



The Rally is Here

There are limitations inherent in our theoretical model results, particularly with the fact that such results do not represent actual trading and they may not reflect the impact material economic and market factors might have had on our decision making if we were actually managing client money. Please see additional disclaimers and disclosures at the back of this report.

For the month to date of March 2016 low-quality stock returns have surged, setting up what we think is a strong likelihood of an ongoing market rally through month's end. For a primer of how we define low-quality stocks, see the introduction of our [September 2015 report](#).

In just the first four trading days of this month, the low-quality stocks in our theoretical Core Short Model portfolio have surged 8.39% (for the equivalent assumed short sale loss). In contrast, the high-quality stocks in our theoretical Core Long Model portfolio have only moved up 3.63%. This surge in low-quality stocks triggered a move to 100% cash in our Opportunistic Short Model portfolio on March 3.

Since October 2010, four out of five rallies in low-quality stocks that have been sharp enough to trigger a stop loss signal in our theoretical short sale model have preceded sustained market rallies for the balance of the month. In the last such rally, high-quality stocks performed exceptionally well. In the last two of these five rallies, the Volatility Index has declined significantly.

In summary, we think there is a good chance that the market will continue to rally for the balance of March 2016, and there is also a good chance that high-quality stocks could significantly improve, and that the volatility index could significantly decline. Below is an overview of some of the most recent low-quality stock rallies:

March 2016 Low-Quality Market Rally

The table below shows theoretical returns for a long/short model portfolio that does not use a cash allocation model. This is our Core Long/Short Model portfolio. The table indicates that low-quality stocks in our short model portfolio have drastically outperformed the high-quality stocks in our long model portfolio, as well as the S&P 500. The net effect is a -4.76% long/short theoretical loss for the month to date as of March 4, 2016.

March 2016									
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500									
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short ar Neutral	Daily Neutral	MTD Long*	MTD Short ar Neutral	MTD Neutral
03/01/16	17.70	2.39%	2.39%	2.35%	2.59%	-0.24%	2.35%	2.59%	-0.24%
03/02/16	17.09	0.41%	2.80%	0.22%	2.38%	-2.17%	2.57%	4.98%	-2.40%
03/03/16	16.70	0.35%	3.15%	0.77%	1.73%	-0.95%	3.35%	6.70%	-3.35%
03/04/16	16.86	0.33%	3.48%	0.28%	1.68%	-1.40%	3.63%	8.39%	-4.76%

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

The next table indicates returns for a theoretical model portfolio composed as the same basket of stocks as the one above, but additionally takes into account a cash allocation model. The short model portfolio in this version, the Opportunistic Long/Short Model portfolio, assumed a 100% cash position just prior to the close on March 3, 2016. The net effect is a -3.07% long/short theoretical loss for the month to date.

March 2016									
MTD Theoretical Returns of Opportunistic Long/Short Model Portfolios, with the Volatility Index and S&P 500									
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short ar Neutral	Daily Neutral	MTD Long*	MTD Short ar Neutral	MTD Neutral
03/01/16	17.70	2.39%	2.39%	2.35%	2.59%	-0.24%	2.35%	2.59%	-0.24%
03/02/16	17.09	0.41%	2.80%	0.22%	2.38%	-2.17%	2.57%	4.98%	-2.40%
03/03/16	16.70	0.35%	3.15%	0.77%	1.73%	-0.95%	3.35%	6.70%	-3.35%
03/04/16	16.86	0.33%	3.48%	0.28%	0.00%	0.28%	3.63%	6.70%	-3.07%

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

October 2015 Low-Quality Stock Rally and Subsequent Returns

After low-quality stock returns in our model surged by 7.85% over the first three trading days of the month ended October 5, 2015, high-quality stocks moved another 7.31% higher for the rest of October and low-quality stocks moved another 4.99% higher.

The S&P 500, which was already up 3.10% by October 6, 2015, improved by another 4.95% over the rest of the month. The Volatility Index declined by 22.88%, 19.54 on October 5 to 15.07 on October 30.

The first red bar indicates when the accompanying Opportunistic Short Model experienced a portfolio-wide stop loss trigger. The second red bar just highlights the end of month data, which we use to calculate the returns following the stop loss.

October 2015									
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500									
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short	Daily Neutral	MTD Long*	MTD Short	MTD Neutral
10/01/15	22.55	0.20%	0.20%	0.11%	0.84%	-0.73%	0.11%	0.84%	-0.73%
10/02/15	20.94	1.43%	1.63%	1.00%	4.24%	-3.24%	1.11%	5.08%	-3.97%
10/05/15	19.54	1.83%	3.46%	1.81%	2.76%	-0.95%	2.92%	7.85%	-4.92%
10/06/15	19.40	-0.36%	3.10%	-0.84%	1.14%	-1.98%	2.08%	8.98%	-6.90%
10/07/15	18.40	0.80%	3.90%	1.80%	1.27%	0.54%	3.89%	10.25%	-6.36%
10/08/15	17.42	0.88%	4.78%	0.99%	0.76%	0.23%	4.88%	11.01%	-6.13%
10/09/15	17.08	0.07%	4.86%	0.35%	0.48%	-0.12%	5.23%	11.49%	-6.26%
10/12/15	16.17	0.13%	4.98%	0.51%	-0.22%	0.73%	5.74%	11.27%	-5.53%
10/13/15	17.67	-0.68%	4.30%	-1.04%	-0.64%	-0.40%	4.70%	10.62%	-5.93%
10/14/15	18.03	-0.47%	3.83%	0.90%	-0.74%	1.64%	5.59%	9.89%	-4.29%
10/15/15	16.05	1.49%	5.32%	1.49%	1.29%	0.19%	7.08%	11.18%	-4.10%
10/16/15	15.05	0.46%	5.77%	0.02%	0.51%	-0.50%	7.10%	11.70%	-4.60%
10/19/15	14.98	0.03%	5.80%	-0.92%	0.59%	-1.51%	6.18%	12.28%	-6.10%
10/20/15	15.75	-0.14%	5.66%	-0.34%	0.10%	-0.44%	5.84%	12.38%	-6.54%
10/21/15	16.70	-0.58%	5.08%	-0.41%	-0.11%	-0.30%	5.42%	12.27%	-6.85%
10/22/15	14.45	1.66%	6.74%	1.83%	0.17%	1.66%	7.26%	12.44%	-5.18%
10/23/15	14.46	1.10%	7.84%	1.49%	0.27%	1.22%	8.75%	12.71%	-3.96%
10/26/15	15.29	-0.19%	7.65%	-0.16%	-0.14%	-0.02%	8.59%	12.57%	-3.99%
10/27/15	15.43	-0.26%	7.39%	0.20%	0.00%	0.20%	8.78%	12.57%	-3.79%
10/28/15	14.33	1.18%	8.58%	1.48%	0.43%	1.05%	10.26%	13.00%	-2.74%
10/29/15	14.61	-0.05%	8.53%	-0.07%	-0.17%	0.11%	10.19%	12.83%	-2.64%
10/30/15	15.07	-0.48%	8.05%	0.04%	0.01%	0.03%	10.23%	12.84%	-2.60%

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

February 2015 Low-Quality Stock Rally

After low-quality stock returns in our theoretical portfolio model surged by 7.80% over the first nine trading days of the month ending February 12, 2015, for the balance of the month high-quality stocks moved 1.87% higher and low-quality stocks moved 1.47% higher.

The S&P 500, which was up by 4.62% on February 12, 2015, moved another 0.77% higher to finish the month with a 5.38% simple cumulative return gain. The Volatility Index declined by 13.40% to 13.34 over this same period.

February 2015										
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500										
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short	Daily Dollar Neutral	MTD Long*	MTD Short	MTD Dollar Neutral	
02/02/15	19.43	1.30%	1.30%	-0.04%	2.37%	-2.42%	-0.04%	2.37%	-2.42%	
02/03/15	17.33	1.44%	2.74%	1.14%	2.38%	-1.24%	1.09%	4.75%	-3.66%	
02/04/15	18.33	-0.42%	2.32%	0.27%	-0.50%	0.77%	1.37%	4.26%	-2.89%	
02/05/15	16.85	1.03%	3.35%	0.97%	0.69%	0.28%	2.34%	4.94%	-2.60%	
02/06/15	17.29	-0.34%	3.01%	-0.35%	-0.34%	-0.01%	1.99%	4.60%	-2.61%	
02/09/15	18.55	-0.42%	2.59%	-1.05%	-0.56%	-0.50%	0.94%	4.05%	-3.11%	
02/10/15	17.23	1.07%	3.65%	1.80%	0.58%	1.22%	2.73%	4.63%	-1.90%	
02/11/15	16.96	0.00%	3.65%	-0.27%	-0.24%	-0.02%	2.47%	4.39%	-1.92%	
02/12/15	15.34	0.96%	4.62%	0.90%	3.41%	-2.51%	3.36%	7.80%	-4.43%	
02/13/15	14.69	0.41%	5.02%	1.12%	1.21%	-0.09%	4.49%	9.01%	-4.52%	
02/17/15	15.80	0.16%	5.18%	-0.18%	-0.34%	0.16%	4.31%	8.67%	-4.36%	
02/18/15	15.45	-0.03%	5.15%	0.02%	-0.17%	0.19%	4.33%	8.50%	-4.17%	
02/19/15	15.29	-0.11%	5.05%	-0.31%	0.43%	-0.74%	4.02%	8.92%	-4.91%	
02/20/15	14.30	0.61%	5.66%	1.26%	0.36%	0.89%	5.28%	9.29%	-4.01%	
02/23/15	14.56	-0.03%	5.63%	-0.03%	-0.17%	0.14%	5.25%	9.12%	-3.87%	
02/24/15	13.69	0.28%	5.90%	0.62%	0.36%	0.25%	5.86%	9.48%	-3.62%	
02/25/15	13.84	-0.08%	5.83%	-0.35%	0.73%	-1.08%	5.52%	10.22%	-4.70%	
02/26/15	13.91	-0.15%	5.68%	0.27%	-0.76%	1.04%	5.79%	9.45%	-3.66%	
02/27/15	13.34	-0.30%	5.38%	-0.55%	-0.19%	-0.36%	5.24%	9.26%	-4.02%	

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

September 2013 Low-Quality Stock Rally

In September 2013 low-quality stock returns in our theoretical short model portfolio increased by 6.49% before triggering a stop loss signal in the Opportunistic model portfolio on September 10, 2013. Returns of these low-quality stocks (tracked in the Core model which does not use portfolio stop loss triggers) ended the month 0.64% higher with a simple cumulative theoretical return of 7.13%. High-quality stocks moved another 1.47% higher for the balance of the month. In contrast the S&P 500 declined by 0.13% and the VIX increased by 14.25%.

September 2013										
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500										
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short	Daily Dollar Neutral	MTD Long*	MTD Short	MTD Dollar Neutral	MTD
09/03/13	16.61	0.42%	0.42%	0.77%	0.74%	0.03%	0.77%	0.74%	0.03%	
09/04/13	15.88	0.81%	1.23%	0.91%	1.36%	-0.45%	1.68%	2.10%	-0.42%	
09/05/13	15.77	0.12%	1.35%	0.38%	0.99%	-0.61%	2.06%	3.09%	-1.03%	
09/06/13	15.85	0.01%	1.35%	-0.37%	0.06%	-0.43%	1.69%	3.15%	-1.47%	
09/09/13	15.63	1.00%	2.35%	1.36%	1.95%	-0.59%	3.05%	5.10%	-2.05%	
09/10/13	14.53	0.73%	3.09%	1.01%	1.39%	-0.38%	4.06%	6.49%	-2.43%	
09/11/13	13.82	0.31%	3.39%	-0.02%	0.53%	-0.54%	4.04%	7.01%	-2.97%	
09/12/13	14.29	-0.34%	3.06%	-0.37%	0.41%	-0.78%	3.67%	7.43%	-3.75%	
09/13/13	14.16	0.27%	3.33%	0.64%	-0.10%	0.73%	4.31%	7.33%	-3.02%	
09/16/13	14.38	0.57%	3.90%	0.86%	0.30%	0.56%	5.18%	7.63%	-2.45%	
09/17/13	14.53	0.42%	4.32%	0.73%	0.15%	0.58%	5.91%	7.78%	-1.87%	
09/18/13	13.59	1.22%	5.54%	0.60%	0.72%	-0.12%	6.51%	8.49%	-1.98%	
09/19/13	13.16	-0.18%	5.35%	-0.08%	-0.18%	0.09%	6.43%	8.32%	-1.89%	
09/20/13	13.12	-0.72%	4.63%	-0.62%	-0.45%	-0.18%	5.80%	7.87%	-2.07%	
09/23/13	14.31	-0.47%	4.16%	-0.63%	-0.31%	-0.32%	5.17%	7.56%	-2.38%	
09/24/13	14.08	-0.26%	3.90%	0.34%	-0.17%	0.52%	5.52%	7.39%	-1.87%	
09/25/13	14.01	-0.27%	3.62%	0.41%	-0.03%	0.44%	5.92%	7.36%	-1.43%	
09/26/13	14.06	0.35%	3.97%	0.08%	-0.12%	0.20%	6.00%	7.24%	-1.23%	
09/27/13	15.46	-0.41%	3.57%	-0.03%	-0.22%	0.19%	5.97%	7.01%	-1.04%	
09/30/13	16.60	-0.60%	2.96%	-0.44%	0.12%	-0.56%	5.53%	7.13%	-1.60%	

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

July 2013 Low-Quality Stock Rally

During this period, low-quality stocks in our short model portfolio increased by 5.54% before triggering a stop loss signal on July 15, 2013. In this case stock returns in the theoretical model ended July 31 roughly unchanged relative to July 15 of that that year.

July 2013										
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500										
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short	Daily Dollar Neutral	MTD Long*	MTD Short	MTD Dollar Neutral	
07/01/13	16.37	0.54%	0.54%	1.04%	0.83%	0.20%	1.04%	0.83%	0.20%	
07/02/13	16.44	-0.05%	0.49%	-0.22%	-0.70%	0.48%	0.82%	0.13%	0.68%	
07/03/13	16.20	0.08%	0.57%	-0.20%	-0.22%	0.02%	0.62%	-0.09%	0.71%	
07/05/13	14.89	1.02%	1.59%	1.44%	1.63%	-0.19%	2.06%	1.54%	0.52%	
07/08/13	14.78	0.53%	2.11%	0.35%	0.41%	-0.05%	2.41%	1.94%	0.47%	
07/09/13	14.35	0.72%	2.84%	0.79%	1.30%	-0.51%	3.20%	3.25%	-0.04%	
07/10/13	14.21	0.02%	2.85%	0.53%	-0.15%	0.68%	3.73%	3.09%	0.63%	
07/11/13	14.01	1.36%	4.21%	1.29%	2.23%	-0.93%	5.02%	5.32%	-0.30%	
07/12/13	13.84	0.31%	4.52%	0.48%	-0.11%	0.59%	5.50%	5.21%	0.29%	
07/15/13	13.79	0.14%	4.66%	0.42%	0.32%	0.10%	5.92%	5.54%	0.39%	
07/16/13	14.42	-0.37%	4.29%	-0.46%	-0.47%	0.01%	5.47%	5.07%	0.40%	
07/17/13	13.78	0.28%	4.56%	0.38%	0.22%	0.16%	5.84%	5.28%	0.56%	
07/18/13	13.77	0.50%	5.07%	1.06%	0.35%	0.71%	6.90%	5.63%	1.27%	
07/19/13	12.54	0.16%	5.23%	0.19%	-0.24%	0.42%	7.09%	5.39%	1.70%	
07/22/13	12.29	0.20%	5.43%	0.67%	0.33%	0.34%	7.75%	5.72%	2.03%	
07/23/13	12.66	-0.19%	5.25%	-0.85%	0.45%	-1.30%	6.90%	6.17%	0.73%	
07/24/13	13.18	-0.38%	4.86%	-0.99%	-0.74%	-0.24%	5.92%	5.43%	0.49%	
07/25/13	12.97	0.26%	5.12%	0.54%	0.68%	-0.14%	6.46%	6.11%	0.35%	
07/26/13	12.72	0.08%	5.20%	0.00%	-0.29%	0.30%	6.46%	5.81%	0.65%	
07/29/13	13.39	-0.37%	4.83%	-0.77%	-0.33%	-0.44%	5.69%	5.49%	0.21%	
07/30/13	13.39	0.33%	5.15%	0.23%	-0.20%	0.42%	5.92%	5.29%	0.63%	
07/31/13	13.45	-0.30%	4.85%	-0.09%	-0.60%	0.51%	5.83%	4.68%	1.14%	

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

October 2011 Low-Quality Stock Rally

During October 2011 low-quality stocks in our model increased by 6.95% before triggering a stop loss signal on October 13, 2011 in the Opportunistic model. This same basket of stocks finished the month up another 6.63% ending the month with a simple cumulative return of 13.58%. The basket of high-quality stocks, which was already up 14.18% on October 13, 2011 moved another 7.51% higher for a theoretical simple cumulative return of 21.68%. The S&P 500, which had posted a 6.35% return for the month as of October 13, 2011, finished the month up 10.60%.

October 2011										
MTD Theoretical Returns of Core Long/Short Model Portfolios, with the Volatility Index and S&P 500										
Date	^VIX	Daily S&P 500	MTD S&P 500	Daily Long*	Daily Short	Daily Dollar Neutral	MTD Long*	MTD Short	MTD Dollar Neutral	
10/03/11	45.45	-2.85%	-2.85%	-3.85%	-3.56%	-0.29%	-3.85%	-3.56%	-0.29%	
10/04/11	40.82	2.25%	-0.60%	3.52%	1.38%	2.14%	-0.33%	-2.18%	1.85%	
10/05/11	37.81	1.79%	1.19%	4.13%	1.23%	2.90%	3.80%	-0.95%	4.75%	
10/06/11	36.27	1.83%	3.02%	3.91%	2.87%	1.04%	7.72%	1.92%	5.80%	
10/07/11	36.20	-0.82%	2.20%	-1.71%	-1.95%	0.24%	6.01%	-0.03%	6.04%	
10/10/11	33.02	3.41%	5.62%	4.91%	4.61%	0.30%	10.92%	4.58%	6.34%	
10/11/11	32.86	0.05%	5.67%	1.08%	0.56%	0.52%	12.00%	5.14%	6.85%	
10/12/11	31.26	0.98%	6.65%	1.51%	0.10%	1.41%	13.51%	5.24%	8.27%	
10/13/11	30.70	-0.30%	6.35%	0.67%	1.71%	-1.04%	14.18%	6.95%	7.22%	
10/14/11	28.24	1.74%	8.09%	3.40%	1.38%	2.02%	17.57%	8.33%	9.24%	
10/17/11	33.39	-1.94%	6.15%	-2.54%	-1.01%	-1.53%	15.03%	7.32%	7.71%	
10/18/11	31.56	2.04%	8.20%	0.88%	2.41%	-1.54%	15.91%	9.73%	6.17%	
10/19/11	34.44	-1.26%	6.93%	-1.98%	-0.48%	-1.50%	13.93%	9.26%	4.67%	
10/20/11	34.78	0.46%	7.39%	0.62%	1.56%	-0.94%	14.55%	10.81%	3.73%	
10/21/11	31.32	1.88%	9.27%	1.78%	1.67%	0.11%	16.33%	12.48%	3.84%	
10/24/11	29.26	1.29%	10.56%	2.65%	1.24%	1.41%	18.97%	13.73%	5.25%	
10/25/11	32.22	-2.00%	8.55%	-1.91%	-0.73%	-1.17%	17.07%	12.99%	4.07%	
10/26/11	29.86	1.05%	9.60%	1.31%	0.17%	1.14%	18.37%	13.16%	5.21%	
10/27/11	25.46	3.43%	13.03%	3.72%	0.61%	3.11%	22.10%	13.77%	8.33%	
10/28/11	24.53	0.04%	13.07%	0.22%	0.15%	0.07%	22.32%	13.92%	8.40%	
10/31/11	29.96	-2.47%	10.60%	-0.64%	-0.34%	-0.30%	21.68%	13.58%	8.10%	

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Note: These are theoretical returns and do not include any assumptions for execution costs or slippage.

Low-Quality Stock Rallies from December 2005 to December 2010

Our model portfolio strategies recorded participation in a number of low-quality rallies between its March 31, 2009 inception and December 31, 2010 which triggered a stop loss in our low-quality short sale model portfolios. In all of these cases, overall returns for high-quality stocks, low quality stocks and the S&P 500 ended the month slightly above or below the cumulative return that triggered the stop loss. For the backtest period going back to December 31, 2005, the models experienced no low-quality stock rallies that were significant enough to trigger a short sale model portfolio stop loss.

Anecdotal evidence supports optimism for an ongoing March 2016 rally

Signals and rules tend to work... until they don't. In this most recent case, we are very bullish on the likelihood that we have seen a valid signal with the surge in low-quality stocks for sustained ongoing gains in all types of stocks through the rest of March. We think high-quality stocks will do particularly well as investors rotate out of low-quality and seek returns elsewhere.

Several key anecdotal points that support optimism for a near-term face ripping rally:

- 1) WTI oil has rallied and broken through the most recent highs, perhaps indicating strong underlying economic demand.
- 2) Other commodity prices like steel, copper, and aluminum are also increasing above most recent highs.
- 3) The U.S. dollar has shown some flattening in recent months relative to years of seemingly inexorable strengthening. If the USD has bottomed, this would reduce the threat of imports and improve reported U.S. company-reported earnings.
- 4) The S&P 500 has moved up to a key technical inflection point, which likely belies a sharp move in either direction in the near-term.

Long-term investors should focus on high-quality stocks and not chase low-quality at this point. Our favorite long-term play continues to be Lowe's Companies (LOW) and NVIDIA Corp. There is plenty of room for these high-quality stocks to rally both in the short-term and near term.

In our opinion, short-term traders and day traders should take a strong positive bias in their trading. Traders should continue keeping an eye on sharply rallying, highly liquid low-quality stocks such as **Chesapeake Energy Corporation (CHK)**, **Marathon Oil Corporation (MRO)**, and **Freeport McMoRan, Inc. (FCX)**. But we think there may be better upside for the balance of the month in high-quality stocks such as **Cisco Systems Inc. (CSC)**, **NVIDIA Corp. (NVDA)**, **JetBlue Airways Corp (JBLU)**, **Lowe's Companies (LOW)**, and **American Eagle Outfitters (AEO)**. All five are in our theoretical long model portfolio of high-quality stocks, and each are have average daily trading volume of more than 6m. Of these five, American Eagle Outfitters and JetBlue have the most price volatility. **Staples, Inc. (SPLS)** may be an unintuitive solid high-quality long idea good both for trading and a long-term investment (see our pending follow-up note on SPLS).

Summary

For the balance of March 2016, we suggest investors adopt a positive bias on all U.S. stocks and indices, and overweight positions in high-quality stocks.

Return Data

The long model portfolio is composed of high-quality stocks.

Core & Opportunistic Long Model					MTD						
2/29/2016 to 3/04/2016									Target/ Stop Date	Date+1 Sell Price	Return
Sector	Company	Ticker	2/29/2016	3/4/2016	Performance	Price Target	Stop Target				
Financials	Privatebancorp Inc.	PVTB	34.36	38.29	11.44%	\$ 40.52	None				
Financials	Signature Bank	SBNY	129.55	142.32	9.86%	\$ 151.96	None				
Energy	Boardwalk Pipeline Partners, LP	BWP	12.42	13.24	6.60%	\$ 15.66	None				
Financials	First Citizens Bancshares Inc.	FCNC.A	234.13	248.59	6.18%	\$ 267.74	None				
Information Technology	Manhattan Associates, Inc.	MANH	55.26	58.42	5.72%	\$ 66.39	None				
Information Technology	Netease.com Inc.	NTES	134.61	141.73	5.29%	\$ 168.21	None				
Health Care	VCA Antech Inc.	WOOF	51.03	53.59	5.02%	\$ 59.23	None				
Health Care	United Therapeutics Corp.	UTHR	121.94	127.64	4.67%	\$ 141.41	None				
Consumer Discretionary	Lowe's Companies Inc.	LOW	67.53	70.39	4.24%	\$ 76.54	None				
Industrials	Deluxe Corp.	DLX	57.41	59.76	4.09%	\$ 66.33	None				
Information Technology	NVIDIA Corporation	NVDA	31.36	32.55	3.79%	\$ 37.09	None				
Industrials	Canadian Pacific Railway Limited	CP	121.19	125.26	3.36%	\$ 146.68	None				
Health Care	Amgen Inc.	AMGN	142.28	145.98	2.60%	\$ 161.78	None				
Consumer Discretionary	Skechers USA Inc.	SKX	32.92	33.72	2.43%	\$ 38.19	None				
Information Technology	Cisco Systems, Inc.	CSCO	26.18	26.80	2.37%	\$ 30.19	None				
Information Technology	LAM Research Corp.	LRCX	73.30	74.33	1.41%	\$ 85.57	None				
Consumer Discretionary	Cracker Barrel Old Country Store, Inc	CBRL	148.05	149.40	0.91%	\$ 164.33	None				
Consumer Discretionary	American Eagle Outfitters Inc.	AEO	15.26	15.38	0.79%	\$ 18.76	None				
Industrials	JetBlue Airways Corporation	JBLU	22.00	21.98	-0.09%	\$ 26.54	None				
Health Care	DENTSPLY SIRONA, Inc.	XRAY	60.96	60.16	-1.31%	\$ 67.74	None				
Information Technology	Linear Technology Corp.	LLTC	43.62	42.42	-2.75%	\$ 48.60	None				

The short model portfolio is composed of low-quality stocks

Core & Opportunistic Short Model			MTD								
2/29/2016 to 3/04/2016											
Sector	Company	Ticker	2/29/2016	3/4/2016	Performance	Price Target	Stop Target	Target/ Stop Date	Date+1 Sell Price	Return	
Information Technology	Tableau Software, Inc.	DATA	45.65	42.75	-6.35%	\$ 26.23	\$ 65.07				
Information Technology	LinkedIn Corporation	LNKD	117.19	119.35	1.84%	\$ 75.78	\$ 158.60				
Consumer Discretionary	Melco Crown Entertainment Ltd.	MPEL	15.79	16.10	1.96%	\$ 13.14	\$ 18.44				
Energy	Cameco Corporation	CCJ	12.11	12.48	3.06%	\$ 10.56	\$ 13.66				
Consumer Discretionary	TripAdvisor LLC	TRIP	62.60	65.10	3.99%	\$ 54.29	\$ 70.91				
Consumer Discretionary	Tesla Motors, Inc.	TSLA	191.93	201.04	4.75%	\$ 163.01	\$ 220.85				
Materials	Albemarle Corp.	ALB	56.22	59.17	5.25%	\$ 49.60	\$ 62.84				
Energy	Royal Dutch Shell plc	RDS.B	45.71	48.24	5.53%	\$ 39.72	\$ 51.70				
Information Technology	NCR Corp.	NCR	23.36	24.68	5.65%	\$ 20.52	\$ 26.20				
Information Technology	Yahoo! Inc.	YHOO	31.79	33.86	6.51%	\$ 27.93	\$ 35.65				
Industrials	Sensata Technologies Holding NV	ST	34.11	36.39	6.68%	\$ 29.84	\$ 38.38				
Energy	RPC Inc.	RES	13.57	14.63	7.81%	\$ 11.22	\$ 15.92				
Information Technology	Autodesk, Inc.	ADSK	51.74	56.25	8.72%	\$ 44.76	\$ 58.72				
Energy	Concho Resources, Inc.	CXO	90.24	98.16	8.78%	\$ 72.94	\$ 107.54				
Materials	Methanex Corp.	MEOH	31.67	34.69	9.54%	\$ 25.35	\$ 37.99				
Energy	Noble Energy, Inc.	NBL	29.50	32.43	9.93%	\$ 24.42	\$ 34.58				
Information Technology	Qorvo, Inc.	QRVO	45.08	49.90	10.69%	\$ 37.01	\$ 53.15				
Energy	Hess Corporation	HES	43.60	48.39	10.99%	\$ 35.12	\$ 52.08				
Energy	National Oilwell Varco, Incorporated	NOV	29.27	32.50	11.04%	\$ 25.35	\$ 33.19				
Information Technology	Yandex N.V.	YNDX	12.92	14.48	12.07%	\$ 10.94	\$ 14.90				
Financials	Legg Mason Inc.	LM	28.56	32.42	13.52%			3/4/2016	\$ 32.42	13.52%	
Energy	Vermilion Energy Inc.	VET	27.16	31.23	14.99%	\$ 21.97	\$ 32.35				
Health Care	ISIS Pharmaceuticals Inc.	ISIS	34.56	39.81	15.19%	\$ 27.34	\$ 41.78				
Energy	Devon Energy Corporation	DVN	19.68	23.31	18.45%	\$ 14.77	\$ 24.59				
Energy	Apache Corp.	APA	38.28	48.04	25.50%			3/4/2016	\$ 48.04	25.50%	

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J. Stephen Castellano – founded Ascendere Associates LLC to provide innovative equity research and investment advisory services that blends fundamental and quantitative approaches.

In general, our approach is quite simple -- we believe that return on invested capital and long-term earnings growth are key to stock valuation. More specifically, we use powerful and unique financial models that combine publicly available data, consensus estimates and our own inputs to generate consistent and actionable stock recommendations.

Among the services that Ascendere provides are: 1) detailed custom equity research analysis; 2) valuation scenario analysis studies; 3) supply /demand studies; 4) long and short stock idea generation; 5) portfolio feedback; 6) detailed fundamental financial modeling services; and 7) additional analytical consulting services. Additional information is available at jstephencastellano.tumblr.com. Mr. Castellano is currently on the Board of Advisors to GovBrain, and is a consultant to two other financial technology startups.

Mr. Castellano has over 20 years of experience in equity research and related consulting work. At PaineWebber, Warburg Dillon Read and Credit Lyonnais Securities he developed fundamental equity valuation models and conducted in-depth research on the steel and telecom services industries. At Boston Private Value Investors, he developed quantitative models for stock idea generation and also provided general fundamental equity research coverage. Steve received a MBA from the F. W. Olin School of Business at Babson College (2005) and a BA from Oberlin College (1993).

Mr. Castellano's career history is highlighted below:

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- Boston Private Value Investors , Equity Research, Equity Research Analyst (2005-2009)
- Pyramid Research, Contract Consultant, Telecom Services (2002-2003)
- Credit Lyonnais Securities (USA), Equity Research, Telecom Services, Vice President (2000-2001)
- Warburg Dillon Read, Equity Research, Telecom Services, Research Associate (1999-2000)
- PaineWebber, Equity Research, Steel and Nonferrous Metals, Research Associate, Editor (1995-1999)