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ValuEngine
Forecast Model Market Neutral Strategy

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October 15th, 2014

☑ Totals

Current Results	Gain/Loss
VE Forecast 16 LONGS	-9.80
VE Forecast 16 SHORTS	14.26
Portfolio Total	4.46
S&P 500	-5.36
Excess Gain/Loss	9.82

Standard Strategy	Long-Bias	X	MNS		Short-Bias
No Stops	(70-30)	(60-40)	(50-50)	(40-60)	(30-70)
50/50 Allocation	-5.17	-0.35	4.46	9.27	14.09

Modified Strategy		X			Short-Bias
Stopped Out (15%/15%)	(70-30)	(60-40)	(50-50)	(40-60)	(30-70)
50/50 Allocation	-1.76	2.57	6.89	11.22	15.55

Analysis

Our portfolio posted a decent return of 4.46% this month. We easily beat the benchmark S&P 500's loss of 5.36% by a massive 982 bps. The modified stop-lossed strategy with a suggested 60-40 allocation also beat the benchmark but posted a small loss of 0.35%. *The trailing 12 month percentage return is -11.33% for the newsletter and 9.07% for the S&P 500 index. Since inception our portfolio has returned 88.57%.*

It has been a rough period for our strategy over the past year or so as the markets powered up to new highs and we kept our short side, which held back returns. However, with the current market swoon of more than 100 points we once again—as we did in the great crash a few years ago—see the power of the market neutral approach. While long-only portfolios are getting battered, we post a very significant gain of almost 4.5%. Note too that stop-losses of 15% really paid off this month with the stop-lossed return of the portfolio beating the non stop-lossed option by 243 bps.

As one would expect, we see almost no turnover for our short side and establish only two new positions—cover Innerworkings and Town Sports. Longs see more turnover and we only retain ATK, SBGL, STRZA, and SAFM. To save on transaction costs, you may retain CAAS, MHO, and DHT on the long side but as always, we don't recommend chasing the losers.

For the first time in a very long time, undervalued stocks outnumber overvalued stocks according to our valuation model. Only 40% of the stocks we can assign a valuation are calculated to be overvalued-- with 10% of them calculated to be overvalued by 20% or more. This means we see more of a buyer's market at this point and those with capital may wish to establish positions in previously overvalued stocks.

Those with a greater appetite for risk may wish to allocate with a slight short-bias (40-60)

Questions and Comments may be sent to SHach@ValuEngine.com

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September Results

☑ Long Side

Ticker	Company Name	Entry Price 9/16/14/14	Current Price	Change	%Change	Sector
ATK	ALLIANT TECHSYS	132.49	125.05	-7.44	-5.62	AEROSPACE
CAAS	CHINA AUTO SYS	10.58	9.23	-1.35	-12.76	AUTO TIRES TRUCKS
SBGL	SIBANYE GLD-ADR	8.82	8.6	-0.22	-2.49	BASIC MATERIALS
ENOC	ENERNOC INC	19.48	13.17	-6.31	-32.39	BUSINESS SERVICES
IQNT	INTELIQUENT INC	12.67	12.61	-0.06	-0.47	COMPUTERS TECHNOLOGY
MHO	M/I HOMES INC	20.71	19.22	-1.49	-7.19	CONSTRUCTION
STRZA	STARZ-LIB CAP-A	30.57	31.61	1.04	3.40	CONSUMER DISCRETIONARY
SAFM	SANDERSON FARMS	89.15	87.44	-1.71	-1.92	CONSUMER STAPLES
AER	AERCAP HLDGS NV	45.19	36.74	-8.45	-18.70	FINANCE
PKG	PACKAGING CORP	67.34	58.61	-8.73	-12.96	INDUSTRIAL PRODUCTS
AGN	ALLERGAN INC	168.56	181.99	13.43	7.97	MEDICAL
FSS	FED SIGNAL CP	14.37	12.76	-1.61	-11.20	MULTI-SECTOR CONGLOMERATES
TSL	TRINA SOLAR LTD	13.76	9.15	-4.61	-33.50	OILS ENERGY
SPLS	STAPLES INC	12.78	12.25	-0.53	-4.15	RETAIL WHOLESALE
DHT	DHT HOLDINGS	6.97	5.55	-1.42	-20.37	TRANSPORTATION
SBS	SABESP -ADR	8.9	8.5	-0.40	-4.49	UTILITIES
	LONG PORTFOLIO				**-9.80**	
GSPC	**S&P500**	1984.13	1877.7	-106.43	-5.36	

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RESEARCH

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☑ **Short Side**

Ticker	Company Name	Entry Price 9/16/14/14	Current Price	Change	%Change	Sector
KTOS	KRATOS DEFENSE	7.14	6.32	0.82	11.48	AEROSPACE
NAV	NAVISTAR INTL	38.49	31.25	7.24	18.81	AUTO TIRES TRUCKS
TROX	TRONOX LTD	28.48	20.73	7.75	27.21	BASIC MATERIALS
INWK	INNERWORKINGS	8.4	8	0.40	4.76	BUSINESS SERVICES
RST	ROSETTA STONE	8.98	7.66	1.32	14.70	COMPUTERS TECHNOLOGY
CX	CEMEX SA ADR	13.17	11.37	1.80	13.67	CONSTRUCTION
CLUB	TOWN SPORTS INT	6.33	5.56	0.77	12.16	CONSUMER DISCRETIONARY
RDEN	ELIZABETH ARDEN	16.79	15.79	1.00	5.96	CONSUMER STAPLES
GCAP	GAIN CAP HLDGS	7.07	7.12	-0.05	-0.71	FINANCE
NPO	ENPRO INDUS INC	66.4	58.5	7.90	11.90	INDUSTRIAL PRODUCTS
CLDX	CELLDEX THERAPT	14.23	13.82	0.41	2.88	MEDICAL
LXU	LSB INDS INC	37.52	33.07	4.45	11.86	MULTI-SECTOR CONGLOMERATES
MDR	MCDERMOTT INTL	6.29	3.87	2.42	38.47	OILS ENERGY
HGG	HHGREGG INC	6.46	6.27	0.19	2.94	RETAIL WHOLESALE
NM	NAVIOS MARI HLD	8.12	4.63	3.49	42.98	TRANSPORTATION
AMRC	AMERESCO INC-A	7.55	6.86	0.69	9.14	UTILITIES
	SHORT PORTFOLIO				14.26	
GSPC	**S&P500**	1984.13	1877.7	-106.43	-5.36	

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October Portfolios

☑ **Long Picks**

VE Datapoints

Ticker	Company Name	Mkt Price	Valuation (%)	Forecast 1-Mon Retn(%)	Forecast 1-Yr Retn(%)	Last 12-Mon Retn (%)	P/E Ratio	Sector
ATK	ALLIANT TECHSYSTEMS	125.05	-12.18	1.32	15.89	23.14	11.12	AEROSPACE
TOWR	**TOWER INTERNATIONAL**	21.3	-29.09	1.66	19.91	7.85	8.01	AUTO TIRES TRUCKS
SBGL	SIBANYE GOLD-ADR	8.6	N/A	1.69	20.33	73.74	7.91	BASIC MATERIALS
CAR	**AVIS BUDGET GROUP**	48	-12.77	1.16	13.89	63.27	16.96	BUSINESS SERVICES
ARRS	**ARRIS GROUP INC**	24.49	-26.88	1.86	22.32	44.83	11.03	COMPUTERS TECHNOLOGY
DHI	**D R HORTON INC**	20.03	-16.34	1.18	14.18	9.75	12.92	CONSTRUCTION
STRZA	STARZ-LIBERTY CAPITAL-A	31.61	-43.03	1.57	18.84	9	13.68	CONSUMER DISCRETIONARY
SAFM	SANDERSON FARMS	87.44	-8.89	1.34	16.08	34.88	8.89	CONSUMER STAPLES
PJC	**PIPER JAFFRAY**	47.41	-11.38	1.46	17.49	38.46	9.21	FINANCE
MTW	**MANITOWOC INC**	17.34	-33.46	1.09	13.12	-9.21	11.96	INDUSTRIAL PRODUCTS
LCI	**LANNETT INC**	40.66	-20.38	1.48	17.82	98.44	16.07	MEDICAL
IEP	ICAHN ENTERPRISES	97.26	N/A	0.69	8.27	14.14	9.22	MULTI-SECTOR CONGLOMERATES
CSIQ	**CANADIAN SOLAR**	26.13	-25.4	1.79	21.52	27.03	9.97	OILS ENERGY
CBK	**CHRISTOPHER&BANK**	6.67	-27.35	1.05	12.61	8.63	19.24	RETAIL WHOLESALE
TRN	**TRINITY INDUSTRIES**	33.68	-24.58	1.94	23.33	48.34	8.46	TRANSPORTATION
ELP	**COPEL-ADR**	14.97	-18.35	1.44	17.26	7.23	7.11	UTILITIES

NOTE: NEW Buys are in BOLD.

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RESEARCH

Business Descriptions

Ticker	Company Name	Description	Sector
ATK	ALLIANT TECHSYSTEMS	ATK is an aerospace and defense company with leading market positions in munitions, smart weapons and precision capabilities, propulsion, and composite structures. They have three business segments: Conventional Munitions, Aerospace, and Defense Systems	AEROSPACE
TOWR	**TOWER INTERNATIONAL**	TA Delaware, Inc. is engaged in the manufacture of engineered structural metal components and assemblies primarily serving automotive original equipment manufacturers.	AUTO TIRES TRUCKS
SBGL	SIBANYE GOLD-ADR	Sibanye Gold Limited is a gold mining company. It operates two gold mines: the Kloof Driefontein Complex (KDC) and the Beatrix gold mines. Sibanye Gold Limited is based in Houghton, South Africa.	BASIC MATERIALS
CAR	**AVIS BUDGET GROUP**	Avis Budget Group, Inc. is a leading provider of vehicle rental services, with operations in more than seventy countries. Through its Avis and Budget brands, the company is the largest general-use vehicle rental company in each of North America, Australia, New Zealand and certain other regions.	BUSINESS SERVICES
ARRS	**ARRIS GROUP INC**	Arris Group, Inc. is an international communications technology company serving the broadband information transport industries. Arris specializes in the manufacturing and distribution of products for hybrid fiber coax broadband networks, as well as the design and engineering of these networks.	COMPUTERS TECHNOLOGY
DHI	**D R HORTON INC**	D.R. Horton, Inc., one of the largest homebuilders in the United States, builds high quality, single-family homes designed principally for the entry-level and move-up markets.	CONSTRUCTION
STRZA	STARZ-LIBERTY CAPITAL-A	Starz - Liberty Capital is a global media and entertainment company. Its operating units consist of Starz Channels, Starz Distribution and Starz Animation.	CONSUMER DISCRETIONARY
SAFM	SANDERSON FARMS	Sanderson Farms Inc. is a fully-integrated poultry processing company engaged in the production, processing, marketing and distribution of fresh and frozen chicken products.	CONSUMER STAPLES
PJC	**PIPER JAFFRAY**	Piper Jaffray Companies is a focused securities firm dedicated to delivering superior financial advice, investment products and transaction execution within selected sectors of the financial services marketplace.	FINANCE
MTW	**MANITOWOC INC**	Manitowoc Company, Inc. is a diversified, capital goods manufacturer.	INDUSTRIAL PRODUCTS
LCI	**LANNETT INC**	Lannett, Inc. manufactures and distributes pharmaceutical products sold under generic names and historically has manufactured and distributed pharmaceutical products sold under its trade or brand names. In addition, the Company contract manufactures and private labels pharmaceutical products for other companies.	MEDICAL
IEP	**ICAHN ENTERPRISES**	ICAHN ENTERPRISES L.P., formerly American Real Estate Partners, L.P., is a diversified holding company engaged in a variety of businesses. Their businesses currently include investment management, metals, real estate and home fashion. Icahn Enterprises L.P. is a Delaware master limited partnership.	MULTI-SECTOR CONGLOMERATES
CSIQ	**CANADIAN SOLAR**	Canadian Solar Inc is a solar module producer. The Company offers ingots, wafers, solar cells, solar modules and other solar applications for on-grid and off-grid use to customers worldwide.	OILS ENERGY
CBK	**CHRISTOPHER&BANK**	Christopher & Banks Corporation is a Minneapolis-based specialty retailer of women's clothing providing exclusive fashions under the Christopher & Banks and C.J. Banks labels. Currently, the Company operates 351 stores in 30 states, located primarily in the northern half of the United States.	RETAIL WHOLESALE
TRN	**TRINITY INDUSTRIES**	Trinity Industries, Inc. is engaged in the manufacture, marketing, and leasing of a wide variety of products.	TRANSPORTATION
ELP	**COPEL-ADR**	Companhia Paranaense de Energia is involved in the Utilities Industry. They are a fully integrated electric power company that is involved in the generation, distributionand transmission of electricity.	UTILITIES

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☑ Short Picks

VE Datapoints

Ticker	Company Name	Mkt Price	Valuation (%)	Forecast 1-Mon Retn(%)	Forecast 1-Yr Retn(%)	Last 12-Mon Retn (%)	P/E Ratio	Sector
KTOS	KRATOS DEFENSE	6.32	-36.32	-0.02	-0.29	-24.4	N/A	AEROSPACE
NAV	NAVISTAR INTERNATIONAL	31.25	-11.3	-0.53	-6.38	-14.87	N/A	AUTO TIRES TRUCKS
TROX	TRONOX LTD	20.73	1.4	-1.07	-12.79	-13.63	N/A	BASIC MATERIALS
NCMI	**NATIONAL CINEMEDIA**	15.39	16.17	-1.39	-16.65	-18.49	42.75	BUSINESS SERVICES
RST	ROSETTA STONE	7.66	105.8	-2.22	-26.65	-52.57	N/A	COMPUTERS TECHNOLOGY
CX	CEMEX SA ADR	11.37	-4.28	-0.24	-2.86	9.39	N/A	CONSTRUCTION
LF	**LEAPFROG ENTERPRISES**	6.2	39.25	-1.91	-22.95	-30.88	N/A	CONSUMER DISCRETIONARY
RDEN	ELIZABETH ARDEN	15.79	55.58	-2.1	-25.24	-58.97	N/A	CONSUMER STAPLES
GCAP	GAIN CAP HOLDINGS	7.12	82.15	-1.88	-22.56	-40.37	142.4	FINANCE
NPO	ENPRO INDUSRIES INC	58.5	27.23	-1.2	-14.39	-2.9	29.32	INDUSTRIAL PRODUCTS
CLDX	CELLDEX THERAPEUTICS	13.82	44.61	-2.06	-24.7	-50.98	N/A	MEDICAL
LXU	LSB INDS INC	33.07	18.86	-1.13	-13.58	-3.25	29.79	MULTI-SECTOR CONGLOMERATES
MDR	MCDERMOTT INTERNATIONAL	3.87	-24.07	-0.5	-6.04	-46.55	N/A	OILS ENERGY
HGG	HHGREGG INC	6.27	35.73	-2.05	-24.6	-65.15	N/A	RETAIL WHOLESALE
NM	NAVIOS MARINE HOLDING HLD	4.63	-18.52	-0.42	-5.05	-35.78	N/A	TRANSPORTATION
AMRC	AMERESCO INC-A	6.86	-2.26	-0.94	-11.27	-33.72	137.2	UTILITIES

NOTE: NEW Buys are in BOLD.

Business Descriptions

Ticker	Company Name	Description	Sector
KTOS	KRATOS DEFENSE	Kratos Defense & Security Solutions, Inc. is a United States-based company, which provides war fighter solutions and security related services. The Company provides mission critical engineering, Information Technology services and war fighter solutions primarily for United States National Security priorities.	AEROSPACE
NAV	NAVISTAR INTERNATIONAL	Navistar International is a holding company and its principal operating subsidiary is Navistar Int'l Transportation Corp. Navistar operates in three industry segments: truck; engine; and financial services.	AUTO TIRES TRUCKS
TROX	TRONOX LTD	Tronox Incorporated is a producer and marketer of titanium products. Products offered by the Company includes: titanium ore and titanium dioxide (TiO2); mineral sands products; and electrolytic and speciality chemicals.	BASIC MATERIALS
NCMI	**NATIONAL CINEMEDIA**	NATIONAL CINEMEDIA operates the largest digital in theatre network in North America that allows them to distribute advertisements and other content for our advertising, meetings and events businesses utilizing our proprietary digital content network.	BUSINESS SERVICES
RST	ROSETTA STONE	Rosetta Stone Inc., based in Arlington, Va, is a leading provider of technology-based language learning solutions consisting of software, online services and audio practice tools, primarily under the Rosetta Stone brand.	COMPUTERS TECHNOLOGY
CX	CEMEX SA ADR	CEMEX is one of the largest cement companies in the world, with close to 78 million metric tons of production capacity.	CONSTRUCTION
LF	**LEAPFROG ENTERPRISES**	Leapfrog Enterprises is a leading designer, developer and marketer of innovative, technology-based educational products and related proprietary content, dedicated to making learning effective and engaging.	CONSUMER DISCRETIONARY
RDEN	ELIZABETH ARDEN	Elizabeth Arden is a leading global marketer and manufacturer of prestige beauty products.	CONSUMER STAPLES
GCAP	GAIN CAP HOLDINGS	GAIN Capital is a US provider of online trading services headquartered in Bedminster. The company provides market access and trade execution services in foreign exchange, contracts for differences and exchange-based products to retail investors.	FINANCE
NPO	ENPRO INDUSRIES INC	EnPro Industries, Inc. is a leader in sealing products, metal polymer bearings, compressor systems and other engineered products for use in critical applications by industries worldwide.	INDUSTRIAL PRODUCTS
CLDX	CELLDEX THERAPEUTICS	CELLDEX THERAPEUTICS is an integrated biopharmaceutical company that applies its comprehensive Precision Targeted Immunotherapy Platform to generate a pipeline of candidates to treat cancer and other difficult-to-treat diseases.	MEDICAL
LXU	LSB INDS INC	LSB Industries, Inc. is a diversified holding company which is engaged, through its subsidiaries, in the manufacture and sale of chemical products; the manufacture and sale of products used in air conditioning systems; and the manufacture or purchase and sale of certain automotive and industrial products.	MULTI-SECTOR CONGLOMERATES
MDR	MCDERMOTT INTERNATIONAL	McDermott International is one of the leading worldwide energy services companies. The company's subsidiaries manufacture steam-generating equipment, environmental equipment, and products for the U.S. government.	OILS ENERGY
HGG	HHGREGG INC	hhgregg, Inc. is a leading specialty retailer of premium video products, appliances, audio products and accessories. hhgregg currently operates seventy nine stores in Alabama, Georgia, Indiana, Kentucky, North Carolina, Ohio, South Carolina and Tennessee.	RETAIL WHOLESALE
NM	NAVIOS MARINE HOLDING HLD	Navios Maritime Holdings Inc. is a seaborne shipping and logistics company engaged in the transport and transshipment of drybulk commodities including iron ore, coal and grain.	TRANSPORTATION
AMRC	AMERESCO INC-A	Ameresco, Inc. is an independent provider of comprehensive energy efficiency solutions for facilities throughout North America.	UTILITIES

*NOTE: NEW Buys are in BOLD.*

Alternates

☑ **Long Picks**

Ticker	Company Name	Mkt Price	Valuation (%)	Forecast 1-Mon Retn(%)	Forecast 1-Yr Retn(%)	Last 12-Mon Retn (%)	P/E Ratio	Sector
HII	HUNTINGTON INGALLS	93.91	-11.32	1.26	15.11	31.71	12.76	AEROSPACE
CAAS	**CHINA AUTO SYS**	9.23	-37.59	1.99	23.89	24.23	8.39	AUTO TIRES TRUCKS
GPRE	GREEN PLAINS	27.29	-23.51	1.96	23.48	67.32	8.03	BASIC MATERIALS
ENOC	ENERNOC INC	13.17	-48.94	0.82	9.79	-13.47	16.67	BUSINESS SERVICES
MU	MICRON TECH	27.39	-12.94	1.62	19.43	60.46	8.35	COMPUTERS TECHNOLOGY
MHO	**M/I HOMES INC**	19.22	-42.78	1.47	17.61	2.89	12.9	CONSTRUCTION
RCL	ROYAL CARIBBEAN	56.61	-14.16	1.16	13.92	52.3	17.21	CONSUMER DISCRETIONARY
JRN	JOURNAL COMM-A	7.98	-32.07	1.29	15.53	-2.68	10.64	CONSUMER STAPLES
AER	AERCAP HLDGS NV	36.74	-32.56	2.04	24.54	83.52	10.38	FINANCE
PKG	PACKAGING CORP	58.61	-21.1	1.09	13.04	0.15	12.91	INDUSTRIAL PRODUCTS
ANIP	ANI PHARMACEUT	25.42	-25.92	1.2	14.35	132.78	28.24	MEDICAL
CR	CRANE CO	56.61	-14.74	0.65	7.77	-6.74	12.78	MULTI-SECTOR CONGLOMERATES
EGY	VAALCO ENERGY	7.01	N/A	1.77	21.26	25.63	6.55	OILS ENERGY
HLF	HERBALIFE LTD	47.95	-28.49	0.94	11.29	-25.9	8.2	RETAIL WHOLESALE
DHT	**DHT HOLDINGS**	5.55	-36.25	1.38	16.56	14.2	17.34	TRANSPORTATION
BT	BT GRP PLC-ADR	58.68	-16.68	1.13	13.6	3.66	11.67	UTILITIES

NOTE: Current Holdings are in BOLD.

☑ Short Picks

Ticker	Company Name	Mkt Price	Valuation (%)	Forecast 1-Mon Retn(%)	Forecast 1-Yr Retn(%)	Last 12-Mon Retn (%)	P/E Ratio	Sector
FLIR	FLIR SYSTEMS	28.77	4.12	-0.74	-8.83	-13.25	22.48	AEROSPACE
FSYS	FUEL SYSTEM SOL	8.25	-6.43	-1.01	-12.09	-55.62	N/A	AUTO TIRES TRUCKS
SCHN	SCHNITZER STEEL	22.33	11.74	-1.35	-16.14	-21.32	42.67	BASIC MATERIALS
CLGX	CORELOGIC INC	26	21.29	-1.19	-14.26	-6.41	27.08	BUSINESS SERVICES
NTLS	NTELOS HOLDINGS	9.89	187.14	-1.9	-22.79	-44.06	89.91	COMPUTERS TECHNOLOGY
KBR	KBR INC	17.57	-4.13	-0.81	-9.78	-47.41	40.86	CONSTRUCTION
SNE	SONY CORP ADR	17.05	46.52	-1.78	-21.4	-14.45	N/A	CONSUMER DISCRETIONARY
DF	DEAN FOODS CO	13.28	11.17	-1.53	-18.3	-26.02	N/A	CONSUMER STAPLES
EHTH	EHEALTH INC	19.79	113.14	-1.92	-23.1	-43.18	329.83	FINANCE
ZINC	HORSEHEAD HLDG	14.75	24.73	-0.97	-11.62	18.38	N/A	INDUSTRIAL PRODUCTS
SRPT	SAREPTA THERAP	18.91	21.5	-2.05	-24.58	-58.09	N/A	MEDICAL
MIC	MACQUARIE INFRA	64.31	43.97	-0.92	-11.05	18.35	49.47	MULTI-SECTOR CONGLOMERATES
POWR	POWERSECURE INT	8.91	241.86	-2.02	-24.18	-47.15	N/A	OILS ENERGY
SHLD	SEARS HLDG CP	28.49	N/A	-1.72	-20.6	-47.96	N/A	RETAIL WHOLESALE
YRCW	YRC WORLDWD INC	15.23	300	-1.69	-20.23	0.33	N/A	TRANSPORTATION
TWTC	TW TELECOM INC	37.28	47.44	-0.94	-11.26	20.92	95.59	UTILITIES

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Why Market Neutral?

Market neutral investing allows lower volatility—at the cost of absolute returns—and will provide steadier, more consistent returns over time. In essence, when you run a market neutral portfolio you are operating your own hedge fund minus the hefty fees for management and performance—not to mention the restrictive and onerous "qualified investor" requirements. In addition, the use of the short-side stocks to pay for the longs provides leverage in the ratio of 1:1 and over time allows for great advantages in terms of total return.
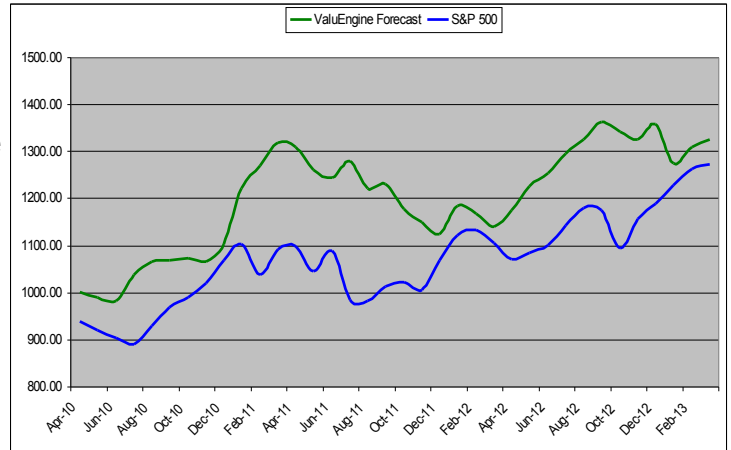
The attached performance chart illustrates the wealth accumulation profiles of the VE Forecast 16 MNS portfolio versus the S&P 500. As you can see, the VE Forecast 16 MNS portfolio—green line-- has provided slow and steady returns over the past three years despite the roiled markets.

How to Use this Portfolio

You should always carefully research the stock picks provided in this newsletter for information on dividend payment schedules, mergers, stock splits, corporate actions, SEC activities, "acts of God," etc. ValuEngine's proprietary models cannot always calculate the impact of such events on portfolio picks and all investment targets should be subjected to an additional human "sanity check."

Our research and development program has extensively tested the VE Forecast Model MNS portfolios in a variety of sizes and configurations. Typically, we run them as an equally allocated portfolio—all stocks garnering equal investment capital—and we re-balance monthly. However, this portfolio can be used in long, short, or MNS configurations. Flexibility can be achieved by varying the portfolio allocation according to your view of market conditions. If the markets are strong and you are a more aggressive investor, increase the ratio between the long and short side—and vice versa. Experienced investors may want to run just one side of the portfolio under certain conditions. Prudent stop losses may help boost performance—especially on the short side.

If you are seeking to save on transaction costs, then remember to retain picks that appear on the alternate list or as recommended for that month rather than closing the position. Stocks identified for retention are in the top-three of that particular sector for the month and may drift in and out of portfolio inclusion.

Additional Information on MNS

Longtime ValuEngine View Portfolio Manager Eric Stokes' book "Market Neutral Investing" provides both a theoretical and practical guide to the market neutral approach and is a valuable guide for investors seeking to hedge their portfolios. It is available **here.**
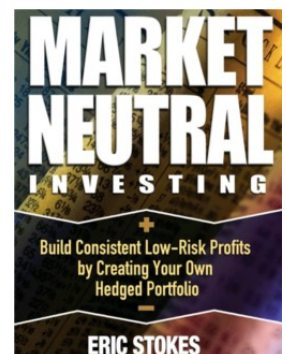
VALUENGINE'S METHODOLOGY

ValuEngine's research combines the most advanced academic concepts with real world Wall Street practice. The result is state-of-the-art fair market valuation and price forecasting technologies.

ValuEngine's stock valuation employs a sophisticated, three-factor approach. Fundamental variables, such as a company's trailing 12-month Earnings-Per-Share (EPS), the analyst consensus estimate of the company's future 12-month EPS, and the 30-year Treasury yield, are all used to create a more accurate reflection of a company's fair value. Together with eleven additional variables, ValuEngine paints a detailed picture of a company's fair value, represented by the model price.

ValuEngine's stock forecasts examine, among other things, short-term price reversals, intermediate-term momentum continuation, and long-term price reversals over six time horizons for every industry to ensure forecasts are established relative to a stock's proper peer groups. Advanced statistical/econometric techniques are used to run thousands of simulations estimating the probability of a double in stock price, as well as the probability of meeting and exceeding any given portfolio or stock investment target.

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Engine Rating and Average Annual Return
(Jan 1990 - Jul 2008)
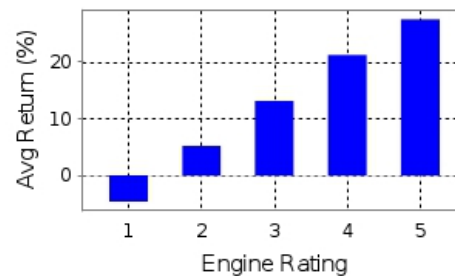
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