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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 1410 Current.*

- YTD Growth “ long only **without** Hedges” **+9.3%**

- YTD Growth “ Long **with** Risk Managed SPX Hedges via POM’s **+11%**

- YTD SPX **+11.9%**

*Net Change since last Report Nov 03 - SPX – 0% v/s Growth 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 + 11 % v/s 11. 9 % 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	V	Visa Inc Cl A	30	28	31	27	14	12	56.5	148.12	101.53	46%	12/30/2011	Mark to Market 1st Jan 2012	99188.88
2	TDG	Transdigm Group Inc	38	24	22	29	52	25.1	32.9	132.40	95.68	38%	12/30/2011	Mark to Market 1st Jan 2012	6844.37
3	SWI	Solarwinds Inc	29	31	10	17	29	42.9	50.9	54.19	27.95	94%	12/30/2011	Mark to Market 1st Jan 2012	4036.70
4	VAL	Valspar Corp	59	50	22	16	5	18.1	8.6	61.64	46.11	34%	2/18/2012		5595.66
5	CTRX	S X C Health Solutions	71	57	58	48	162	16.8	3.1	49.23	36.11	36%	3/24/2012		10098.94
6	TCBI	Texas Capital Bancshares	126	109	57	37	32	13.3	33.5	45.19	36.35	24%	5/19/2012		1834.15
7	WPI	Watson Pharmaceuticals	84	90	38	22	74	17.6	20.3	86.08	69.91	23%	5/19/2012		10997.30
8	SNI	Scripps Ntwrks Intr Cl A	18	31	13	11	11	27.7	44.2	60.40	50.80	19%	5/19/2012		9046.66
9	KORS	Michael Kors Hldgs Ltd	133	87	11	32	58	56.2	21	51.47	39.98	29%	7/21/2012		10280.94
10	LOPE	Grand Canyon Education	52	36	-7	14	15	34.8	19.1	22.30	19.28	16%	7/21/2012		996.85
11	RMD	Resmed Inc	38	29	21	6	9	17.2	27.5	40.50	37.23	9%	8/25/2012		5794.55
12	SSYS	Stratasys Inc	39	33	37	34	31	13.1	21.1	70.78	62.58	13%	8/25/2012		1543.97
13	JAH	Jarden Corp	28	18	12	20	0	16.3	7.1	52.88	48.63	9%	8/25/2012		4131.09
14	SHW	Sherwin-Williams Co	31	51	29	31	9	33.5	8.6	158.59	142.63	11%	8/25/2012		16351.75
15	NSR	Neustar Inc	47	28	39	50	40	27.5	40.1	39.49	37.46	5%	8/25/2012		2622.56
16	QIHU	Qihoo 360 Technology Ads	55	320	6	41	107	N/A	22.6	23.43	23.08	2%	8/25/2012		2796.37
17	LULU	Lululemon Athletica	31	52	33	42	33	36.5	28.9	70.67	77.99	-9%	9/15/2012		10328.97
18	PII	Polaris Industries Inc	44	27	25	30	24	52.3	13	84.02	85.55	-2%	9/15/2012		5797.77
19	CVLT	Commvault Systems Inc	43	16	17	21	22	22.8	18.3	63.33	58.25	9%	9/15/2012		2880.26
20	DVA	Davita Inc	27	52	8	19	16	24.1	13.1	111.43	103.61	8%	9/29/2012		10630.42
21	DDD	3D SYSTEMS CORP	78	42	131	68	57	18	16.6	41.74	42.54	-2%	11/3/2012		2380.85
22	OCN	OCWEN FINANCIAL CORP	95	28	563	95	90	7.7	27.3	34.54	35.01	-1%	11/3/2012		4663.09
23	POL	POLYONE CORPORATION	27	19	17	18	1	17.4	5.1	19.40	20.05	-3%	11/3/2012		1728.06
24	GNRC	GENERAC HOLDINGS INC	4	41	-46	23	26	24.3	18.6	35.29	34.35	3%	11/3/2012		2403.62
25	AMCX	AMC NETWORKS INC-A	54	46	-34	22	12	N/A	17.7	51.40	48.88	5%	11/3/2012		3685.31
26	ARMH	ARM HOLDINGS PLC-SPONS ADR	29	21	12	21	24	17.8	47.4	35.69	33.20	7%	11/3/2012		16411.41
27	VRX	VALEANT PHARMACEUTICALS INTE	74	38	37	56	47	21.4	40.6	55.39	56.37	-2%	11/3/2012		16509.64
28	NVO	NOVO-NORDISK A/S-SPONS ADR	34	18	12	17	15	47.9	33	159.30	158.31	1%	11/3/2012		89208.00
29	MYL	MYLAN INC	51	15	21	25	15	25.2	19.7	27.11	25.68	6%	11/3/2012		11048.08
30	MA	MASTERCARD INC-CLASS A	10	19	22	17	6	43.4	52.4	481.24	469.45	3%	11/3/2012		59799.34
31	RNF	RENTECH NITROGEN PARTNERS LP	218	467	663	195	-5	N/A	31.1	37.72	39.68	-5%	11/3/2012		1463.53
32	CPRT	COPART INC	21	23	16	12	5	33.7	31	30.60	28.99	6%	11/3/2012		3797.27
33	ODFL	OLD DOMINION FREIGHT LINE	31	20	11	23	10	18.3	11.7	33.49	33.78	-1%	11/3/2012		2885.66

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

33	ODFL	OLD DOMINION FREIGHT LINE	31	20	11	23	10	18.3	11.7	33.49	33.78	-1%	11/3/2012	2885.66	
34	THOR	THORATEC CORP	20	2	0	11	15	16.1	35	38.03	36.62	4%	11/3/2012	2234.53	
35	WSM	WILLIAMS-SONOMA INC	16	13	10	13	7	18.9	10.3	45.49	46.70	-3%	11/3/2012	4477.39	
36	MLNX	Mellanox Technologies	303	267	239	266	130	12.6	18.9	84.97	84.97	0%	11/24/2012	New	3376.29
37	RGR	Sturm Ruger & Co Inc	57	63	63	57	47	31.8	19.3	54.57	54.57	0%	11/24/2012	New	1045.57
38	SLCA	U S Silica Holdings Inc	89	200	3	109	58	32.9	15.5	15.31	15.31	0%	11/24/2012	New	809.07
39	LMCA	Liberty Media Cap Cl A	N/A	19	-83	-58	3	15.8	37.3	109.04	109.04	0%	11/24/2012	New	13091.84
40	HDB	H D F C Bank Ltd Adr	19	29	N/A	24	16	16.6	23.7	40.27	40.27	0%	11/24/2012	New	31724.15
41	ALK	Alaska Air Group Inc	17	25	41	21	6	25.2	10.7	42.49	42.49	0%	11/24/2012	New	2987.65
42	PETM	Petsmart Inc	50	31	33	38	9	25	7.3	69.09	69.09	0%	11/24/2012	New	7425.45
43	FMX	Fomento Econ Mex Sab Ads	20	19	19	17	27	11	10.6	97.26	97.26	0%	11/24/2012	New	31075.03
44	CERN	Cerner Corp	25	34	16	26	18	15.4	22.7	78.06	78.06	0%	11/24/2012	New	13392.30
45	TSM	Taiwan Semiconductor Adr	68	13	35	23	38	29.5	40.6	16.84	16.84	0%	11/24/2012	New	87285.84
46	FIS	Fidelity Natl Info Svcs	5	22	5	13	3	10.6	18	35.78	35.78	0%	11/24/2012	New	10490.63
47	ELLI	Ellie Mae Inc	289	1250	54	329	87	20.8	8.5	24.01	24.01	0%	11/24/2012	New	616.09
48	CELG	Celgene Corp	26	37	25	29	14	30.5	44.4	78.51	78.51	0%	11/24/2012	New	33208.73
49	BIIB	Biogen Idec Inc	19	34	-3	12	6	24.5	39.3	149.87	149.87	0%	11/24/2012	New	35458.78
50	TJX	T J X Cos Inc	17	24	23	25	11	48.7	10.7	43.91	43.91	0%	11/24/2012	New	32322.17

Gains/Losses on Closed Position 36%

Total P\L 466%

**GROWTH PORTFOLIO** 1st Jan to 24 th Nov (Abs Gains) Eq wt gain **9.3%** LONG ONLY - BUY & HOLD

**2012 SPX HEDGES RISK MANAGEMENT P/L of Hedges**

POM - Trigger Trend adjusted Sell Signal ( 1270 to 1325) -4.5% HEDGED 1/3 @ 1270  
 POM - Trigger Trend adjusted Sell Signal ( 1325 to 1305) 1.5%/3 @ 1325 ( CLOSED @ POM  
 POM - Trigger Trend adjusted Sell Signal ( 1375+1415 to 1350) 3.6% SHORT CLOSED ( 1400 to 1350)  
 POM - Trigger Hedged closed POM 13 @ 1300 from 1350) 3.7% closed Hedges @ POM 13 - 1300  
 POM - Trigger Hedged signal 1375 to 1422) -2.6% closed on Avg POM 13 Re @ 1422

( Portfolio Currently Net lng - Non hedged since 1422 - POM 13 Re )

**COMMENTS**

TOTAL HEDGE P/L = 2.6%

**YTD Net Gains with Hedges** Port Gain **11.0%**

**YTD SPX 1257 TO 1410** SPX Gain **11.9%**



# 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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