



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2012 # JAN_14

For Immediate Release – Saturday AM (EST)

By: Suneil R Pavse

Contact: apavse@aol.com

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

Index

- 1. Executive Summary***
- 2. SPX – “ TAS” Trend Adjusted Signal” .***
- 3. Top 50 – Growth Equity Portfolio (Long) with P /L & SPX Hedges.***
- 4. Currently Exited Position***
- 5. . APPENDIX – Objectives, Growth Model Criteria, Guidelines & SPX – TAS Criteria.***

EXECUTIVE SUMMARY.

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

2011- Closed

- Prop Growth Strategy (Long only without hedges) outperformed GS or MER – Growth Index.
- YTD MAEG Growth (-1.8%)
- YTD SPX (- 0.0 %)

- Conclusion – Overall YTD P/L – Top 50 Growth Portfolio (with Risk Managed SPX Hedges with TAS & POM's Real time)..... up + 26.6 % v/s (0.0 %) SPX .
- Gains from Hedges via POM / TAS resulted at +28.0%. This is similar to 2008 where the Gains in Portfolio were derived from SPX / POM's in the Portfolio & not the stocks in the down market.

2012 - Open

- Prop Growth Strategy (Long only without hedges) outperformed GS or MER – Growth Index.
- YTD MAEG Growth +3.3%
- YTD SPX +2.5%

- Conclusion – Overall YTD P/L – Top 50 Growth Portfolio (with Risk Managed SPX Hedges with TAS & POM's Real time)..... up + 0.8 % v/s 2.5 % SPX . – Currently Portfolio is fully Hedged

- In 2012 , we plan to initiate Growth Equity Short Portfolio (with exited Growth stocks from E # 2) to be Risks managed with SPX long Hedges activated by POM's.

- We are compiling these Equities from the list below under section “ Sold”

- Upon checking (226) EXITED STOCKS this year, we found that 88% were available for Shorting = 200 stock. Note – We need to work on exit Criteria for Buy to Cover for rebalancing

- SPX - “ Trend Adjusted Signal” TAS - MO

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

In 2012 - (1) – TAS / POM – Signals for Risk Management were Triggered as Hedge with SPX

Refer our last Report E # 2 – Growth Equity, We stated “ TAS – SPX Hedge @ 1240. It was Triggered 12/08.

M2M price is 1257 – 1ST JAN . This Portfolio is currently HEDGED Under Risk Management

(NEW) – TAS – SPX “ BUY – 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 + 0.8 % v/s 2.5% SPX** on Real time basis

Srno	Symbol	Company Name	EPS % Chg (Last Qtr)	EPS % Chg (Prior 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	61.96	46.66	33%	12/30/2011	Mark to Market 1st Jan 2012	8915.05
2	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	354.62	337.74	5%	12/30/2011	Mark to Market 1st Jan 2012	11098.34
3	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	80.56	70.15	15%	12/30/2011	Mark to Market 1st Jan 2012	5721.76
4	PRGO	Perrigo Co	44	23	26	33	23	26.9	16.2	97.02	97.3	0%	12/30/2011	Mark to Market 1st Jan 2012	9075.92
5	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	73.13	64.92	13%	12/30/2011	Mark to Market 1st Jan 2012	4526.06
6	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	56.52	51.67	9%	12/30/2011	Mark to Market 1st Jan 2012	6574.56
7	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	82.75	83.11	0%	12/30/2011	Mark to Market 1st Jan 2012	9849.33
8	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	339.08	372.82	-9%	12/30/2011	Mark to Market 1st Jan 2012	43495.00
9	NUS	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	47.26	48.57	-3%	12/30/2011	Mark to Market 1st Jan 2012	2937.98
10	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	74.62	71.5	4%	12/30/2011	Mark to Market 1st Jan 2012	13815.68
11	RGLD	Royal Gold Inc	75	22	90	51	59	3.5	45.9	67.92	67.43	1%	12/30/2011	Mark to Market 1st Jan 2012	3993.18
12	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	100.74	101.53	-1%	12/30/2011	Mark to Market 1st Jan 2012	69654.16
13	GOLD	Randgold Resources Adr	221	114	427	332	213	6	30	108.83	102.1	7%	12/30/2011	Mark to Market 1st Jan 2012	9982.31
14	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	97.56	95.68	2%	12/30/2011	Mark to Market 1st Jan 2012	4911.60
15	DG	Dollar General Corp	24	14	21	23	11	17.3	7.8	41.00	41.14	0%	12/30/2011	Mark to Market 1st Jan 2012	13831.28
16	ROST	Ross Stores Inc	20	28	5	17	9	44.6	11.4	51.15	47.53	8%	12/30/2011	Mark to Market 1st Jan 2012	11694.99
17	HUM	Humana Inc	18	30	0	10	8	18.6	5.6	94.71	87.61	8%	12/30/2011	Mark to Market 1st Jan 2012	15485.45
18	CVLT	Commvault Systems Inc	91	19	11	20	38	20.4	17	45.84	42.72	7%	12/30/2011	Mark to Market 1st Jan 2012	1995.02
19	BIIB	Biogen Idec Inc	4	32	13	14	0	22.6	38.3	116.03	110.05	5%	12/30/2011	Mark to Market 1st Jan 2012	28185.70
20	NUAN	Nuance Communications	17	14	21	13	20	16.5	35.3	29.29	25.16	16%	12/30/2011	Mark to Market 1st Jan 2012	8809.31
21	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	28.53	27.95	2%	12/30/2011	Mark to Market 1st Jan 2012	2085.40
22	QCOR	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	36.48	41.58	-12%	12/30/2011	Mark to Market 1st Jan 2012	2288.26
23	AUY	Yamana Gold Inc	63	150	13	68	22	6.3	27.6	15.68	14.69	7%	12/30/2011	Mark to Market 1st Jan 2012	11692.01
24	PII	Polaris Industries Inc	38	82	13	49	26	51.1	11	59.78	55.98	7%	12/30/2011	Mark to Market 1st Jan 2012	4126.78
25	MELI	Mercadolibre Inc	36	26	36	29	46	39.8	33.7	86.72	79.54	9%	12/30/2011	Mark to Market 1st Jan 2012	3828.00
26	CXO	Concho Resources Inc	48	73	53	47	101	13.8	39.4	99.69	93.75	6%	12/30/2011	Mark to Market 1st Jan 2012	10336.18
27	GWW	Grainger W W Inc	26	35	17	32	11	23	11.6	196.70	187.19	5%	12/30/2011	Mark to Market 1st Jan 2012	13719.35

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

27	GWV	Grainger W W Inc	26	35	17	32	11	23	11.6	196.70	187.19	5%	12/30/2011	Mark to Market 1st Jan 2012	13719.35
28	HIBB	Hibbett Sports Inc	50	29	16	25	10	24.7	11	46.39	45.18	3%	12/30/2011	Mark to Market 1st Jan 2012	1227.54
29	INT	World Fuel Services Corp	26	23	11	6	91	17.3	1	43.16	41.98	3%	12/30/2011	Mark to Market 1st Jan 2012	3070.53
30	NOG	Northern Oil & Gas Inc	111	71	85	80	599	6.4	58.1	24.51	23.98	2%	12/30/2011	Mark to Market 1st Jan 2012	1548.23
31	HMSY	H M S Holdings Corp	31	27	21	26	15	14.7	22	32.53	31.98	2%	12/30/2011	Mark to Market 1st Jan 2012	2766.81
32	GOOG	Google Inc	27	36	19	24	33	23.3	41.5	624.99	645.9	-3%	12/30/2011	Mark to Market 1st Jan 2012	202426.45
33	VRSK	Verisk Analytics Cl A	25	24	13	21	18	N/A	38.3	40.00	40.13	0%	12/30/2011	Mark to Market 1st Jan 2012	6592.57
34	TJX	T J X Cos Inc	15	23	17	14	5	47.4	10.2	65.15	64.55	1%	12/30/2011	Mark to Market 1st Jan 2012	24570.68
35	SBNY	Signature Bank	26	56	17	35	20	11.7	34.6	62.57	59.99	4%	12/30/2011	Mark to Market 1st Jan 2012	2889.60
36	FAST	Fastenal Co	32	39	32	33	20	21.5	19	46.59	43.61	7%	12/30/2011	Mark to Market 1st Jan 2012	13753.55
37	EBIX	Ebix Inc	24	17	-7	21	28	27.4	42.2	23.11	22.1	5%	12/30/2011	Mark to Market 1st Jan 2012	839.73
38	NTES	Netease.Com Inc Adr	48	65	22	49	47	26	46.8	44.86	44.85	0%	12/30/2011	Mark to Market 1st Jan 2012	5836.04
39	LQDT	Liquidity Services Inc	79	116	-34	-12	13	31.2	21.2	36.68	36.68	0%	1/14/2012	New	1081.92
40	AAPL	Apple Inc	52	122	55	26	39	41.7	31.6	419.81	419.81	0%	1/14/2012	New	391323.91
41	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	96.99	96.99	0%	1/14/2012	New	8445.19
42	AH	Accretive Health Inc	83	71	78	79	38	27.5	6.4	26.28	26.28	0%	1/14/2012	New	2581.07
43	AAP	Advance Auto Parts Inc	37	26	28	26	4	29.8	9.4	71.46	71.46	0%	1/14/2012	New	5176.98
44	TCBI	Texas Capital Bancshares	124	100	91	91	13	7.4	18.2	31.73	31.73	0%	1/14/2012	New	1188.72
45	CELG	Celgene Corp	36	29	47	35	37	25.3	44.8	72.63	72.63	0%	1/14/2012	New	32242.68
46	INTC	Intel Corp	33	16	9	18	28	25.2	36.8	25.14	25.14	0%	1/14/2012	New	128012.88
47	JAZZ	Jazz Pharmaceuticals Inc	129	193	76	123	64	N/A	35.1	46.70	46.70	0%	1/14/2012	New	1968.75
48	HCP	H C P Inc	24	40	6	40	40	4.5	31	41.11	41.11	0%	1/14/2012	New	16764.17
49	ENDP	Endo Pharmaceuticals Hdq	45	30	25	32	71	25.3	36.3	36.05	36.05	0%	1/14/2012	New	4211.95
50	ASML	A S M L Holding Nv Ny	36	120	-42	40	22	43.1	27.6	41.28	41.28	0%	1/14/2012	New	17803.85

Gains/Losses on Closed Position -2%

Total P/L 164%

GROWTH PORTFOLIO 1st JAN 2012 to 31 st DEC Eq wt gain 3.3% LONG ONLY - BUY & HOLD

SPX HEDGES RISK MANAGEMENT P/L

TAS-1 Trend Adjusted Hedge on SPX SELL (1257 to 1289) -2.5% SPX M2M 1257 (Portfolio Currently hedged since 12/08 @ SPX - 1240)

TAS-2

TAS-3

TAS-4

TAS-5 /POM

TAS-6 /POM

Sold positions This week Qualifies for SHORT SELL

- we plan to initiate Growth Equity Short Portfolio (with these exited Growth stocks) to be Risks managed with SPX long Hedges activated by POM's.

Closed LONG Position (CURRENT POTENTIAL SHORT POSITION)

Ticker	Company Name	Entry Date	Entry Price	Exit Date	Exit Price	P/L on Upside	Comments	Current Price	P/L on Downside
HANS	Hansen Natural Corp	12/30/2011	92.14	14-Jan-12	95.38	4%	Mark to Market 1st Jan 2012	95.38	0%
ISRG	Intuitive Surgical Inc	12/30/2011	463.01	14-Jan-12	459.44	-1%	Mark to Market 1st Jan 2012	459.44	0%
BWLD	Buffalo Wild Wings Inc	12/30/2011	67.51	14-Jan-12	65.71	-3%	Mark to Market 1st Jan 2012	65.71	0%
SPRD	Spreadtrum Comm Inc Ads	12/30/2011	20.88	14-Jan-12	16.33	-22%	Mark to Market 1st Jan 2012	16.33	0%
TIBX	Tibco Software Inc	12/30/2011	23.91	14-Jan-12	23.86	0%	Mark to Market 1st Jan 2012	23.86	0%
PNRA	Panera Bread Co Cl A	12/30/2011	141.45	14-Jan-12	146.56	4%	Mark to Market 1st Jan 2012	146.56	0%
CRR	Carbo Ceramics Inc	12/30/2011	123.33	14-Jan-12	119.63	-3%	Mark to Market 1st Jan 2012	119.63	0%
RHT	Red Hat Inc	12/30/2011	41.29	14-Jan-12	42.43	3%	Mark to Market 1st Jan 2012	42.43	0%
DECK	Deckers Outdoor Corp	12/30/2011	75.57	14-Jan-12	84.5	12%	Mark to Market 1st Jan 2012	84.5	0%
FFIV	F 5 Networks Inc	12/30/2011	106.12	14-Jan-12	106.78	1%	Mark to Market 1st Jan 2012	106.78	0%
ANSS	Ansys Inc	12/30/2011	57.28	14-Jan-12	57.35	0%	Mark to Market 1st Jan 2012	57.35	0%
RL	Ralph Lauren Corp Cl A	12/30/2011	138.08	14-Jan-12	143.67	4%	Mark to Market 1st Jan 2012	143.67	0%
						Total Closed P/L	-2%	Total Closed P/L	0%
						Eq wt gain YTD C	0%	Eq wt gain YTD Closed	0%

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

• 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

Disclaimer : The information in this report has been taken from sources believed to be reliable but SG Capital Research does not warrant its accuracy or completeness. Any opinions expressed herein reflect our judgment at this date and are subject to change. This document is for private circulation and for general information only. It is not intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. SG Capital Research or its Author does not assume any liability for any loss which may result from the reliance by any person or persons upon any such information or opinions. These views are given without responsibility on the part of SG Capital Research or its officials. No part of this report may be reproduced in any manner as Author reserves the distribution rights. Under Copyright 2002 Act: It is a violation of federal copyright and imposes liability for such infringement.