



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2012 # FEB_11

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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 + 9.4%
- YTD SPX +6.68%%

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

TAS – SPX – HEDGES “ NET 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 + 9.4 % v/s 6.68% 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	Market Cap
1	LULU	Lululemon Athletica	80	131	25	74	56	30	19.1	65.66	46.66	41%	12/30/2011	Mark to Market 1st Jan 2012	9292.03
2	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	376.49	337.74	11%	12/30/2011	Mark to Market 1st Jan 2012	11648.22
3	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	83.31	70.15	19%	12/30/2011	Mark to Market 1st Jan 2012	5767.93
4	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	81.42	64.92	25%	12/30/2011	Mark to Market 1st Jan 2012	4834.28
5	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	59.64	51.67	15%	12/30/2011	Mark to Market 1st Jan 2012	6849.08
6	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	86.90	83.11	5%	12/30/2011	Mark to Market 1st Jan 2012	10194.50
7	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	396.40	372.82	6%	12/30/2011	Mark to Market 1st Jan 2012	50078.99
8	NUS	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	54.08	48.57	11%	12/30/2011	Mark to Market 1st Jan 2012	3279.90
9	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	80.41	71.5	12%	12/30/2011	Mark to Market 1st Jan 2012	14603.48
10	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	112.42	101.53	11%	12/30/2011	Mark to Market 1st Jan 2012	74003.23
11	GOLD	Randgold Resources Adr	221	114	427	332	213	6	30	114.45	102.1	12%	12/30/2011	Mark to Market 1st Jan 2012	10655.93
12	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	116.11	95.68	21%	12/30/2011	Mark to Market 1st Jan 2012	5457.02
13	DG	Dollar General Corp	24	14	21	23	11	17.3	7.8	42.67	41.14	4%	12/30/2011	Mark to Market 1st Jan 2012	14148.38
14	ROST	Ross Stores Inc	20	28	5	17	9	44.6	11.4	51.86	47.53	9%	12/30/2011	Mark to Market 1st Jan 2012	11834.46
15	HUM	Humana Inc	18	30	0	10	8	18.6	5.6	85.16	87.61	-3%	12/30/2011	Mark to Market 1st Jan 2012	14734.96
16	CVLT	Commvault Systems Inc	91	19	11	20	38	20.4	17	54.33	42.72	27%	12/30/2011	Mark to Market 1st Jan 2012	2310.87
17	BIIB	Biogen Idec Inc	4	32	13	14	0	22.6	38.3	117.78	110.05	7%	12/30/2011	Mark to Market 1st Jan 2012	29095.81
18	NUAN	Nuance Communications	17	14	21	13	20	16.5	35.3	30.45	25.16	21%	12/30/2011	Mark to Market 1st Jan 2012	8848.41
19	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	37.45	27.95	34%	12/30/2011	Mark to Market 1st Jan 2012	2533.47
20	QCOR	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	34.71	41.58	-17%	12/30/2011	Mark to Market 1st Jan 2012	2296.42
21	AUY	Yamana Gold Inc	63	150	13	68	22	6.3	27.6	16.46	14.69	12%	12/30/2011	Mark to Market 1st Jan 2012	12790.03
22	PII	Polaris Industries Inc	38	82	13	49	26	51.1	11	68.16	55.98	22%	12/30/2011	Mark to Market 1st Jan 2012	4672.14
23	MELI	Mercadolibre Inc	36	26	36	29	46	39.8	33.7	94.23	79.54	18%	12/30/2011	Mark to Market 1st Jan 2012	4268.53
24	CXO	Concho Resources Inc	48	73	53	47	101	13.8	39.4	112.65	93.75	20%	12/30/2011	Mark to Market 1st Jan 2012	11248.59
25	GWW	Grainger W W Inc	26	35	17	32	11	23	11.6	201.54	187.19	8%	12/30/2011	Mark to Market 1st Jan 2012	14162.95
26	INT	World Fuel Services Corp	26	23	11	6	91	17.3	1	46.84	41.98	12%	12/30/2011	Mark to Market 1st Jan 2012	3315.98
27	HMSY	H M S Holdings Corp	31	27	21	26	15	14.7	22	33.96	31.98	6%	12/30/2011	Mark to Market 1st Jan 2012	2924.16
28	FAST	Fastenal Co	32	39	32	33	20	21.5	19	48.21	43.61	11%	12/30/2011	Mark to Market 1st Jan 2012	14258.35
29	EBIX	Ebix Inc	24	17	-7	21	28	27.4	42.2	25.88	22.1	17%	12/30/2011	Mark to Market 1st Jan 2012	942.56
30	NTES	Netease.Com Inc Adr	48	65	22	49	47	26	46.8	47.89	44.85	7%	12/30/2011	Mark to Market 1st Jan 2012	6538.55
31	LQDT	Liquidity Services Inc	79	116	-34	-12	13	31.2	21.2	39.00	36.68	6%	1/14/2012		1184.86
32	AAPL	Apple Inc	52	122	55	26	39	41.7	31.6	493.17	419.81	17%	1/14/2012		428591.84
33	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	108.31	96.99	12%	1/14/2012		9204.03
34	AAP	Advance Auto Parts Inc	37	26	28	26	4	29.8	9.4	80.12	71.46	12%	1/14/2012		5572.54

Cont...Top 50 Stocks ... New Buys indicated in green

33	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	108.31	96.99	12%	1/14/2012	9204.03
34	AAP	Advance Auto Parts Inc	37	26	28	26	4	29.8	9.4	80.12	71.46	12%	1/14/2012	5572.54
35	TCBI	Texas Capital Bancshares	124	100	91	91	13	7.4	18.2	32.75	31.73	3%	1/14/2012	1240.23
36	CELG	Celgene Corp	36	29	47	35	37	25.3	44.8	72.00	72.63	-1%	1/14/2012	32500.16
37	INTC	Intel Corp	33	16	9	18	28	25.2	36.8	26.86	25.14	7%	1/14/2012	136160.08
38	ISRG	Intuitive Surgical Inc	24	43	22	18	28	21.4	40.5	492.41	492.01	0%	2/4/2012	19185.55
39	INVN	Invensense Inc	117	275	133	300	52	19.9	18.1	18.70	17.21	9%	2/4/2012	1365.14
40	EC	Ecopetrol Sa Adr	128	131	55	82	56	2.3	27.4	53.47	52.59	2%	2/4/2012	106422.47
41	BKI	Buckeye Technologies Inc	38	118	1	30	8	17.9	14.9	33.29	34.00	-2%	2/4/2012	1337.67
42	BWLD	Buffalo Wild Wings Inc	30	16	22	27	31	16.5	9.3	84.64	70.30	20%	2/4/2012	1290.38
43	FFIV	F5 Networks Inc	17	34	20	19	20	29.2	39.1	125.75	124.77	1%	2/4/2012	9880.73
44	SHOO	Steven Madden Limited	37	17	32	25	70	24.2	19.8	40.48	40.90	-1%	2/4/2012	1753.02
45	NSR	Neustar Inc	11	21	23	21	27	23.2	39.2	35.44	36.44	-3%	2/4/2012	2646.37
46	GILD	Gilead Sciences Inc	2	13	16	6	10	52.6	54.8	53.73	54.70	-2%	2/4/2012	41083.56
47	TAL	Tal International Group	68	111	30	78	44	15.8	28.2	35.32	34.80	1%	2/4/2012	1162.32
48	COH	Coach Inc	18	16	21	19	15	56.5	31.3	74.04	72.59	2%	2/4/2012	21312.71
49	EXPE	Expedia Inc	13	25	75	53	15	18.5	21.8	34.16	34.22	0%	2/4/2012	4568.81
50	PCLN	Priceline.Com Inc	87	78	49	72	45	44.2	28.4	540.13	546.98	-1%	2/4/2012	27230.57

Gains/Losses on Closed Position -18%

Total P/L 470%

GROWTH PORTFOLIO 1st JAN 2012 to Current Eq wt gain 9.4% LONG ONLY - BUY & HOLD

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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