



Pairs Trading Matrixes

March 24, 2015

Sturdivant & Co. conducts bottom-up fundamental analysis on a wide range of nearly 3,000 large and small cap US equities. Herein we present our exclusive Pairs Trading Matrixes utilizing Polaris, our innovative system for stock selection guidance. (System design overview for Polaris is attached separately.)

Polaris integrates proprietary analytics that are focused on valuation, catalytic and technical properties to rank and characterize stocks. The quantitative scores derived for each stock in our coverage universe can be used to identify pricing disparities among pairs of stocks. An exploitable pricing disparity is indicated by a wide spread between the respective quantitative scores for the long and short component of a pair of stocks selected from the same sector and industry.

Our Pairs Trading Matrixes provide investors with guidance by specifying long/short pair combinations that we find attractive based on the spread in quantitative scores among the components of each pair. A separate matrix for a large cap universe and a small cap universe is provided below in Tables 1 and 2.

The Sturdivant & Co. coverage universe is grouped into 16 economic sectors and approximately 200 different industries. We have identified pair combinations selected from the 10 industries that we believe have the greatest degree of pricing disparity based on our analysis. For each industry from which attractive pairs are identified, we select 1 to 4 long candidates and 1 to 4 short candidates. Consequently, there can be anywhere from 1 to 16 different pair combinations to select from for each industry. As an example, in Table 1 below, we have identified 4 pairs in the Electronic Commerce industry that merit investment consideration, including: (A1) ZU-AMZN, (A2) ZU-LVNTA, (B1) GRPN-AMZN and (B2) GRPN-LVNTA.

Table 1: Large Cap Pairs Matrix

LARGE CAP PAIRS (based on 03/20/2015 prices)									
PAIR COMBINATIONS = A1, A2, A3, A4, B1, B2, B3, B4, C1, C2, C3, C4, D1, D2, D3, D4									
INDUSTRY	LONG SIDE of PAIR				SHORT SIDE of PAIR				Number of Pairs
	A	B	C	D	1	2	3	4	
1 AEROSPACE/DEFENSE EQUIP	TGI				COL	XLS			2
2 AUTO/TRUCK-ORIGINAL EQP	NAV				WBC	LEA			2
3 INSURANCE-PROP/CAS/TITLE	FNFV	CB	THG	ALL	MCY	CNA	MKL	HCC	16
4 MEDICAL-BIOMED/GENETICS	CELG	ILMN			SGEN	REGN	MYGN		6
5 ELECTRONIC COMMERCE	ZU	GRPN			AMZN	LVNTA			4
6 REIT-EQTY TRUST - RETAIL	SKT	O			WPG				2
7 UTILITY-ELECTRIC POWER	XEL	ETR	PEG		NRG				3
8 BUSINESS INFORMATION SERVICE	FDS				MHFI	NLSN	IHS		3
9 REIT-EQTY TRUST - OTHER	WPC	PSA	DLR		HST				3
10 CHEMICALS-SPECIALTY	SIAL				ECL	IFF			2
TOTAL Number of PAIRS =									43

Table 2: Small Cap Pairs Matrix

SMALL CAP PAIRS (based on 03/20/2015 prices)										
PAIR COMBINATIONS = A1, A2, A3, A4, B1, B2, B3, B4, C1, C2, C3, C4, D1, D2, D3, D4										
		LONG SIDE of PAIR				SHORT SIDE of PAIR				Number of Pairs
INDUSTRY		A	B	C	D	1	2	3	4	
1	UTILITY-ELECTRIC POWER	NWE	IDA			NYLD	PEGI	DYN	BKH	8
2	WIRELESS NATIONAL	WSTC				CCOI				1
3	ELEC-SEMICONDUCTORS	OVTI	FORM			VTSS	LSCC			4
4	FINANCE-INVESTMENT BKRS	AI				ITG	INTL			2
5	INSURANCE-PROP/CAS/TITLE	HCI	AGII			SIGI				2
6	MEDICAL-DRUGS	USNA	RGLS	XNCR	INFI	PTLA	CTIC	SPPI		12
7	INTERNET SOFTWARE	DTSI				CVT	VHC			2
8	REIT-EQTY TRUST - OTHER	WRE	NHI	CHSP		FCH	CSG	PSB		9
9	BROADCASTING-RADIO/TV	CMLS				MEG	NXST			2
10	MEDICAL-BIOMED/GENETICS	GERN	ISIS			SGMO	MNKD	AEGR	MNTA	8
TOTAL Number of PAIRS =										50

In Tables 3 and 4 below we provide output from the Polaris analysis for the stocks in each of the matrixes (large cap and small cap, respectively). The stocks in each matrix are grouped first by sector, then industry. The overall attractiveness of a stock is indicated by the Polaris Score, or PSCORE, whereby long candidates will have a positive PSCORE and short candidates will have a negative PSCORE. The PSCORE is a proprietary factor that is based on our analysis of each stock's valuation, technical and catalytic properties. The difference in PSCORES between the long and short candidates of a pair is the metric that we use as an indication of pricing disparity, otherwise referred to as the spread. Descriptions for the column headings in Tables 3 and 4 are as follows:

COLUMN HEADINGS

XSECTOR – Sector Identification Number used in master database (1 thru 16)**

DCOORD – Dimensional Coordinate used to characterize stocks in Polaris framework (1 thru 8)

PSCORE – Polaris Score, (+) value is favorable, (-) value is unfavorable, (0) value is neutral

VCAVG – Average calculated from VSCORE, TSCORE and CSCORE

VSCORE – Valuation Score, (+) value is favorable, (-) value is unfavorable, (0) value is neutral

TSCORE – Technical Score, (+) value is favorable, (-) value is unfavorable, (0) value is neutral

CSCORE – Catalytic Score, (+) value is favorable, (-) value is unfavorable, (0) value is neutral

****Sector Identification Numbers**

- | | | | |
|--------------------------|-----------------------|--------------------------|----------------------|
| 1 Consumer Staples | 5 Autos/Tires/Trucks | 9 Conglomerates | 13 Finance |
| 2 Consumer Discretionary | 6 Basic Materials | 10 Computer & Technology | 14 Utilities |
| 3 Retail/Wholesale | 7 Industrial Products | 11 Aerospace | 15 Transportation |
| 4 Medical | 8 Construction | 12 Oils/Energy | 16 Business Services |

Table 3: Large Cap Pairs – Polaris Output (03/20/2015)

	COMPANY	SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Retail-Wholesale												
ELECTRONIC COMMERCE												
A	Zulily-A	3	ZU	13.37	0.00	1.00	1.62	1.11	0.02	2.46	0.85	1671.10
B	Groupon Inc	3	GRPN	7.60	0.00	3.00	1.57	0.73	-0.19	0.77	1.61	5114.52
2	Liberty Ventr-A	3	LVNTA	41.78	0.00	8.00	-1.70	-1.34	-1.02	-1.68	-1.33	5621.25
1	Amazon.Com Inc	3	AMZN	378.49	0.00	8.00	-1.70	-2.28	-4.35	-1.19	-1.30	175764.70
Medical												
MEDICAL-BIOMED/GENETICS												
A	Celgene Corp	4	CELG	128.50	0.00	1.00	1.62	0.47	0.07	0.66	0.66	102875.95
B	Illumina Inc	4	ILMN	196.02	0.00	1.00	1.46	0.31	0.54	0.39	0.00	27834.84
3	Myriad Genetics	4	MYGN	37.03	0.00	6.00	-1.33	0.04	0.98	-0.79	-0.07	2633.50
2	Regeneron Pharm	4	REGN	488.87	0.00	6.00	-1.38	-0.21	0.16	-0.78	-0.02	50165.88
1	Seattle Genetic	4	SGEN	38.86	0.00	8.00	-1.70	-1.23	-2.23	-0.53	-0.92	4831.04
Auto-Tires-Trucks												
AUTO/TRUCK-ORIGINAL EQP												
A	Navistar Intl	5	NAV	28.18	0.00	1.00	1.68	2.35	3.42	1.59	2.04	2296.27
2	Lear Corporatr	5	LEA	111.97	0.89	6.00	-1.54	-0.18	0.34	-0.64	-0.23	8736.68
1	Wabco Holdings	5	WBC	118.80	0.00	8.00	-1.65	-0.40	-0.26	-0.62	-0.31	6945.05
Basic Materials												
CHEMICALS-SPECIALTY												
A	Sigma Aldrich	6	SIAL	138.20	0.67	3.00	1.52	-0.10	-1.86	1.15	0.42	16504.95
2	Intl F & F	6	IFF	119.92	1.57	8.00	-1.49	-0.87	-1.68	-0.74	-0.20	9682.70
1	Ecolab Inc	6	ECL	115.27	1.15	8.00	-1.70	-2.13	-1.52	-2.53	-2.35	34494.55
Aerospace												
AEROSPACE/DEFENSE EQUIP												
A	Triumph Grp Inc	11	TGI	58.65	0.27	1.00	1.68	0.94	1.47	0.59	0.76	2958.95
2	Exelis Inc	11	XLS	23.80	1.74	6.00	-1.54	-0.74	1.30	-1.81	-1.71	4438.25
1	Rockwell Collin	11	COL	96.54	1.24	8.00	-1.70	-1.01	-0.74	-1.80	-0.50	12834.61
Finance												
INSURANCE-PROP/CAS/TITLE												
A	Fnlv Group	13	FNIV	15.04	0.00	1.00	1.62	2.36	0.00	0.33	6.74	1389.77
B	Chubb Corp	13	CB	103.13	2.21	1.00	1.41	0.40	0.37	0.56	0.27	23773.84
C	Hanover Insuran	13	THG	72.52	2.26	1.00	1.41	0.29	0.02	0.78	0.09	3212.78
D	Allstate Corp	13	ALL	71.46	1.68	3.00	1.35	0.19	-0.11	0.37	0.31	29757.88
4	Hcc Ins Hldgs	13	HCC	57.77	2.04	8.00	-1.49	-0.61	-0.91	-0.57	-0.34	5563.25
3	Market Corp	13	MKL	778.49	0.00	8.00	-1.49	-2.43	-0.75	-6.40	-0.14	10869.28
2	Cna Finl Corp	13	CNA	41.79	2.39	6.00	-1.54	0.06	4.03	-2.25	-1.61	11283.93
1	Mercury Genl Cp	13	MCY	58.37	4.23	8.00	-1.70	-0.78	-0.90	-0.67	-0.77	3217.71
REIT-EQTY TRUST - OTHER												
A	Wp Carey Inc	13	WPC	70.82	5.37	1.00	1.68	1.10	0.75	0.54	2.00	7449.27
B	Public Storage	13	PSA	199.12	2.81	3.00	1.57	0.31	-0.21	0.55	0.58	34409.53
C	Digital Rlty Tr	13	DLR	68.28	4.98	1.00	1.46	0.90	1.22	1.12	0.37	9264.23
1	Host Hotel&Rsr	13	HST	21.72	3.68	6.00	-1.60	-0.89	0.02	-1.18	-1.50	16453.33
REIT-EQTY TRUST - RETAIL												
A	Tanger Fact Out	13	SKT	36.29	2.65	1.00	1.68	0.76	1.05	0.38	0.84	3466.06
B	Realty Income	13	O	53.65	4.23	1.00	1.68	0.73	0.54	0.33	1.32	12073.61
1	Wp Glimcher Inc	13	WPG	17.06	2.58	8.00	-1.65	-2.96	-0.20	-5.61	-3.06	3157.89
Utilities												
UTILITY-ELECTRIC POWER												
A	Xcel Energy Inc	14	XEL	34.78	3.68	1.00	1.68	0.51	0.62	0.57	0.35	17598.16
B	Entergy Corp	14	ETR	79.05	4.20	1.00	1.62	0.85	0.24	1.90	0.40	14267.02
C	Public Sv Entrp	14	PEG	42.11	3.70	3.00	1.57	0.78	-0.35	0.35	2.33	21322.91
1	Nrg Energy Inc	14	NRG	25.45	2.28	6.00	-1.60	-0.40	0.08	-0.56	-0.71	8594.34
Business Services												
BUSINESS INFORMATION SERVICES												
A	Factset Resh	16	FDS	155.63	1.00	3.00	1.57	0.42	-0.28	0.82	0.73	6474.21
3	Ihs Inc-A	16	IHS	119.18	0.00	6.00	-1.33	-0.33	1.17	-2.07	-0.10	8149.65
2	Nielsen Nv	16	NLSN	43.88	2.28	8.00	-1.44	-0.60	-0.32	-1.40	-0.07	16265.88
1	Mcgraw Hill Fin	16	MHFI	108.59	1.22	8.00	-1.70	-0.87	-1.66	-0.67	-0.30	29699.36

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Table 4: Small Cap Pairs – Polaris Output (03/20/2015)

	COMPANY	X SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Consumer Discretionary												
BROADCASTING-RADIO/TV												
A	Cumulus Media	2	CMLS	2.68	0.00	1.00	1.43	0.38	0.21	0.87	0.05	625.26
2	Nexstar Brodstg	2	NXST	57.17	1.33	6.00	-0.68	-0.29	0.43	-0.33	-0.98	1782.10
1	Media General	2	MEG	16.58	0.00	8.00	-1.71	-1.45	-1.08	-0.77	-2.50	1471.59
Medical												
MEDICAL-BIOMED/GENETICS												
A	Geron Corp	4	GERN	3.98	0.00	1.00	1.65	1.13	0.21	1.20	1.96	627.65
B	Isis Pharmaceut	4	ISIS	73.59	0.00	3.00	1.59	0.32	-0.33	0.68	0.63	8758.53
4	Momenta Pharma	4	MNTA	15.46	0.00	6.00	-1.60	-0.45	0.22	-0.92	-0.64	849.88
3	Aegerion Pharma	4	AEGR	27.20	0.00	6.00	-1.60	-0.98	0.18	-0.84	-2.28	776.26
2	Mannkind Corp	4	MNKD	5.26	0.00	8.00	-1.66	-0.42	-0.04	-0.66	-0.55	2150.49
1	Sangamo Biosci	4	SGMO	17.63	0.00	8.00	-1.71	-0.63	-0.57	-0.72	-0.60	1219.47
MEDICAL-DRUGS												
A	Usana Hlth Sci	4	USNA	108.53	0.00	1.00	1.70	1.69	3.34	0.74	0.99	1373.88
B	Regulus Therap	4	RGLS	18.29	0.00	3.00	1.54	1.20	-0.62	2.60	1.63	923.96
C	Xencor Inc	4	XNCR	15.99	0.00	3.00	1.54	1.14	-0.67	1.89	2.18	622.55
D	Infinity Pharma	4	INFI	15.39	0.00	3.00	1.38	0.26	-0.11	0.65	0.24	752.88
3	Spectrum Pharma	4	SFPI	6.17	0.00	6.00	-1.55	-0.50	0.74	-0.56	-1.68	412.59
2	Cti Biopharma	4	CTIC	1.93	0.00	6.00	-1.60	-0.86	0.08	-1.71	-0.94	348.80
1	Portola Pharma	4	PTLA	41.00	0.00	8.00	-1.71	-2.28	-1.04	-3.62	-2.18	2101.78
Computer and Technology												
ELEC-SEMICONDUCTORS												
A	Omnivision Tech	10	OVTI	26.06	0.00	3.00	1.59	0.66	-0.03	0.99	1.03	1514.24
B	Formfactor Inc	10	FORM	9.13	0.00	3.00	1.38	0.31	0.00	0.81	0.12	525.72
2	Lattice Semicon	10	LSCC	6.86	0.00	6.00	-1.39	-0.49	0.17	-1.48	-0.18	800.19
1	Vitesse Semicon	10	VTSS	5.34	0.00	8.00	-1.50	-0.45	-0.56	-0.65	-0.13	368.34
INTERNET SOFTWARE												
A	Dts Inc	10	DTSI	34.06	0.00	1.00	1.70	0.73	0.34	0.85	1.00	594.62
2	Virtetx Holding	10	VHC	6.14	0.00	8.00	-1.50	-0.61	-0.62	-1.13	-0.08	319.26
1	Cvent Inc	10	CVT	28.27	0.00	8.00	-1.71	-1.53	-1.62	-1.28	-1.68	1169.95
WIRELESS NATIONAL												
A	West Corp	10	WSTC	32.99	2.73	1.00	1.70	0.76	0.42	1.36	0.51	2781.16
1	Cogent Comm Hld	10	CCOI	35.10	3.65	8.00	-1.50	-0.79	-0.78	-1.52	-0.06	1628.36
Finance												
FINANCE-INVESTMENT BKRS												
A	Arlington Asset	13	AI	25.19	13.89	1.00	1.70	1.49	1.24	1.35	1.89	578.49
2	Intl Fcstone	13	INTL	30.44	0.00	8.00	-1.50	-0.60	-0.69	-1.09	-0.02	574.28
1	Invest Tech-New	13	ITG	28.25	0.00	8.00	-1.71	-3.34	-1.68	-7.42	-0.92	965.92
INSURANCE-PROP/CAS/TITLE												
A	Hci Group Inc	13	HCI	46.05	2.61	1.00	1.70	0.50	0.41	0.44	0.65	495.54
B	Argo Group Intl	13	AGII	50.56	1.58	3.00	1.59	0.50	-0.18	1.04	0.65	1430.55
1	Select Ins Grp	13	SIGI	29.65	1.89	8.00	-1.71	-0.64	-1.00	-0.51	-0.42	1686.43
REIT-EQTY TRUST - OTHER												
A	Washington Reit	13	WRE	28.38	4.23	1.00	1.70	0.55	0.62	0.59	0.45	1933.42
B	Natl Health Inv	13	NHI	72.61	4.24	1.00	1.70	0.50	0.72	0.43	0.33	2727.59
C	Chesapeake Lodg	13	CHSP	34.52	3.48	1.00	1.65	1.09	0.36	0.91	1.99	1900.36
3	Ps Business Pks	13	PSB	83.95	2.38	6.00	-1.60	-0.38	0.14	-0.59	-0.69	2259.85
2	Chambers St Ppt	13	CSG	7.94	6.42	8.00	-1.71	-0.94	-0.98	-0.92	-0.92	1881.15
1	Felcor Lodging	13	FCH	11.91	1.34	8.00	-1.71	-1.24	-2.55	-0.60	-0.56	1487.23
Utilities												
UTILITY-ELECTRIC POWER												
A	Northwestern Cp	14	NWE	54.57	3.52	1.00	1.70	0.62	0.37	1.00	0.49	2566.81
B	Idacorp Inc	14	IDA	62.86	2.99	3.00	1.59	0.46	-0.46	0.40	1.45	3159.28
4	Black Hills Cor	14	BKH	51.88	3.12	8.00	-1.50	-0.89	-0.61	-1.85	-0.23	2317.79
3	Dynegy Inc-New	14	DYN	28.08	0.00	8.00	-1.50	-1.04	-0.85	-1.74	-0.53	3494.25
2	Pattern Energy	14	PEGI	28.47	4.71	6.00	-1.60	-1.04	0.07	-1.04	-2.15	1767.56
1	Nrg Yield Inc-A	14	NYLD	50.73	3.08	8.00	-1.71	-1.58	-2.23	-1.06	-1.44	3922.65

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