



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2012 # FEB_04

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Growth Equity Analysis (Risk Managed with SPX Hedge) (E # 2)

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EXECUTIVE SUMMARY.

2012 - Open

- Growth Strategy (Long only without hedges) outperformed GS or MER – Growth Index.
- YTD MAEG Growth + 8.1%
- YTD SPX +6.6%%

• SPX - “ Trend Adjusted Signal” TAS - MO

- Momentum Break Indicator MO – Trend Adjusted Signal (TAS)

TAS – SPX “ SELL – To be advised.

(Note- TAS This signal is Risk protection, it can be overridden by POM). Caution - *Trend Adjusted Hedge due to whip saw takes bite out of it whiles managing MO risks*

Top 50 Growth Portfolio (Risk Managed) – (1st Jan 2012 – Current) – Real Time

- 1st of Jan 2012 – YTD – MAEG Risk Adjusted Portfolio **is up + 8.1 % v/s 6.6% SPX** on Real time basis

	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	Market Cap
2														
3	Lululemon Athletica	80	131	25	74	56	30	19.1	64.58	46.66	38%	12/30/2011	Mark to Market 1st Jan 2012	9292.03
4	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	372.19	337.74	10%	12/30/2011	Mark to Market 1st Jan 2012	11648.22
5	Tractor Supply Co	43	37	19	39	11	17.2	5.7	81.21	70.15	16%	12/30/2011	Mark to Market 1st Jan 2012	5767.93
6	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	78.11	64.92	20%	12/30/2011	Mark to Market 1st Jan 2012	4834.28
7	Herbalife Ltd	46	34	11	17	29	70.2	14.8	58.88	51.67	14%	12/30/2011	Mark to Market 1st Jan 2012	6849.08
8	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	85.65	83.11	3%	12/30/2011	Mark to Market 1st Jan 2012	10194.50
9	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	390.32	372.82	5%	12/30/2011	Mark to Market 1st Jan 2012	50078.99
10	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	52.76	48.57	9%	12/30/2011	Mark to Market 1st Jan 2012	3279.90
11	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	78.88	71.5	10%	12/30/2011	Mark to Market 1st Jan 2012	14603.48
12	Visa Inc Cl A	30	28	31	27	14	12	56.5	107.03	101.53	5%	12/30/2011	Mark to Market 1st Jan 2012	74003.23
13	Randgold Resources Adr	221	114	427	332	213	6	30	116.17	102.1	14%	12/30/2011	Mark to Market 1st Jan 2012	10655.93
14	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	107.83	95.68	13%	12/30/2011	Mark to Market 1st Jan 2012	5457.02
15	Dollar General Corp	24	14	21	23	11	17.3	7.8	41.94	41.14	2%	12/30/2011	Mark to Market 1st Jan 2012	14148.38
16	Ross Stores Inc	20	28	5	17	9	44.6	11.4	51.76	47.53	9%	12/30/2011	Mark to Market 1st Jan 2012	11834.46
17	Humana Inc	18	30	0	10	8	18.6	5.6	90.12	87.61	3%	12/30/2011	Mark to Market 1st Jan 2012	14734.96
18	Commvault Systems Inc	91	19	11	20	38	20.4	17	52.28	42.72	22%	12/30/2011	Mark to Market 1st Jan 2012	2310.87
19	Biogen Idec Inc	4	32	13	14	0	22.6	38.3	121.88	110.05	11%	12/30/2011	Mark to Market 1st Jan 2012	29095.81
20	Nuance Communications	17	14	21	13	20	16.5	35.3	29.42	25.16	17%	12/30/2011	Mark to Market 1st Jan 2012	8848.41
21	Solarwinds Inc	29	31	10	17	29	42.9	50.9	34.66	27.95	24%	12/30/2011	Mark to Market 1st Jan 2012	2533.47
22	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	36.61	41.58	-12%	12/30/2011	Mark to Market 1st Jan 2012	2296.42
23	Yamana Gold Inc	63	150	13	68	22	6.3	27.6	17.15	14.69	17%	12/30/2011	Mark to Market 1st Jan 2012	12790.03
24	Polaris Industries Inc	38	82	13	49	26	51.1	11	67.68	55.98	21%	12/30/2011	Mark to Market 1st Jan 2012	4672.14
25	Mercadolibre Inc	36	26	36	29	46	39.8	33.7	96.70	79.54	22%	12/30/2011	Mark to Market 1st Jan 2012	4268.53
26	Concho Resources Inc	48	73	53	47	101	13.8	39.4	108.49	93.75	16%	12/30/2011	Mark to Market 1st Jan 2012	11248.59
27	Grainger W W Inc	26	35	17	32	11	23	11.6	203.06	187.19	8%	12/30/2011	Mark to Market 1st Jan 2012	14162.95

Sold positions This week Qualifies for SHORT SELL

PRGO	Perrigo Co	12/30/2011	97.3	4-Feb-12	93.66	-4%	Mark to Market 1st Jan 2012	93.66	0%
RGLD	Royal Gold Inc	12/30/2011	67.43	4-Feb-12	73.49	9%	Mark to Market 1st Jan 2012	73.49	0%
HIBB	Hibbett Sports Inc	12/30/2011	45.18	4-Feb-12	48.65	8%	Mark to Market 1st Jan 2012	48.65	0%
NOG	Northern Oil & Gas Inc	12/30/2011	23.98	4-Feb-12	25.25	5%	Mark to Market 1st Jan 2012	25.25	0%
GOOG	Google Inc	12/30/2011	645.9	4-Feb-12	596.33	-8%	Mark to Market 1st Jan 2012	596.33	0%
VRSK	Verisk Analytics Cl A	12/30/2011	40.13	4-Feb-12	40.61	1%	Mark to Market 1st Jan 2012	40.61	0%
TJX	T J X Cos Inc	12/30/2011	64.55	4-Feb-12	34.53	-47%	Mark to Market 1st Jan 2012	34.53	0%
SBNY	Signature Bank	12/30/2011	59.99	4-Feb-12	59.54	-1%	Mark to Market 1st Jan 2012	59.54	0%
AH	Accretive Health Inc	1/14/2012	26.28	4-Feb-12	27.06	3%		27.06	0%
JAZZ	Jazz Pharmaceuticals Inc	1/14/2012	46.70	4-Feb-12	48.01	3%		48.01	0%
HCP	H C P Inc	1/14/2012	41.11	4-Feb-12	41.74	2%		41.74	0%
ENDP	Endo Pharmaceuticals Hdg	1/14/2012	36.05	4-Feb-12	36.63	2%		36.63	0%
ASML	A S M L Holding Nv Ny	1/14/2012	41.28	4-Feb-12	45.55	10%		45.55	0%
					Total Closed P/L	-18%		Total Closed P/L	87%
					Eq wt gain YTD C	-1%		Eq wt gain YTD Closed	3%

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

Appendix Content

- **Key Points for Growth Model**
- **Objectives & Guidelines**
- **Growth Selection Criteria**
- **SPX – TAS 3x3x3 / 9EMA - “ Trend Adjusted Signal “ Criteria**

- **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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