



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2012 # JUNE _09

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 – “ POM / 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

2012 – Open Portfolio

Prop Growth Strategy (Long only without hedges)

- YTD MAEG Growth **+ 13.0%** (Since last Report May 19th - SPX is up 2.4% v/s Growth +4.8%)
- YTD SPX **+ 5.4%**

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

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

- **YTD up + 13.3% v/s 5.4% SPX .** – Currently Portfolio is NET LONG Hedged with 1/3 HEDGES .
- **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

In 2012 - (2) – POM / TAS – Signals for Risk Management were Triggered as Hedge with SPX

M2M price is 1257 – 1ST JAN .

Based on our POM / TAS Rules , this Portfolio is currently NET LONG – POM 13 with 1/3 Partial hedges open

- POM 14 – (1/3 CLOSED @ 1305 Triggered ALERT on 5/25
- POM 15 – (Net Short 1400 Closed @ 1350) as ALERTED

TAS / POM – SPX “ FULL 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) – (1st Jan 2012 – Current) – Real Time

- 1st of Jan 2012 – YTD MAEG Risk Adjusted Portfolio **is up + 13.3% v/s 5.4 % SPX** on Real time basis

Srno	Symbol	Company Name	EPS % Chg (Last Qtr)	EPS % Chg (Prior Qtr)	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	94.00	64.92	45%	12/30/2011	Mark to Market 1st Jan 2012	5916.60
2	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	106.72	83.11	28%	12/30/2011	Mark to Market 1st Jan 2012	12342.46
3	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	416.55	372.82	12%	12/30/2011	Mark to Market 1st Jan 2012	52660.76
4	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	92.43	71.5	29%	12/30/2011	Mark to Market 1st Jan 2012	17755.00
5	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	116.58	101.53	15%	12/30/2011	Mark to Market 1st Jan 2012	78395.95
6	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	127.14	95.68	33%	12/30/2011	Mark to Market 1st Jan 2012	6494.46
7	ROST	Ross Stores Inc	20	28	5	17	9	44.6	11.4	64.50	47.53	36%	12/30/2011	Mark to Market 1st Jan 2012	14549.78
8	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	44.50	27.95	59%	12/30/2011	Mark to Market 1st Jan 2012	3291.27
9	QCOR	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	43.99	41.58	6%	12/30/2011	Mark to Market 1st Jan 2012	2647.78
10	LQDT	Liquidity Services Inc	79	116	-34	-12	13	31.2	21.2	63.80	36.68	74%	1/14/2012		1991.15
11	AAPL	Apple Inc	52	122	55	26	39	41.7	31.6	580.32	419.81	38%	1/14/2012		542635.19
12	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	76.10	48.50	57%	1/14/2012		13409.42
13	PCLN	Priceline.Com Inc	87	78	49	72	45	44.2	28.4	644.36	546.98	18%	2/4/2012		32084.67
14	GNC	G N C Holdings Inc	106	65	38	17	17	16.6	8.1	38.09	32.05	19%	2/18/2012		4135.30
15	VAL	Valspar Corp	59	50	22	16	5	18.1	8.6	49.47	46.11	7%	2/18/2012		4512.41
16	EC	Ecopetrol Sa Adr	64	128	9	4	61	2.3	27.4	58.77	58.73	0%	3/3/2012		120821.42
17	BWLD	Buffalo Wild Wings Inc	33	30	17	20	34	17.5	9.3	82.64	88.04	-6%	3/24/2012		1534.30
18	SAVE	Spirit Airlines Inc	57	117	217	50	27	48.2	13	19.36	19.65	-1%	3/24/2012		1311.53
19	SXCI	S X C Health Solutions	71	57	58	48	162	16.8	3.1	93.84	72.21	30%	3/24/2012		6463.95
20	CSTR	Coinstar Inc	47	79	91	14	33	23.6	10	62.10	60.88	2%	3/24/2012		1943.70
21	ORLY	O Reilly Automotive Inc	35	28	24	18	6	17.2	14.5	98.09	90.04	9%	3/24/2012		12368.22
22	NTES	Netease.Com Inc Adr	31	48	19	16	35	28.4	49.6	62.62	59.71	5%	3/24/2012		8183.18
23	DISCA	Discovery Com Cl A	91	59	22	9	11	16.2	33.8	51.02	51.70	-1%	4/14/2012		19013.74
24	DG	Dollar General Corp	38	28	23	16	20	18.8	8.8	50.29	46.30	9%	4/14/2012		16712.72
25	TJX	T J X Cos Inc	17	15	33	19	6	48.7	10.3	41.46	39.82	4%	4/14/2012		30719.87
26	PII	Polaris Industries Inc	15	38	15	21	26	52.3	13	75.43	72.15	5%	4/14/2012		5180.61
27	UA	Under Armour Inc Cl A	22	41	-17	27	23	17.1	10.7	103.31	98.91	4%	4/28/2012		5385.84
28	CERN	Cerner Corp	35	25	23	22	30	15.4	22.7	78.95	77.51	2%	4/28/2012		13457.56
29	CBST	Cubist Pharmaceuticals	52	5	-25	-38	30	28.5	33.3	41.35	42.79	-3%	4/28/2012		2619.00
30	CRUS	Cirrus Logic Inc	64	26	-13	24	21	27.2	24.7	28.65	24.95	15%	5/19/2012		1847.33
31	MLNX	Mellanox Technologies	113	48	170	110	61	12.6	18.9	61.64	54.12	14%	5/19/2012		2449.27
32	ALGN	Align Technology Inc	29	100	40	19	29	18	21.7	30.86	29.72	4%	5/19/2012		2479.95
33	TCBI	Texas Capital Bancshares	126	109	57	37	32	13.3	33.5	38.79	36.35	7%	5/19/2012		1470.83
34	WPI	Watson Pharmaceuticals	84	90	38	22	74	17.6	20.3	70.89	69.91	1%	5/19/2012		9032.04
35	AMT	American Tower Reit	143	143	38	79	24	11.6	20.7	66.30	64.42	3%	5/19/2012		26161.01
36	SNI	Scripps Ntwrks Intr Cl A	18	31	13	11	11	27.7	44.2	56.42	50.80	11%	5/19/2012		8589.18
37	WWW	Web.Com Group Inc	67	17	38	46	132	18.7	17.7	16.90	16.90	0%	6/9/2012	New	823.93

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

36	SNI	Scripps Ntwrks Intr Cl A	18	31	13	11	11	27.7	44.2	56.42	50.80	11%	5/19/2012		8589.18
37	WWW	Web.Com Group Inc	67	17	38	46	132	18.7	17.7	16.90	16.90	0%	6/9/2012	New	823.93
38	CMG	Chipotle Mexican Grill	35	23	40	31	26	23.3	15.5	407.34	407.34	0%	6/9/2012	New	12914.08
39	FDO	Family Dollar Stores	17	17	16	17	9	31	7.2	69.58	69.58	0%	6/9/2012	New	8122.49
40	TRIP	TripAdvisor Inc	0	14	0	12	23	43.4	43.4	43.02	43.02	0%	6/9/2012	New	5773.52
41	SHW	Sherwin-Williams Co	51	18	27	27	15	33.5	8.6	131.42	131.42	0%	6/9/2012	New	13572.68
42	DKS	Dicks Sporting Goods Inc	50	16	23	24	15	16.9	8	47.22	47.22	0%	6/9/2012	New	5578.13
43	SBUX	Starbucks Corp	18	11	28	22	15	29.1	14.8	53.59	53.59	0%	6/9/2012	New	40648.02
44	SSYS	Stratays Inc	33	48	39	30	30	13.1	21.1	46.89	46.89	0%	6/9/2012	New	998.34
45	VRSK	Verisk Analytics Cl A	18	28	12	12	11	N/A	37.2	47.59	47.59	0%	6/9/2012	New	8606.05
46	BBBY	Bed Bath & Beyond Inc	32	28	17	14	9	25.2	0	70.81	70.81	0%	6/9/2012	New	16462.08
47	AME	Ametek Inc	21	26	19	17	15	20.1	18.6	51.87	51.87	0%	6/9/2012	New	8337.43
48	JBHT	Hunt J B Trans Svcs Inc	43	37	25	24	17	45.5	9.3	55.39	55.39	0%	6/9/2012	New	6485.33
49	SWKS	Skyworks Solutions Inc	2	13	-10	-1	12	24.6	28.2	27.96	27.96	0%	6/9/2012	New	5302.65
50	PRGO	Perrigo Co	32	14	24	23	13	28.6	18.2	106.20	106.20	0%	6/9/2012	New	9934.68

Gains/Losses on Closed Position 64%

Total P/L 652%

GROWTH PORTFOLIO 1st JAN to 9th JUNE (ABSOLUTE Eq wt gain 13.0%

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 Partially hedged)

TAS -2 /POM Trend adjusted Sell Signal (1325 to 1305) 1.5%

HEDGED 1/3 @ 1325 (CLOSED @ POM 13 -13)

TAS -3 /POM Trend adjusted Sell Signal (1375+1415 to 1350) 3.6%

NET SHORT CLOSED (1400 to 1350)

TOTAL AVG HEDGE P/L = -1.3%

YTD Net Gains after Hedges 13.3%

YTD SPX 1257 TO 1325 SPX Gain 5.4%

Sold positions This week Qualifies for SHORT SELL

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

LULU	Lululemon Athletica	12/30/2011	46.66	9-Jun-12	64.77	39%	Mark to Market 1st Jan 2012	64.77	0%
TSCO	Tractor Supply Co	12/30/2011	70.15	9-Jun-12	87.7	25%	Mark to Market 1st Jan 2012	87.7	0%
FFIV	F 5 Networks Inc	2/4/2012	124.77	9-Jun-12	102.4	-18%	New	102.4	0%
TDC	Teradata Corp	2/18/2012	62.63	9-Jun-12	68.66	10%	New	68.66	0%
KORS	Michael Kors Hldgs Ltd	3/3/2012	47.95	9-Jun-12	38.37	-20%	New	38.37	0%
SHFL	Shuffle Master Inc	3/24/2012	17.36	9-Jun-12	14.53	-16%	New	14.53	0%
RGR	Sturm Ruger & Co Inc	4/14/2012	49.75	9-Jun-12	37.1	-25%	New	37.1	0%
TITN	Titan Machinery Inc	4/28/2012	35.71	9-Jun-12	27.03	-24%	New	27.03	0%
HIBB	Hibbett Sports Inc	5/19/2012	54.94	9-Jun-12	57.23	4%	New	57.23	0%
ARBA	Ariba Inc	5/19/2012	36.10	9-Jun-12	44.65	24%	New	44.65	0%
PNRA	Panera Bread Co Cl A	5/19/2012	143.25	9-Jun-12	145.86	2%	New	145.86	0%
CLB	Core Laboratories Nv	5/19/2012	134.11	9-Jun-12	122.44	-9%	New	122.44	0%
COO	Cooper Companies Inc	5/19/2012	84.97	9-Jun-12	78.82	-7%	New	78.82	0%
SLXP	Salix Pharmaceuticals	5/19/2012	49.03	9-Jun-12	53.25	9%	New	53.25	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.