

Pairs Trading Matrixes

November 16, 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 Beverages-Soft Drinks industry that merit investment consideration, including: (A1) GMRC-KO, (A2) GMRC-MNST, (B1) WWAV-KO and (B2) WWAV-MNST.

Table 1: Large Cap Pairs Matrix

LARGE CAP PAIRS (based on 11/11/2015 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 OIL & GAS-U S EXPLD & PROD	CRC	CHK	EPE		WPX	XEC	PXD		9
2 UTILITY-ELECTRIC POWER	NRG	CPN	CNP	ED	POM	PEG	AEE	WR	16
3 REIT-EQTY TRUST - RETAIL	WPG				FRT				1
4 REIT-EQTY TRUST - RESID	AVB	SRC			EQR	UDR			4
5 BEVERAGES-SOFT DRINKS	GMCR	WWAV			KO	MNST			4
6 FINANCE-INVESTMENT MGMT	NSAM				PFG				1
7 AEROSPACE/DEFENSE EQUIP	TGI	BEAV	SPR		HXL				3
8 ELEC-SEMICONDUCTORS	SUNE				ATML				1
9 MEDICAL-GENERIC DRUGS	MNK	MYL	AKRX		AGN				3
10 INTERNET SOFTWARE	FEYE	TWTR	SPLK		DATA				3
TOTAL Number of PAIRS =									45

Table 2: Small Cap Pairs Matrix

SMALL CAP PAIRS (based on 11/11/2015 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 MEDICAL-BIOMED/GENETICS	EXAS	RGEN	DVAX	EXEL	ADRO	ONCE	OPHT	XLRN	16
2 RETAIL-APPAREL/SHOE	PLCE	CHS	EXPR		CATO				3
3 REIT-EQTY TRUST - OTHER	SBRA	COR	QTS		SHO	PKY	BEE	PSB	12
4 MEDICAL SERVICES	PRAH	AHS	INCR	HQY	HWAY				4
5 REAL ESTATE DEVELOPMENT	MMI				ALEX				1
6 INTERNET SOFTWARE	TXTR	BNFT			NEWR	ZEN			4
7 INTERNET SERVICES	LTRPA	ETSY			WWW				2
8 BANKS-NORTHEAST	BNCL	EGBN	NPBC	FULT	STBA	OFG			8
9 BANKS-SOUTHEAST	HOMB	CSFL	PNFP		WSBC				3
10 BLDG-RESIDENT/COMMRCL	WLH	BZH	RYL	KBH	MHO	TMHC			8
TOTAL Number of PAIRS =									61

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 (11/11/2015)

	COMPANY	SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Consumer Staples												
BEVERAGES-SOFT DRINKS												
A	Keurig Green Mt	1	GMCR	46.24	2.49	1.00	1.70	0.91	1.41	0.73	0.61	7123.64
B	Whitewave Foods	1	WWAV	42.67	0.00	3.00	1.53	0.32	-1.17	0.92	1.21	7499.64
2	Monster Beverag	1	MNST	152.05	0.00	8.00	-1.52	-1.09	-1.37	-1.44	-0.46	30823.88
1	Coca Cola Co	1	KO	42.04	3.14	6.00	-1.62	-0.82	0.20	-1.43	-1.22	182831.34
Medical												
MEDICAL-GENERIC DRUGS												
A	Mallinckrodt Pl	4	MNK	57.12	0.00	1.00	1.70	1.72	2.98	1.31	0.87	6702.63
B	Mylan Nv	4	MYL	44.49	0.00	1.00	1.70	1.22	1.14	0.82	1.70	21877.83
C	Akorn Inc	4	AKRX	27.60	0.00	1.00	1.48	0.88	1.16	1.00	0.47	3158.35
1	Allergan Plc	4	AGN	309.76	0.00	6.00	-1.57	-0.46	0.85	-1.06	-1.18	122084.17
Computer and Technology												
ELEC-SEMICONDUCTORS												
A	Sunedison Inc	10	SUNE	4.90	0.00	1.00	1.64	1.25	0.41	2.29	1.03	1551.93
1	Atmel Corp	10	ATML	7.85	2.04	6.00	-1.62	-0.59	0.08	-1.06	-0.79	3299.38
INTERNET SOFTWARE												
A	Fireeye Inc	10	FEYE	21.94	0.00	3.00	1.53	1.36	-0.83	2.97	1.94	3522.77
B	Twitter Inc	10	TWTR	26.50	0.00	3.00	1.53	0.23	-0.50	0.53	0.64	18098.10
C	Splunk Inc	10	SPLK	57.17	0.00	3.00	1.31	-0.21	-1.72	0.79	0.31	7344.92
1	Tableau Softwar	10	DATA	96.75	0.00	8.00	-1.73	-1.37	-2.49	-0.51	-1.11	6949.84
Aerospace												
AEROSPACE/DEFENSE EQUIP												
A	Triumph Grp Inc	11	TGI	40.85	0.39	1.00	1.70	2.28	2.75	3.01	1.09	2014.60
B	B/E Aerospace	11	BEAV	46.12	1.65	1.00	1.48	1.20	1.95	0.97	0.69	4820.74
C	Spirit Aerosys	11	SPR	53.72	0.00	1.00	1.48	0.74	1.14	0.82	0.25	7541.38
1	Hexcel Corp	11	HXL	45.90	0.87	6.00	-1.57	-0.22	1.23	-0.84	-1.05	4337.00
Oils-Energy												
OIL & GAS-U S EXPLOR & PROD												
A	Ca Resources Cp	12	CRC	4.40	0.91	1.00	1.70	1.41	0.87	1.75	1.62	1706.49
B	Chesapeake Engy	12	CHK	6.54	2.68	1.00	1.70	1.08	1.41	0.91	0.93	4349.56
C	Ep Energy Cp-A	12	EPE	5.51	0.00	1.00	1.70	1.03	1.78	0.61	0.70	1366.47
3	Pioneer Nat Res	12	PXD	140.70	0.06	8.00	-1.46	-0.65	-0.50	-1.22	-0.22	21017.48
2	Cimarex Energy	12	XEC	115.50	0.55	8.00	-1.52	-1.01	-1.10	-1.38	-0.56	10921.68
1	Wpx Energy Inc	12	WPX	8.48	0.00	8.00	-1.73	-1.14	-0.63	-1.54	-1.26	2334.34
Finance												
FINANCE-INVESTMENT MGMT												
A	Northstar Asset	13	NSAM	13.39	2.99	1.00	1.70	2.26	1.70	2.42	2.66	2593.67
1	Principal Finl	13	PFPG	50.52	3.01	6.00	-1.62	-0.28	0.46	-0.51	-0.78	14789.78
REIT-EQTY TRUST - RESID												
A	Avalonbay Cmnty	13	AVB	173.94	2.87	1.00	1.64	0.69	0.00	1.10	0.97	23808.38
B	Spirit Realty	13	SRC	9.73	6.99	1.00	0.83	0.87	1.51	0.20	0.89	4294.76
2	Udr Inc	13	UDR	34.57	3.21	8.00	-1.52	-0.89	-0.75	-1.90	-0.03	9057.86
1	Equity Resident	13	EQR	78.39	2.82	8.00	-1.73	-0.68	-0.69	-0.50	-0.84	28554.50
REIT-EQTY TRUST - RETAIL												
A	Wp Gilmcher Inc	13	WPG	11.36	8.80	1.00	1.70	1.58	2.61	1.03	1.09	2105.06
1	Fed Rlty Inv	13	FRT	145.21	2.59	8.00	-1.73	-1.16	-1.39	-0.62	-1.48	10081.06
Utilities												
UTILITY-ELECTRIC POWER												
A	Nrg Energy Inc	14	NRG	13.03	4.45	1.00	1.70	1.07	0.70	1.30	1.22	4093.71
B	Calpine Corp	14	CPN	14.49	0.00	1.00	1.48	0.88	1.87	0.72	0.06	5170.64
C	Centerpoint Egy	14	CNP	17.33	5.71	1.00	1.48	0.69	0.85	1.00	0.23	7456.44
D	Consol Edison	14	ED	62.92	4.13	1.00	1.48	0.62	0.72	0.95	0.18	18447.64
4	Westar Energy	14	WR	41.52	3.47	8.00	-1.46	-0.50	-0.52	-0.75	-0.22	5868.35
3	Ameren Corp	14	AEE	44.22	3.71	8.00	-1.52	-0.67	-1.14	-0.85	-0.02	10729.32
2	Public Sv Entrp	14	PEG	39.15	3.98	6.00	-1.62	-0.55	0.18	-0.95	-0.89	19808.41
1	Pepco Hldgs	14	POM	26.50	4.08	8.00	-1.73	-0.97	-1.03	-0.95	-0.95	6720.85

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Table 4: Small Cap Pairs – Polaris Output (11/11/2015)

	COMPANY	SECTOR	TICKER	PRICE	DIV YLD	DCOORD	PSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP
Retail-Wholesale												
RETAIL-APPAREL/SHOE												
A	Childrens Place	3	PLCE	50.48	1.19	1.00	1.72	0.76	0.83	1.04	0.42	1025.45
B	Chicos Fas Inc	3	CHS	13.07	2.37	1.00	1.72	0.70	0.60	0.96	0.53	1820.51
C	Express Inc	3	EXPR	18.04	0.00	3.00	1.61	0.33	-0.51	0.81	0.69	1528.24
1	Cato Corp A	3	CATO	37.77	3.18	8.00	-1.46	-0.38	-0.14	-0.70	-0.29	994.03
Medical												
MEDICAL SERVICES												
A	Pra Health Sci	4	PRAH	42.50	0.00	1.00	1.72	1.41	0.64	1.67	1.92	2559.95
B	Amn Hlthcr Svcs	4	AHS	30.08	0.00	1.00	1.66	0.64	0.12	0.37	1.45	1434.64
C	Inc Resrch Hldg	4	INCR	46.01	0.00	3.00	1.61	1.20	-0.01	2.31	1.30	2598.78
D	Healthquity	4	HQY	34.96	0.00	3.00	1.55	-0.16	-2.01	1.09	0.45	2000.48
1	Healthways Inc	4	HWAY	12.40	0.00	8.00	-1.74	-0.77	-1.02	-0.21	-1.09	446.88
MEDICAL-BIOMED/GENETICS												
A	Exact Sciences	4	EXAS	9.60	0.00	1.00	1.72	0.50	0.48	0.43	0.59	924.84
B	Repligen	4	RGEN	26.11	0.00	1.00	1.66	0.30	0.08	0.40	0.43	860.17
C	Dynavax Tech Cp	4	DVAX	25.47	0.00	3.00	1.55	0.04	-0.89	0.33	0.69	978.68
D	Exelixis Inc	4	EXEL	5.74	0.00	3.00	1.39	0.21	-0.10	0.70	0.04	1293.97
4	Acceleron Pharm	4	XLRN	36.45	0.00	8.00	-1.74	-1.40	-1.83	-0.69	-1.67	1212.07
3	Ophthotech Corp	4	OPHT	57.42	0.00	8.00	-1.74	-1.66	-1.34	-0.62	-3.02	2007.40
2	Spark Therapeut	4	DNCE	60.26	0.00	8.00	-1.74	-3.25	-4.09	-0.34	-5.32	1489.20
1	Aduro Biotech	4	ADRO	28.26	0.00	8.00	-1.74	-6.64	-5.35	-13.20	-1.39	1759.92
Construction												
BLDG-RESIDENT/COMMRL												
A	William Lyon Hm	8	WLH	16.90	0.00	1.00	1.72	1.95	2.05	1.87	1.94	467.32
B	Beazer Homes	8	BZH	14.83	0.00	3.00	1.61	0.55	-0.03	0.71	0.96	484.39
C	Kb Home	8	KBH	13.52	0.74	1.00	0.79	0.62	0.44	0.26	1.14	1244.81
2	Taylor Morrison	8	TMHC	16.91	0.00	6.00	-1.35	-0.13	1.17	-1.26	-0.29	2067.75
1	M/I Homes Inc	8	MHO	23.30	0.00	6.00	-1.63	-0.49	0.37	-1.03	-0.82	574.32
Computer and Technology												
INTERNET SERVICES												
A	Liberty Trip-A	10	LTRPA	29.42	0.00	3.00	1.55	0.36	-2.45	1.85	1.66	2114.53
B	Etsy Inc	10	ETSY	8.96	0.00	3.00	1.33	0.10	-1.12	1.16	0.27	1004.43
1	Web.Com Group	10	WWWV	24.72	0.00	8.00	-1.69	-0.15	-0.23	-0.19	-0.02	1257.53
INTERNET SOFTWARE												
A	Textura Corp	10	TXTR	23.85	0.00	1.00	1.44	1.43	0.04	4.09	0.15	622.17
B	Benefitfocus	10	BNFT	38.43	0.00	3.00	1.33	0.17	-1.66	2.01	0.15	1119.85
2	Zendesk Inc	10	ZEN	23.99	0.00	8.00	-1.74	-1.18	-2.07	-0.77	-0.69	2127.86
1	New Relic Inc	10	NEWV	34.60	0.00	8.00	-1.74	-3.95	-3.41	-7.18	-1.27	1684.64
Finance												
BANKS-NORTHEAST												
A	Beneficial Bcp	13	BNCL	13.99	0.00	1.00	1.66	1.20	0.33	0.70	2.55	1159.98
B	Eagle Bcp Inc	13	EGBN	52.28	0.00	1.00	1.44	0.27	0.15	0.48	0.19	1749.66
C	Natl Penn Bcschs	13	NPBC	12.48	3.53	1.00	1.44	0.21	0.01	0.41	0.23	1750.98
D	Fulton Finl	13	FULT	14.34	2.51	3.00	1.39	0.31	-0.03	0.55	0.40	2495.60
2	Ofg Bancorp	13	DFG	9.79	4.09	6.00	-1.57	-0.39	0.64	-0.57	-1.23	429.47
1	S&T Bancorp Inc	13	STBA	33.45	2.27	6.00	-1.63	-0.36	0.29	-0.68	-0.70	1164.46
BANKS-SOUTHEAST												
A	Home Bancshares	13	HOMB	46.50	1.29	3.00	1.55	0.15	-0.74	0.57	0.63	3259.98
B	Centerstate Bnk	13	CSFL	15.43	0.52	1.00	1.50	0.66	1.01	0.67	0.31	701.59
C	Pinnacle Fin Pt	13	PNFP	55.03	0.87	1.00	1.50	0.66	0.78	0.84	0.34	2248.03
1	Wesbanco Inc	13	WSBC	33.78	2.72	8.00	-1.68	-0.76	-0.51	-0.64	-1.12	1300.94
REAL ESTATE DEVELOPMENT												
A	Marcus&Millichp	13	MMI	31.67	0.00	1.00	1.66	0.66	0.41	0.98	0.57	1175.53
1	Alexandr&Baldwn	13	ALEX	37.50	0.64	8.00	-1.74	-1.47	-1.25	-0.64	-2.51	1832.81
REIT-EQTY TRUST - OTHER												
A	Sabra Healthcr	13	SBRA	19.30	8.50	1.00	1.72	0.86	0.70	0.48	1.41	1257.09
B	Coresite Realty	13	COR	56.63	2.97	1.00	1.72	0.69	0.92	0.40	0.73	1735.37
C	Qts Realty Trst	13	QTS	42.06	3.04	3.00	1.39	0.12	-0.46	0.75	0.08	1725.26
4	Ps Business Pks	13	PSB	85.69	2.80	8.00	-1.46	-0.62	-0.46	-0.93	-0.49	2314.83
3	Strategic Hotel	13	BEE	14.09	0.00	8.00	-1.52	-1.01	-0.55	-2.36	-0.13	3974.65
2	Parkway Ppty	13	PKY	16.09	4.66	8.00	-1.68	-0.42	-0.05	-0.48	-0.74	1796.11
1	Sunstone Hotel	13	SHO	14.62	1.37	8.00	-1.74	-1.75	-3.94	-0.55	-0.76	3049.60

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