



SG Capital Research

Global Market Insights

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

**MAEG – BI - WKLY GROWTH\_EQUITY ANALYSIS SG 2012 # JULY \_21**

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

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

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## EXECUTIVE SUMMARY.

- Key points of observation – Real time

### 2012 – Open Portfolio

Prop Growth Strategy ( Long only without hedges)

- YTD MAEG Growth **+ 17%** ( Since last Report June 09 - SPX is up 8.4% v/s Growth + 12.7%)
- **YTD SPX + 8.4%**

Overall with hedges , the Portfolio continues to outperform SPX very handsomely due to POM / TAS timing tools

Overall YTD P/L – Top 50 Growth Portfolio (with Risk Managed SPX Hedges with TAS & POM's Real time ).....

- **Currently Portfolio is Hedged with SPX @ 1377 – 7/19.**
- **Equities within SOLD CAMP – were the best as SHORT position in this market decline are now bouncing back along with SPX .**

## • SPX - “ Trend Adjusted “ TAS – MOMENTUM / POM - Signals

### 2012 - – POM / TAS – Signals Summary

for Risk Management were Triggered as Hedge with SPX

M2M price is 1257 – 1<sup>ST</sup> JAN .

Based on our POM / TAS Rules , this Portfolio is currently HEDGED

- POM 14 – ( 1/3 CLOSED @ 1305 Triggered ALERT on 5/25
- POM 15 – ( Net Short 1400 Closed @ 1350) as ALERTED
- POM 13 ( Net Long 1300 as Alerted 5/25)
- POM 14 ( Hedged 1377 as Alerted 7/19) – NEW

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**TAS / POM – SPX “ BUY BACK – 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) – ( 1<sup>st</sup> Jan 2012 – Current) – **Real Time**

- 1<sup>st</sup> of Jan 2012 – YTD MAEG Risk Adjusted Portfolio **is up + 17.0% v/s 8.4 % 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	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	87.53	64.92	35%	12/30/2011	Mark to Market 1st Jan 2012	5509.36
2	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	51.38	41.555	24%	12/30/2011	Mark to Market 1st Jan 2012	11917.92
3	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	423.15	372.82	13%	12/30/2011	Mark to Market 1st Jan 2012	53495.14
4	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	99.35	71.5	39%	12/30/2011	Mark to Market 1st Jan 2012	19084.27
5	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	125.75	101.53	24%	12/30/2011	Mark to Market 1st Jan 2012	84562.45
6	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	129.70	95.68	36%	12/30/2011	Mark to Market 1st Jan 2012	6625.23
7	ROST	Ross Stores Inc	20	28	5	17	9	44.6	11.4	67.41	47.53	42%	12/30/2011	Mark to Market 1st Jan 2012	15206.22
8	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	42.10	27.95	51%	12/30/2011	Mark to Market 1st Jan 2012	3113.76
9	QCOR	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	44.12	41.58	6%	12/30/2011	Mark to Market 1st Jan 2012	2655.60
10	AAPL	Apple Inc	52	122	55	26	39	41.7	31.6	604.30	419.81	44%	1/14/2012		565057.94
11	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	64.97	48.50	34%	1/14/2012		11448.22
12	PCLN	Priceline.Com Inc	87	78	49	72	45	44.2	28.4	673.20	546.98	23%	2/4/2012		33520.71
13	GNC	G N C Holdings Inc	106	65	38	17	17	16.6	8.1	37.65	32.05	17%	2/18/2012		4009.96
14	VAL	Valspar Corp	59	50	22	16	5	18.1	8.6	51.14	46.11	11%	2/18/2012		4664.73
15	BWLD	Buffalo Wild Wings Inc	33	30	17	20	34	17.5	9.3	82.54	88.04	-6%	3/24/2012		1532.44
16	SAVE	Spirit Airlines Inc	57	117	217	50	27	48.2	13	20.29	19.65	3%	3/24/2012		1374.53
17	CTRX	S X C Health Solutions	71	57	58	48	162	16.8	3.1	89.88	72.21	24%	3/24/2012		9199.12
18	CSTR	Coinstar Inc	47	79	91	14	33	23.6	10	61.01	60.88	0%	3/24/2012		1909.58
19	ORLY	O Reilly Automotive Inc	35	28	24	18	6	17.2	14.5	91.31	90.04	1%	3/24/2012		11513.33
20	NTES	Netease.Com Inc ADR	31	48	19	16	35	28.4	49.6	54.90	59.71	-8%	3/24/2012		7174.33
21	DG	Dollar General Corp	38	28	23	16	20	18.8	8.8	52.34	46.30	13%	4/14/2012		17393.99
22	TJX	T J X Cos Inc	17	15	33	19	6	48.7	10.3	44.31	39.82	11%	4/14/2012		32831.59
23	CERN	Cerner Corp	35	25	23	22	30	15.4	22.7	77.02	77.51	-1%	4/28/2012		13128.58
24	CBST	Cubist Pharmaceuticals	52	5	-25	-38	30	28.5	33.3	41.28	42.79	-4%	4/28/2012		2614.56
25	CRUS	Cirrus Logic Inc	64	26	-13	24	21	27.2	24.7	27.60	24.95	11%	5/19/2012		1779.63
26	MLNX	Mellanox Technologies	113	48	170	110	61	12.6	18.9	89.24	54.12	65%	5/19/2012		3545.96
27	ALGN	Align Technology Inc	29	100	40	19	29	18	21.7	34.18	29.72	15%	5/19/2012		2746.75
28	TCBI	Texas Capital Bancshares	126	109	57	37	32	13.3	33.5	41.28	36.35	14%	5/19/2012		1565.25
29	WPI	Watson Pharmaceuticals	84	90	38	22	74	17.6	20.3	75.81	69.91	8%	5/19/2012		9658.89
30	AMT	American Tower Reit	143	143	38	79	24	11.6	20.7	70.92	64.42	10%	5/19/2012		27983.99
31	SNI	Scripps Ntwrks Intr Cl A	18	31	13	11	11	27.7	44.2	53.84	50.80	6%	5/19/2012		8196.41
32	WWWW	Web.Com Group Inc	67	17	38	46	132	18.7	17.7	18.80	16.90	11%	6/9/2012		916.56
33	TRIP	TripAdvisor Inc	0	14	0	12	23	43.4	43.4	44.90	43.02	4%	6/9/2012		6025.82
34	VRSK	Verisk Analytics Cl A	18	28	12	12	11	N/A	37.2	49.55	47.59	4%	6/9/2012		8960.49

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

34	VRSK	Verisk Analytics Cl A	18	28	12	12	11	N/A	37.2	49.55	47.59	4%	6/9/2012		8960.49
35	PRGO	Perrigo Co	32	14	24	23	13	28.6	18.2	112.88	106.20	6%	6/9/2012		10559.58
36	GNRC	Generac Hldgs Inc	284	55	37	10	138	24.3	18.6	22.60	22.60	0%	7/21/2012	New	1535.58
37	RGR	Sturm Ruger & Co Inc	88	80	43	43	49	31.8	19.3	42.58	42.58	0%	7/21/2012	New	815.23
38	KORS	Michael Kors Hldgs Ltd	133	87	11	32	58	56.2	21	39.98	39.98	0%	7/21/2012	New	7705.40
39	LOPE	Grand Canyon Education	52	36	-7	14	15	34.8	19.1	19.28	19.28	0%	7/21/2012	New	853.89
40	DVA	Davita Inc	52	40	26	19	19	24.1	13.1	97.20	97.20	0%	7/21/2012	New	9136.80
41	TFM	The Fresh Market Inc	33	27	23	27	23	52.8	7.4	51.90	51.90	0%	7/21/2012	New	2494.21
42	HIBB	Hibbett Sports Inc	29	34	29	23	14	29.2	12.7	59.40	59.40	0%	7/21/2012	New	1559.62
43	CF	C F Industries Holdings	59	169	29	14	30	37.3	45.1	202.77	202.77	0%	7/21/2012	New	13309.41
44	SHFL	Shuffle Master Inc	43	56	18	33	10	15.1	19	15.50	15.50	0%	7/21/2012	New	864.92
45	HMSY	H M S Holdings Corp	14	29	0	0	30	15.6	25	31.61	31.61	0%	7/21/2012	New	2716.87
46	HPY	Heartland Payment Sys	70	67	26	21	1	24.5	4	29.57	29.57	0%	7/21/2012	New	1146.34
47	WXS	Wright Express Corp	21	32	8	15	17	22.4	40	65.00	65.00	0%	7/21/2012	New	2526.03
48	PAA	Plains All Amer Pipe	53	67	44	7	20	20.9	3.2	88.00	88.00	0%	7/21/2012	New	14196.05
49	FLT	Fleetcor Technologies	28	4	16	19	32	25.3	50	36.01	36.01	0%	7/21/2012	New	2991.99
50	SLXP	Salix Pharmaceuticals	97	87	-2	-7	62	37.7	32.9	51.82	51.82	0%	7/21/2012	New	3008.64

Gains/Losses on Closed Position 48%

Total P\L 636%

**GROWTH PORTFOLIO**

**1st JAN to 21th JULY ( ABSOLUTE**

Eq wt gain 12.7%

LONG ONLY - BUY & HOLD

**2012**

**SPX HEDGES RISK MANAGEMENT P/L**

TAS - /POM Trend adjusted Sell Signal ( 1270 to 1325)

-4.5% HEDGED 1/3 @ 1270

( Portfolio Currently hedged since 1377)

TAS -2 /POM Trend adjusted Sell Signal ( 1325 to 1305)

1.5% ED 1/3 @ 1325 ( CLOSED @ POM 13 -:

TAS -3 /POM Trend adjusted Sell Signal ( 1375+1415 to 1350)

3.6% NET SHORT CLOSED ( 1400 to 1350)

TAS -4 /POM Hedged closed POM 13 @ 1300 from 1350)

3.7% Closed Hedges @ POM 13 - 1300

TAS -5 /POM Hedged signal 1375 to 1362)

1.0% HedgeD Signal dated 7/20 @ 1377

TOTAL AVG HEDGE P/L = 3.4%

**YTD Net Gains after Hedges**

17.0%

**YTD SPX 1257 TO 1362**

SPX Gain 8.4%

## Sold positions This week Qualifies for SHORT SELL

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

LQDT	Liquidity Services Inc	1/14/2012	36.68	21-Jul-12	41.1	12%	New
EC	Ecopetrol Sa Adr	3/3/2012	58.73	21-Jul-12	55.08	-6%	New
DISCA	Discovery Com Cl A	4/14/2012	51.70	21-Jul-12	50.12	-3%	New
PII	Polaris Industries Inc	4/14/2012	72.15	21-Jul-12	74.7	4%	New
UA	Under Armour Inc Cl A	4/28/2012	49.46	21-Jul-12	49.59	0%	New
CMG	Chipotle Mexican Grill	6/9/2012	407.34	21-Jul-12	316.98	-22%	New
FDO	Family Dollar Stores	6/9/2012	69.58	21-Jul-12	66.77	-4%	New
SHW	Sherwin-Williams Co	6/9/2012	131.42	21-Jul-12	131.57	0%	New
DKS	Dicks Sporting Goods Inc	6/9/2012	47.22	21-Jul-12	47.45	0%	New
SBUX	Starbucks Corp	6/9/2012	53.59	21-Jul-12	51.96	-3%	New
SSYS	Stratasys Inc	6/9/2012	46.89	21-Jul-12	56.64	21%	New
BBBY	Bed Bath & Beyond Inc	6/9/2012	70.81	21-Jul-12	61.38	-13%	New
AME	Ametek Inc	6/9/2012	34.58	21-Jul-12	33.79	-2%	New
JBHT	Hunt J B Trans Svcs Inc	6/9/2012	55.39	21-Jul-12	54.4	-2%	New
SWKS	Skyworks Solutions Inc	6/9/2012	27.96	21-Jul-12	28.575	2%	New

**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*

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