



SG Capital Research

Global Market Insights

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

MAEG – BI - WKLY GROWTH_EQUITY ANALYSIS SG 2012 # MAR_24

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

- Prop Growth Strategy (Long only without hedges)
- YTD MAEG Growth + 16.7%
- YTD SPX +11.9%

Growth Equity Basket tends to perform “ Best “ in Momentum Market but we plan to play it in Risk Managed process via SPX Hedges Post POM 14 and the spread between it is almost in line with SPX gains with much lesser Risk. AAPL , the darling of Wall Street is up 45% from the entry defying low of gravity

- Conclusion – Overall YTD P/L – Top 50 Growth Portfolio (with Risk Managed SPX Hedges with TAS & POM’s Real time)..... up + 10.7 % v/s 11.9 % SPX . – Currently Portfolio is fully Hedged
- In 2012 , we plan to initiate Growth Equity Short Portfolio (with exited Growth stocks (Basket) 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” – Work in Progress

- SPX - “ Trend Adjusted “ TAS - MO / POM - Signals

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

In 2012 - (1) – 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 HEDGED Under Risk Management

- POM 14 – (½ Triggered @ 1325) and now fully hedged – Delta Neutral
- POM 15 – (Net Short Triggered @ 1375 on 3/01) – Net Short only to balance Beta. (Alert)

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) – (1st Jan 2012 – Current) – **Real Time**

- 1st of Jan 2012 – YTD MAEG Risk Adjusted Portfolio **is up + 10.7 % v/s 11.9 % 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	75.88	46.66	63%	12/30/2011	Mark to Market 1st Jan 2012	11046.56
2	CMG	Chipotle Mexican Grill	41	33	30	38	23	19.1	13.4	415.51	337.74	23%	12/30/2011	Mark to Market 1st Jan 2012	12989.87
3	TSCO	Tractor Supply Co	43	37	19	39	11	17.2	5.7	86.04	70.15	23%	12/30/2011	Mark to Market 1st Jan 2012	6135.83
4	ULTA	Ulta Salon Cosm & Frag	41	79	35	26	20	21.2	8.4	93.55	64.92	44%	12/30/2011	Mark to Market 1st Jan 2012	5789.87
5	HLF	Herbalife Ltd	46	34	11	17	29	70.2	14.8	70.74	51.67	37%	12/30/2011	Mark to Market 1st Jan 2012	8285.15
6	DLTR	Dollar Tree Inc	34	28	23	20	14	28.6	11.2	94.74	83.11	14%	12/30/2011	Mark to Market 1st Jan 2012	10956.94
7	MA	Mastercard Inc Cl A	24	30	21	21	15	42.4	49.8	424.01	372.82	14%	12/30/2011	Mark to Market 1st Jan 2012	53642.05
8	NUS	Nu Skin Enterprise Cl A	17	26	18	13	9	32.1	13.5	60.65	48.57	25%	12/30/2011	Mark to Market 1st Jan 2012	3770.39
9	ALXN	Alexion Pharmaceuticals	45	58	12	31	48	21.6	33.7	93.82	71.5	31%	12/30/2011	Mark to Market 1st Jan 2012	17449.90
10	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	118.78	101.53	17%	12/30/2011	Mark to Market 1st Jan 2012	79794.75
11	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	115.36	95.68	21%	12/30/2011	Mark to Market 1st Jan 2012	5843.75
12	ROST	Ross Stores Inc	20	28	5	17	9	44.6	11.4	57.11	47.53	20%	12/30/2011	Mark to Market 1st Jan 2012	13057.69
13	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	38.75	27.95	39%	12/30/2011	Mark to Market 1st Jan 2012	2806.49
14	QCOR	Questcor Pharmaceutical	95	53	200	93	91	39.1	49.8	38.45	41.58	-8%	12/30/2011	Mark to Market 1st Jan 2012	2448.38
15	MELI	Mercadolibre Inc	36	26	36	29	46	39.8	33.7	97.26	79.54	22%	12/30/2011	Mark to Market 1st Jan 2012	4293.25
16	LQDT	Liquidity Services Inc	79	116	-34	-12	13	31.2	21.2	46.69	36.68	27%	1/14/2012		1430.90
17	AAPL	Apple Inc	52	122	55	26	39	41.7	31.6	596.05	419.81	42%	1/14/2012		555739.13
18	MNST	Monster Beverage Corp	22	30	36	36	24	30	26.8	60.53	48.50	25%	1/14/2012		10550.07
19	CELG	Celgene Corp	36	29	47	35	37	25.3	44.8	76.83	72.63	6%	1/14/2012		33713.80
20	INVN	Invensense Inc	117	275	133	300	52	19.9	18.1	21.41	17.21	24%	2/4/2012		1728.73
21	FFIV	F 5 Networks Inc	17	34	20	19	20	29.2	39.1	132.13	124.77	6%	2/4/2012		10463.58
22	SHOO	Steven Madden Limited	37	17	32	25	70	24.2	19.8	43.68	40.90	7%	2/4/2012		1922.22
23	PCLN	Priceline.Com Inc	87	78	49	72	45	44.2	28.4	714.99	546.98	31%	2/4/2012		35605.69
24	GNC	G N C Holdings Inc	106	65	38	17	17	16.6	8.1	34.63	32.05	8%	2/18/2012		3768.04
25	VAL	Valspar Corp	59	50	22	16	5	18.1	8.6	48.58	46.11	5%	2/18/2012		4523.04
26	FOSL	Fossil Inc	28	9	7	19	18	23.9	18.9	133.17	118.19	13%	2/18/2012		8228.41
27	CMI	Cummins Inc	39	65	26	16	19	24.1	12	121.52	122.07	0%	2/18/2012		23323.04
28	CERN	Cerner Corp	25	26	25	21	23	15.4	17.6	76.71	70.99	8%	2/18/2012		13016.39
29	TDC	Teradata Corp	25	28	17	13	23	30.1	22.7	68.62	62.63	10%	2/18/2012		11546.01
30	CF	C F Industries Holdings	169	369	19	N/A	39	19.5	23.8	188.76	178.84	6%	2/18/2012		12359.27
31	KORS	Michael Kors Hldgs Ltd	87	113	44	87	68	83.3	16.6	47.00	47.95	-2%	3/3/2012		8967.26
32	EC	Ecopetrol Sa Adr	64	128	9	4	61	2.3	27.4	60.72	58.73	3%	3/3/2012		124830.30

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

34	SWKS	Skyworks Solutions Inc	13	26	-2	-1	17	24.6	28.2	28.16	27.46	3%	3/3/2012		5305.78
35	UBNT	Ubiquiti Networks Inc	145	167	80	91	95	68.5	31.5	30.38	25.99	17%	3/3/2012		2790.42
36	FRAN	Francesca's Hldgs Corp	90	17	67	46	55	N/A	22.2	32.47	32.47	0%	3/24/2012	New	1413.70
37	BWLD	Buffalo Wild Wings Inc	33	30	17	20	34	17.5	9.3	88.04	88.04	0%	3/24/2012	New	1618.96
38	SAVE	Spirit Airlines Inc	57	117	217	50	27	48.2	13	19.65	19.65	0%	3/24/2012	New	1330.14
39	SXCI	S X C Health Solutions	71	57	58	48	162	16.8	3.1	72.21	72.21	0%	3/24/2012	New	4505.45
40	CSTR	Coinstar Inc	47	79	91	14	33	23.6	10	60.88	60.88	0%	3/24/2012	New	1883.99
41	SHFL	Shuffle Master Inc	56	29	43	33	28	15.1	19	17.36	17.36	0%	3/24/2012	New	953.97
42	TIBX	Tibco Software Inc	35	35	19	14	20	21.2	26.5	31.06	31.06	0%	3/24/2012	New	5175.57
43	SSW	Seaspan Corporation	57	25	-51	-48	32	15	37.6	17.30	17.30	0%	3/24/2012	New	1088.01
44	VMW	Vmware Inc Cl A	35	36	23	20	27	21.8	31.1	108.84	108.84	0%	3/24/2012	New	45949.98
45	ORLY	O Reilly Automotive Inc	35	28	24	18	6	17.2	14.5	90.04	90.04	0%	3/24/2012	New	11463.47
46	PNRA	Panera Bread Co Cl A	17	29	23	20	16	22.2	12.3	160.73	160.73	0%	3/24/2012	New	4766.10
47	UA	Under Armour Inc Cl A	41	29	4	25	34	17.1	10.7	97.10	97.10	0%	3/24/2012	New	5021.36
48	SIMO	Silicon Motion Tech Ads	147	138	83	27	61	24.4	23.1	21.34	21.34	0%	3/24/2012	New	624.24
49	NTES	Netease.Com Inc Adr	31	48	19	16	35	28.4	49.6	59.71	59.71	0%	3/24/2012	New	7802.90
50	SLXP	Salix Pharmaceuticals	87	450	71	-10	31	37.7	32.9	52.83	52.83	0%	3/24/2012	New	3139.47

										Gains/Losses on Closed Position	217%								
										Total P/L	837%								
										Eq wt gain	16.7%	LONG ONLY - BUY & HOLD							
										GROWTH PORTFOLIO		1st JAN 2012 to 23rd MAR 2012							
										SPX HEDGES		RISK MANAGEMENT P/L							
										TAS-1 / POM (1/2p)		Trend Adjusted Hedge on SPX SELL(1300 to 1397)		-6.9%		SPX M2M 1257 - 1/01		(Portfolio Currently hedged)	
										TAS-2 / POM (1/2)		Trend Adjusted Hedge on SPX SELL(1325 to 1397)		-5.1%		SPX 1325 - 1/26			
										TAS-3									
										TAS-4									
										TAS-5 /POM									
										TAS-6 /POM									
										.									
										.									
										.									
																TOTAL AVG HEDGE P/L = -5.7%			
										YTD Net Gains after Hedges				10.7%					
										YTD SPX 1257 TO 1397		SPX Gain		11.9%					

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.

CVLT	Commvault Systems Inc	12/30/2011	42.72	24-Mar-12	51.23	20%	Mark to Market 1st Jan 2012
PII	Polaris Industries Inc	12/30/2011	55.98	24-Mar-12	70.54	26%	Mark to Market 1st Jan 2012
CXO	Concho Resources Inc	12/30/2011	93.75	24-Mar-12	99.92	7%	Mark to Market 1st Jan 2012
GWW	Grainger W W Inc	12/30/2011	187.19	24-Mar-12	214.72	15%	Mark to Market 1st Jan 2012
HMSY	H M S Holdings Corp	12/30/2011	31.98	24-Mar-12	31.33	-2%	Mark to Market 1st Jan 2012
FAST	Fastenal Co	12/30/2011	43.61	24-Mar-12	53.64	23%	Mark to Market 1st Jan 2012
EBIX	Ebix Inc	12/30/2011	22.10	24-Mar-12	23.4	6%	Mark to Market 1st Jan 2012
TCBI	Texas Capital Bancshares	1/14/2012	31.73	24-Mar-12	35.63	12%	Mark to Market 1st Jan 2012
TAL	Tal International Group	2/4/2012	34.80	24-Mar-12	36.66	5%	Mark to Market 1st Jan 2012
ALGN	Align Technology Inc	2/18/2012	27.22	24-Mar-12	26.8	-2%	Mark to Market 1st Jan 2012
AGO	Assured Guaranty Ltd	2/18/2012	17.52	24-Mar-12	16.3	-7%	New
TJX	T J X Cos Inc	2/18/2012	34.87	24-Mar-12	38.63	11%	New
FIRE	Sourcefire Inc	3/3/2012	45.09	24-Mar-12	48.98	9%	New
GOLD	Randgold Resources Adr	3/3/2012	114.02	24-Mar-12	91.32	-20%	New
NVO	Novo Nordisk A/S Adr	3/3/2012	141.45	24-Mar-12	139.83	-1%	New
					Total Closed P/I	217%	
					Eq wt gain YTD C	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

• 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.