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## GROWTH EQUITY REPORT – Top 50 (Risk Managed via SPX POM Hedges)

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- **Executive Summary**

- **2012 – Open Portfolio**

- *M2M price is SPX - 1257 – 1<sup>ST</sup> JAN 2012. – SPX 1415 Current.*

- YTD Growth “ long only **without** Hedges” **+9.1%**

- YTD Growth “ Long **with** Risk Managed SPX Hedges via POM’s **+10.8%**

- YTD SPX **+11.0%**

*Net Change since last Report SEPT 29<sup>th</sup> - SPX -2.0% v/s Growth -5.0%,*

- *Currently the Portfolio is Net Long at POM 13 since SPX @ 1422 mean price.*

## Top 50 Growth Portfolio ( Risk Managed) – ( 1<sup>st</sup> Jan 2012 – Current)

- 1<sup>st</sup> of Jan 2012 – YTD MAEG Risk Adjusted Growth Portfolio **is up + 10.8% v/s 11.0 % SPX** .

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	92.45	64.92	42%	12/30/2011	Mark to Market 1st Jan 2012	5847.26
2	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	143.40	101.53	41%	12/30/2011	Mark to Market 1st Jan 2012	96028.13
3	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	136.88	95.68	43%	12/30/2011	Mark to Market 1st Jan 2012	7043.64
4	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	50.61	27.95	81%	12/30/2011	Mark to Market 1st Jan 2012	3770.02
5	VAL	Valspar Corp	59	50	22	16	5	18.1	8.6	58.74	46.11	27%	2/18/2012		5332.39
6	CTRX	S X C Health Solutions	71	57	58	48	162	16.8	3.1	49.66	36.11	38%	3/24/2012		10185.81
7	TCBI	Texas Capital Bancshares	126	109	57	37	32	13.3	33.5	46.60	36.35	28%	5/19/2012		1891.38
8	WPI	Watson Pharmaceuticals	84	90	38	22	74	17.6	20.3	86.73	69.91	24%	5/19/2012		11080.35
9	SNI	Scripps Ntwrks Intr Cl A	18	31	13	11	11	27.7	44.2	60.48	50.80	19%	5/19/2012		9058.64
10	KORS	Michael Kors Hldgs Ltd	133	87	11	32	58	56.2	21	56.20	39.98	41%	7/21/2012		10864.82
11	LOPE	Grand Canyon Education	52	36	-7	14	15	34.8	19.1	24.43	19.28	27%	7/21/2012		1092.07
12	RMD	Resmed Inc	38	29	21	6	9	17.2	27.5	40.32	37.23	8%	8/25/2012		5768.80
13	SSYS	Stratasys Inc	39	33	37	34	31	13.1	21.1	59.20	62.58	-5%	8/25/2012		1263.12
14	ESRX	Express Scripts Hldg Co	24	11	25	25	144	49.2	5.2	62.02	61.76	0%	8/25/2012		50282.71
15	JAH	Jarden Corp	28	18	12	20	0	16.3	7.1	50.96	48.63	5%	8/25/2012		4069.67
16	SHW	Sherwin-Williams Co	31	51	29	31	9	33.5	8.6	142.00	142.63	0%	8/25/2012		14641.20
17	NSR	Neustar Inc	47	28	39	50	40	27.5	40.1	36.82	37.46	-2%	8/25/2012		2445.24
18	QHUU	Qihoo 360 Technology Ads	55	320	6	41	107	N/A	22.6	21.75	23.08	-6%	8/25/2012		2595.86
19	LULU	Lululemon Athletica	31	52	33	42	33	36.5	28.9	69.99	77.99	-10%	9/15/2012		10229.58
20	PII	Polaris Industries Inc	44	27	25	30	24	52.3	13	85.84	85.55	0%	9/15/2012		5923.36
21	CVLT	Commvault Systems Inc	43	16	17	21	22	22.8	18.3	65.73	58.25	13%	9/15/2012		2989.42
22	DISCA	Discovery Com Cl A	23	16	8	9	7	16.2	33.8	59.88	58.75	2%	9/15/2012		21854.16
23	AGU	Agrium Inc	20	28	12	8	10	26.2	13.4	105.78	103.74	2%	9/15/2012		15794.26
24	TFM	The Fresh Market Inc	27	33	37	30	21	52.8	7.4	58.57	59.93	-2%	9/29/2012		2817.63
25	DVA	Davita Inc	27	52	8	19	16	24.1	13.1	111.50	103.61	8%	9/29/2012		10637.10
26	GOLD	Randgold Resources Adr	3	113	18	34	8	19	43	116.66	123.00	-5%	9/29/2012		10730.99
27	DDD	3D SYSTEMS CORP	78	42	131	68	57	18	16.6	42.54	42.54	0%	11/3/2012	New	2426.48
28	OCN	OCWEN FINANCIAL CORP	95	28	563	95	90	7.7	27.3	35.01	35.01	0%	11/3/2012	New	4726.54
29	POL	POLYONE CORPORATION	27	19	17	18	1	17.4	5.1	20.05	20.05	0%	11/3/2012	New	1785.96
30	GNRC	GENERAC HOLDINGS INC	4	41	-46	23	26	24.3	18.6	34.35	34.35	0%	11/3/2012	New	2339.28
31	AMCX	AMC NETWORKS INC-A	54	46	-34	22	12	N/A	17.7	48.88	48.88	0%	11/3/2012	New	3504.63
32	ARMH	ARM HOLDINGS PLC-SPONS ADR	29	21	12	21	24	17.8	47.4	33.20	33.20	0%	11/3/2012	New	15266.43



## Sold positions - This week Qualifies for SHORT SELL- upon cross verification

**NEW EXITED** good candidate to review for RA / RI “over valuation” .

○

ALXN	Alexion Pharmaceuticals	12/30/2011	71.50	3-Nov-12	89.09	25%	Mark to Market 1st Jan 2012
ROST	Ross Stores Inc	12/30/2011	47.53	3-Nov-12	56.87	20%	Mark to Market 1st Jan 2012
AAPL	Apple Inc	1/14/2012	419.81	3-Nov-12	576.8	37%	New
GNC	G N C Holdings Inc	2/18/2012	32.05	3-Nov-12	36.16	13%	New
TJX	T J X Cos Inc	4/14/2012	39.82	3-Nov-12	41.52	4%	New
CBST	Cubist Pharmaceuticals	4/28/2012	42.79	3-Nov-12	42.73	0%	New
CRUS	Cirrus Logic Inc	5/19/2012	24.95	3-Nov-12	32.11	29%	New
MLNX	Mellanox Technologies	5/19/2012	54.12	3-Nov-12	79.35	47%	New
ALGN	Align Technology Inc	5/19/2012	29.72	3-Nov-12	25.98	-13%	New
WWWW	Web.Com Group Inc	6/9/2012	16.90	3-Nov-12	15.45	-9%	New
CF	C F Industries Holdings	7/21/2012	202.77	3-Nov-12	199.03	-2%	New
FLT	Fleetcor Technologies	7/21/2012	36.01	3-Nov-12	47.42	32%	New
FRAN	Francesca's Hldgs Corp	8/25/2012	34.69	3-Nov-12	27.87	-20%	New
ACOM	Ancestry.Com Inc	8/25/2012	30.63	3-Nov-12	31.54	3%	New
EW	Edwards Lifesciences Cp	8/25/2012	99.18	3-Nov-12	87.83	-11%	New
ELLI	Ellie Mae Inc	8/25/2012	25.64	3-Nov-12	22.62	-12%	New
RGR	Sturm Ruger & Co Inc	9/15/2012	48.72	3-Nov-12	45.17	-7%	New
WDC	Western Digital Corp	9/15/2012	41.06	3-Nov-12	35.2	-14%	New
PNRA	Panera Bread Co Cl A	9/15/2012	170.49	3-Nov-12	167.05	-2%	New
TSCO	Tractor Supply Co	9/29/2012	98.89	3-Nov-12	94.57	-4%	New
GOOG	Google Inc	9/29/2012	754.50	3-Nov-12	687.918	-9%	New
IPXL	Impax Laboratories Inc	9/29/2012	25.96	3-Nov-12	20.36	-22%	New
TDC	Teradata Corp	9/29/2012	75.41	3-Nov-12	63.08	-16%	New
SHOO	Steven Madden Limited	9/29/2012	43.72	3-Nov-12	42.92	-2%	New

# Appendix Content

- **Key Points for Growth Model**
- **Objectives & Guidelines**
- **Growth Selection Criteria**
- **SPX – POM / 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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