	56.80	9%	7/30/2011	
17	SLW	Silver Wheaton Corp	162	133	220	136	84	14.9	65.3	39.54	36.08	10%	7/30/2011	
18	AAPL	Apple Inc	122	92	50	80	82	35.3	28.4	400.50	390.48	3%	7/30/2011	
19	ISRG	Intuitive Surgical Inc	33	22	30	21	21	21.4	40.5	390.54	400.55	-2%	7/30/2011	
20	CERN	Cerner Corp	26	25	24	24	15	14.5	20.9	67.80	54.93	23%	11/8/2011	
21	IPGP	I P G Photonics Corp	186	571	125	112	81	18.8	26.5	59.64	57.33	4%	11/8/2011	
22	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	22.59	21.64	4%	11/8/2011	
23	BWLD	Buffalo Wild Wings Inc	16	40	26	27	26	16.5	9.3	64.40	57.78	11%	11/8/2011	
24	RGLD	Royal Gold Inc	75	22	90	51	59	3.5	45.9	80.35	68.78	17%	11/8/2011	
25	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	90.85	79.28	15%	11/8/2011	

## Cont... - New Buys indicated in green

25	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	90.85	79.28	15%	11/8/2011	
26	WPI	Watson Pharmaceuticals	22	10	22	30	24	13.5	18.8	67.28	60.43	11%	11/8/2011	
27	SHPGY	Shire Plc Ads	25	22	10	22	25	36.6	29.8	94.98	88.63	7%	11/8/2011	
28	EDU	New Orientl Edu&Tech Ads	113	42	32	17	59	23.6	22.6	32.46	116.77	-72%	11/8/2011	
29	IAG	Iamgold Corp	157	160	190	73	80	11.1	36.3	22.09	20.12	10%	11/8/2011	
30	AUY	Yamana Gold Inc	150	133	69	73	63	6.3	31.8	16.14	16.14	0%	17/9/2011	New
31	GOLD	Randgold Resources Adr	221	114	427	332	213	6	30	108.84	108.84	0%	17/9/2011	New
32	ARCO	Arcos Dorados Hldgs Cl A	17	70	36	42	29	21.2	3.6	27.36	27.36	0%	17/9/2011	New
33	ABV	Comp De Bebidas Adr	41	32	21	20	18	32.8	37.6	32.64	32.64	0%	17/9/2011	New
34	GG	Goldcorp Inc	100	127	77	55	62	5.6	34.4	51.49	51.49	0%	17/9/2011	New
35	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	92.37	92.37	0%	17/9/2011	New
36	EGO	Eldorado Gold Corp	40	11	89	81	22	7.1	38.5	20.09	20.09	0%	17/9/2011	New
37	ACOM	Ancestry.Com Inc	83	125	46	59	36	11.2	18.7	28.06	28.06	0%	17/9/2011	New
38	BVN	Buenaventura Comp Ads	82	41	53	43	52	28.4	79	45.04	45.04	0%	17/9/2011	New
39	ABX	Barrick Gold Corporation	42	37	59	50	31	19	43.8	53.58	53.58	0%	17/9/2011	New
40	BPI	Bridgepoint Education	55	88	-7	28	38	68.4	30.5	21.44	21.44	0%	17/9/2011	New
41	HS	Healthspring Inc	26	27	18	17	80	19.6	10.1	38.42	38.42	0%	17/9/2011	New
42	DG	Dollar General Corp	24	14	21	23	11	17.3	7.8	38.07	38.07	0%	17/9/2011	New
43	GFI	Gold Fields Ltd Adr	59	300	48	151	23	9.4	20.8	17.09	17.09	0%	17/9/2011	New
44	HMSY	H M S Holdings Corp	27	22	23	26	26	14.7	22	25.91	25.91	0%	17/9/2011	New
45	AVGO	Avago Technologies Ltd	11	36	6	23	10	40.7	25.7	36.49	36.49	0%	17/9/2011	New
46	NEM	Newmont Mining Corp	17	25	18	31	11	15.8	41.5	65.72	65.72	0%	17/9/2011	New
47	ARMH	A R M Holdings Plc Ads	27	44	30	16	27	9.8	30.9	28.21	28.21	0%	17/9/2011	New
48	CELG	Celgene Corp	29	32	25	29	39	25.3	44.8	61.04	61.04	0%	17/9/2011	New
49	SSRI	Silver Standard Res	N/A	N/A	210	-80	235	45.4	329.2	25.57	25.57	0%	17/9/2011	New
50	SPRD	Spreadtrum Comm Inc Ads	91	224	49	45	124	52.4	26	20.67	20.67	0%	17/9/2011	New

Gains on Closed Position -152%

Total P\L 126%

1st JAN 2010 to Current ( ABSOLUTE GA Eq wt gain 2.5% 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 1135 ) 12.3% Hedge removed at 1135 at 10.am dt 08/11

YTD Net Gains after Hedges 19.2%

YTD SPX 1257 TO 1216 SPX Gain -3.3%

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

							Mark to Market 1st Jan 2011
INFA	Informatica Corp	12/31/2010	44.03	17-Sep-11	41.74	-5%	New
FOSL	Fossil Inc	3/17/2011	81.77	17-Sep-11	102.50	25%	New
TIBX	Tibco Software Inc	4/8/2011	26.96	17-Sep-11	22.38	-17%	New
BIIB	Biogen Idec Inc	4/30/2011	97.65	17-Sep-11	100.89	3%	New
AH	Accretive Health Inc	4/30/2011	28.24	17-Sep-11	25.03	-11%	New
CHKP	Check Point Sftware Tech	7/2/2011	56.75	17-Sep-11	57.66	2%	New
VMW	Vmware Inc Cl A	7/2/2011	99.90	17-Sep-11	93.59	-6%	New
CVLT	Commvault Systems Inc	7/2/2011	44.67	17-Sep-11	36.11	-19%	New
DV	Devry Inc	7/30/2011	62.14	17-Sep-11	41.74	-33%	New
GOOG	Google Inc	7/30/2011	603.69	17-Sep-11	546.68	-9%	New
ROST	Ross Stores Inc	11/8/2011	68.49	17-Sep-11	80.67	18%	New
HUM	Humana Inc	11/8/2011	69.71	17-Sep-11	79.40	14%	New
LO	Lorillard Inc	11/8/2011	99.76	17-Sep-11	111.80	12%	New
SHOO	Steven Madden Limited	11/8/2011	34.03	17-Sep-11	35.78	5%	New
DSW	D S W Inc	11/8/2011	45.70	17-Sep-11	46.67	2%	New
INT	World Fuel Services Corp	11/8/2011	32.14	17-Sep-11	36.05	12%	New
BBBY	Bed Bath & Beyond Inc	11/8/2011	50.06	17-Sep-11	59.94	20%	New
BKE	Buckle Inc	11/8/2011	37.23	17-Sep-11	39.38	6%	New
CXO	Concho Resources Inc	11/8/2011	80.98	17-Sep-11	88.71	10%	New
ICON	Iconix Brand Group Inc	11/8/2011	17.96	17-Sep-11	18.87	5%	New
					Total P/L	-152%	
					Eq wt gain	-1%	

**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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