

Pairs Trading Matrixes

August 11, 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 REIT industry that merit investment consideration, including: (A1) SNH-BDN, (A2) SNH-AMT, (B1) SLG-BDN and (B2) SLG-AMT.

Table 1: Large Cap Pairs Matrix

LARGE CAP PAIRS (based on 08/06/2015 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 FINANCE-MISC SERVICES	SYF				SSNC	FLT			2
2 INSURANCE-LIFE	GNW				SFG				1
3 SHOES & REL APPAREL	CRI				NKE				1
4 MEDIA CONGLOMERATES	VIAB				LMCA				1
5 AUTO/TRUCK-ORIGINAL EQP	LEA	DLPH			ALSN				2
6 MEDICAL-HLTH MAINT ORG	CNC	UNH			HUM				2
7 REIT-EQTY TRUST - OTHER	SNH	SLG			BDN	AMT			4
8 CHEMICALS-DIVERSIFIED	PPG				CYT				1
9 LEISURE & RECREATION SVCS	NCLH				LYV				1
10 RETAIL-FOOD & RESTAURANTS	YUM	DNKN	SBUX	DPZ	PNRA	CMG			8
TOTAL Number of PAIRS =									23

Table 2: Small Cap Pairs Matrix

SMALL CAP PAIRS (based on 08/06/2015 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 ELEC-SEMICONDUCTORS	CRUS				AMD	AMCC			2
2 MEDICAL-BIOMED/GENETICS	RGEN	CLVS	ONCE	MYGN	XNPT	GHDX	ACOR		12
3 REIT-EQTY TRUST - OTHER	GOV	COR	INN	SSS	NYRT	HT	PKY		12
4 BANKS-SOUTHEAST	PNFP				WSBC				1
5 BLDG-RESIDENT/COMMRCL	RYL				BZH				1
6 MEDICAL-DRUGS	TSRO				OTIC	ANAC	SGNT	POZN	4
7 FINANCE-SAVINGS & LOAN	LTXB				FFIC	NWBI			2
8 RETAIL-APPAREL/SHOE	PLCE				ANF	SSI			2
9 BANKS-MIDWEST	PVTB				UMBF				1
10 BANKS-NORTHEAST	EGBN	STBA	INDB		FULT				3
TOTAL Number of PAIRS =									40

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 |

Pairs Trading Matrixes

August 11, 2015

Table 3: Large Cap Pairs – Polaris Output (08/06/2015)

	COMPANY	X SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Consumer Discretionary												
LEISURE & RECREATION SVCS												
A	Norwegian Cruis	2	NCLH	60.14	0.00	3.00	1.55	0.37	-0.19	0.47	0.83	13816.87
1	Live Nation Ent	2	LYV	25.24	0.00	8.00	-1.69	-1.32	-1.42	-0.81	-1.72	5088.21
MEDIA CONGLOMERATES												
A	Viacom Inc-B	2	VIAB	44.10	3.63	1.00	1.66	1.60	1.74	1.80	1.26	17506.16
1	Liberty Media-A	2	LMCA	38.26	0.00	8.00	-1.69	-0.89	-0.79	-1.02	-0.86	13040.38
SHOES & REL APPAREL												
A	Carters Inc	2	CRI	98.01	0.90	1.00	1.66	0.60	0.28	0.65	0.87	5120.44
1	Nike Inc-B	2	NKE	115.12	0.97	8.00	-1.69	-0.56	-0.37	-0.58	-0.73	98468.13
Retail-Wholesale												
RETAIL-FOOD & RESTAURANTS												
A	Yum! Brands Inc	3	YUM	87.77	1.87	3.00	1.55	1.16	-0.30	2.56	1.21	37846.95
B	Dunkin Brands	3	DNKN	53.72	1.97	3.00	1.55	0.38	-0.43	0.75	0.83	5104.53
C	Starbucks Corp	3	SBUX	57.23	1.12	3.00	1.55	0.27	-0.40	0.55	0.67	84940.77
D	Dominos Pizza	3	DPZ	111.84	1.11	3.00	1.50	0.62	-0.46	0.78	1.54	6141.58
2	Chipotle Mexican	3	CMG	749.60	0.00	8.00	-1.64	-0.81	-0.11	-1.35	-0.98	23344.04
1	Panera Bread Co	3	PNRA	200.70	0.00	8.00	-1.69	-1.06	-1.40	-0.66	-1.13	5176.65
Medical												
MEDICAL-HLTH MAINT ORG												
A	Centene Corp	4	CNC	70.49	0.00	1.00	1.66	0.64	0.14	0.86	0.92	8394.72
B	Unitedhealth Gp	4	UNH	122.04	1.64	3.00	1.55	0.56	-0.09	0.72	1.04	116372.84
1	Humana Inc New	4	HUM	184.52	0.63	8.00	-1.64	-0.52	-0.10	-0.90	-0.57	27334.05
Auto-Tires-Trucks												
AUTO/TRUCK-ORIGINAL EQP												
A	Lear Corporatn	5	LEA	104.16	0.96	1.00	1.66	0.84	0.39	1.19	0.93	7989.80
B	Delphi Auto Plc	5	DLPH	77.37	1.29	3.00	1.55	0.59	-0.11	1.36	0.50	22000.08
1	Allison Transmn	5	ALSN	29.46	2.04	8.00	-1.64	-1.06	-0.25	-1.10	-1.83	5197.42
Basic Materials												
CHEMICALS-DIVERSIFIED												
A	Ppg Inds Inc	6	PPG	105.21	1.37	3.00	1.55	0.47	-0.42	0.67	1.18	28482.56
1	Cytec Inds Inc	6	CYT	73.94	0.68	8.00	-1.69	-2.60	-1.64	-4.18	-1.98	5283.98
Finance												
FINANCE-MISC SERVICES												
A	Synchrony Fin	13	SYF	34.13	0.00	1.00	1.66	1.27	0.92	1.51	1.37	28456.40
2	Fleetcor Tech	13	FLT	159.01	0.00	8.00	-1.48	-0.54	-1.10	-0.48	-0.06	14597.91
1	Ss&C Technologs	13	SSNC	67.81	0.74	8.00	-1.69	-0.54	-0.81	-0.46	-0.34	6557.43
INSURANCE-LIFE												
A	Genworth Finl	13	GNW	5.22	0.00	1.00	1.66	1.14	1.64	0.58	1.19	2596.37
1	Stancorp Finl Cp	13	SFG	114.34	1.14	8.00	-1.69	-2.07	-1.78	-2.12	-2.30	4835.90
REIT-EQTY TRUST - OTHER												
A	Senior Housing	13	SNH	16.81	9.28	1.00	1.66	1.12	2.15	0.40	0.79	3990.68
B	SI Green Realty	13	SLG	113.81	2.11	1.00	1.60	0.48	0.20	0.63	0.60	11334.34
2	Amer Tower Corp	13	AMT	98.36	1.79	6.00	-1.53	-0.44	0.57	-1.21	-0.67	41635.79
1	Brandywine Rt	13	BDN	13.62	4.41	8.00	-1.64	-0.66	-0.28	-0.70	-1.00	2450.21

Pairs Trading Matrixes

August 11, 2015

Table 4: Small Cap Pairs – Polaris Output (08/06/2015)

	COMPANY	X SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Retail-Wholesale												
RETAIL-APPAREL/SHOE												
A	Childrens Place	3	PLCE	57.90	1.04	1.00	1.70	2.08	0.81	4.74	0.69	1193.72
2	Stage Stores	3	SSI	17.10	3.27	6.00	-1.56	-0.18	0.68	-0.41	-0.81	546.33
1	Abercrombie	3	ANF	19.75	4.05	6.00	-1.61	-0.22	0.15	-0.39	-0.42	1373.99
Medical												
MEDICAL-BIOMED/GENETICS												
A	Repligen	4	RGEN	36.00	0.00	3.00	1.59	0.61	-0.09	0.72	1.20	1182.67
B	Clovis Oncology	4	CLVS	83.17	0.00	3.00	1.54	0.25	-0.38	0.57	0.56	3126.19
C	Spark Therapeut	4	ONCE	58.14	0.00	3.00	1.54	-3.37	-12.00	0.43	1.46	1426.99
D	Myriad Genetics	4	MYGN	31.53	0.00	1.00	1.48	0.28	0.34	0.45	0.07	2189.79
3	Acorda Therapt	4	ACOR	32.82	0.00	6.00	-1.56	-0.19	0.46	-0.64	-0.37	1404.40
2	Genomic Health	4	GHDX	25.19	0.00	6.00	-1.61	-0.74	0.13	-0.69	-1.66	812.73
1	Xenopart Inc	4	XNPT	6.75	0.00	8.00	-1.72	-0.45	-0.28	-0.53	-0.53	423.73
MEDICAL-DRUGS												
A	Tesaro Inc	4	TSRO	55.05	0.00	1.00	1.43	1.87	0.08	5.47	0.07	2202.05
4	Pozzen Inc	4	POZN	11.19	0.00	6.00	-1.56	-0.31	0.45	-0.59	-0.78	362.79
3	Sagent Pharma	4	SGNT	22.34	0.00	6.00	-1.56	-0.54	0.63	-1.21	-1.03	716.87
2	Anacor Pharmact	4	ANAC	146.43	0.00	8.00	-1.72	-0.90	-1.29	-0.73	-0.69	6406.75
1	Otonomy Inc	4	OTIC	21.47	0.00	8.00	-1.72	-1.47	-0.65	-3.18	-0.60	518.16
Construction												
BLDG-RESIDENT/COMMRL												
A	Ryland Grp Inc	8	RYL	42.84	0.28	1.00	1.70	0.68	0.62	0.88	0.55	2007.14
1	Beazer Homes	8	BZH	16.94	0.00	8.00	-1.67	-0.52	-0.29	-0.77	-0.50	464.99
Computer and Technology												
ELEC-SEMICONDUCTORS												
A	Cirrus Logic	10	CRUS	29.53	0.00	1.00	1.70	0.46	0.28	0.69	0.40	1875.13
2	Appld Micro Cir	10	AMCC	6.34	0.00	6.00	-1.61	-0.54	0.19	-0.59	-1.23	516.91
1	Adv Micro Dev	10	AMD	2.11	0.00	8.00	-1.72	-1.07	-0.66	-0.89	-1.65	1644.07
Finance												
BANKS-MIDWEST												
A	Privatebancorp	13	PVTB	41.86	0.10	3.00	1.59	0.26	-0.41	0.23	0.97	3295.09
1	Umb Finl Corp	13	UMBF	55.09	1.71	6.00	-1.61	-0.28	0.20	-0.33	-0.69	2716.60
BANKS-NORTHEAST												
A	Eagle Bcp Inc	13	EGBN	44.46	0.00	1.00	1.64	0.54	0.25	0.41	0.97	1484.74
B	S&T Bancorp Inc	13	STBA	30.61	2.35	1.00	1.64	0.36	0.35	0.30	0.44	1065.59
C	Indep Bk Mass	13	INDB	48.47	2.15	3.00	1.54	0.09	-1.02	0.49	0.81	1267.39
1	Fulton Finl	13	FULT	13.08	2.75	6.00	-1.61	-0.54	0.09	-0.54	-1.15	2302.33
BANKS-SOUTHEAST												
A	Pinnacle Fin Pt	13	PNFP	51.95	0.92	1.00	1.70	0.60	0.78	0.39	0.63	1869.06
1	Wesbanco Inc	13	WSBC	32.66	2.82	8.00	-1.67	-0.74	-0.37	-0.59	-1.26	1258.32
FINANCE-SAVINGS & LOAN												
A	Legacy Tx Finl	13	LTXB	29.85	1.88	1.00	1.70	0.56	0.66	0.31	0.70	1421.43
2	Northwest Bncsh	13	NWBI	12.72	4.40	6.00	-1.56	-0.08	0.58	-0.37	-0.44	1205.11
1	Flushing Finl	13	FFIC	20.74	3.09	6.00	-1.61	-0.44	0.15	-0.89	-0.58	599.86
REIT-EQTY TRUST - OTHER												
A	Govt Pptys Incm	13	GOV	16.68	10.31	1.00	1.70	1.03	2.26	0.28	0.56	1185.68
B	Coresite Realty	13	COR	48.34	3.48	1.00	1.70	0.96	1.32	0.60	0.97	1282.51
C	Summit Hotel Pr	13	INN	12.44	3.78	3.00	1.59	0.68	-0.03	0.28	1.79	1077.23
D	Sovran Slf Stor	13	SSS	95.13	3.57	3.00	1.59	0.26	-0.20	0.56	0.41	3408.89
3	Parkway Pply	13	PKY	17.27	4.34	8.00	-1.45	-0.34	-0.23	-0.47	-0.32	1926.61
2	Hersha Hospitly	13	HT	25.98	1.08	8.00	-1.67	-0.43	-0.10	-0.62	-0.56	1241.06
1	New York Reit	13	NYRT	10.35	4.44	8.00	-1.72	-1.04	-1.86	-0.56	-0.70	1681.49

Our goal at Sturdivant & Co is to provide differentiated research that is truly client-centered. We accomplish this by providing customized analysis that is singularly focused on investment performance. To learn more about how we can provide research that is tailored to your organizational structure and specific investment universe please contact us.

Brian T. Hannon, CFA
Sr. VP & Director of Equity Research
Sturdivant & Co., Inc.
(856) 433-6126
bhannon@sturdivant-co.com

DISCLOSURES AND DEFINITIONS

Sturdivant & Co. and its employees, officers, and members deal as principal in transactions involving the securities referred to herein (or options or other instruments related thereto), including in transactions which may be contrary to any recommendations contained herein. This publication does not constitute an offer to sell or solicitation to buy of any transaction in any securities referred to herein. Any recommendation contained herein may not be suitable for all investors. Although the information contained in the subject report (not including disclosures contained herein) has been obtained from sources we believe to be reliable, the accuracy and completeness of such information and the opinions expressed herein cannot be guaranteed. This publication and any recommendation contained herein speak only as of the date hereof and are subject to change without notice. Sturdivant & Co. and its employees shall have no obligation to update or amend any information or opinion contained herein. This publication is being furnished to you for informational purposes only and on the condition that it will not form the sole basis for any investment decision. Each investor must make their own determination of the appropriateness of an investment in any securities referred to herein based on the tax, or other considerations applicable to such investor and its own investment strategy. By virtue of this publication, neither Sturdivant & Co. nor any of its employees shall be responsible for any investment decision. This report may not be reproduced, distributed, or published without the prior consent of Sturdivant & Co. All rights reserved by Sturdivant & Co. This report may discuss numerous securities, some of which may not be qualified for sale in certain states and may therefore not be offered to investors in such states. This document should not be construed as providing investment services. Investing in non-U.S. securities including ADRs involves significant risks such as fluctuation of exchange rates that may have adverse effects on the value or price of income derived from the security. Securities of some foreign companies may be less liquid and prices more volatile than securities of U.S. companies. Securities of non-U.S. issuers may not be registered with or subject to Securities and Exchange Commission reporting requirements; therefore, information regarding such issuers may be limited.