FATALPHA
VALUE INVESTING

Monthly Performance:

During November the portfolio rose 1.78% vs 2.45% for the S&P 500. Performance was dragged down by Gamestop (GME) which dropped 12% month-on-month as guidance was reduced and earnings missed on delayed game releases. Alaskan Air (ALK) added another 11% after October's 22% gain and I've started taking profits. Hewlett Packard (HPQ) gained 9% with the spin-off of the company into two as a tailwind. Something interesting I noticed was that for the second consecutive time HPQ sold off after hours during the earnings announcement, only to rally when the stock opened for trading the next day…

The portfolio is on track to outperform the S&P 500 for the 11th consecutive quarter. Regardless of headwinds (i.e. geopolitics, global growth, etc) the S&P 500 has continued to record new highs, and this strength has also helped the portfolio which is net long. Investors should not fight the market but remain long. We must keep an open eye for bearish catalysts that will not only emerge but affect the market in a direct and obvious way. This I believe will be reflected in the fundamentals and technical. In other words when we not only have the reasons for a change in the market but also see it happen then we take action.

I've been asked way too many times this year, why I haven't hedged to protect my returns. My answer remains it is because we continue to be in a bull market. While I take on a few shorts, the portfolio is net long. Shorting the market or individual overvalued stocks on a large scale could hurt returns without necessarily reducing risk. The time to increase your short position is not when you have great returns but when the market weakens. Please see my article for Seeking Alpha found here: http://goo.gl/8E5pyd If you can't access it then e-mail me and I'll send you a copy, however if you are involved in the US markets then I recommend you become a member (it is free of charge).

MONTHLY PERFORMANCE		
Date	FatAlpha	S&P 500
July '12	**2.89%**	2.13%
Aug '12	**9.12%**	1.98%
Sept '12	**3.03%**	2.42%
Oct '12	**0.66%**	-1.98%
Nov '12	**5.58%**	0.28%
Dec '12	**1.79%**	0.71%
Jan '13	**6.45%**	5.04%
Feb '13	**0.71%**	1.11%
Mar '13	**5.35%**	3.60%
Apr '13	**6.47%**	1.81%
May '13	**4.19%**	2.08%
June '13	**-0.73%**	-1.50%
July '13	**7.45%**	4.95%
Aug '13	**-1.00%**	-3.13%
Sept '13	**2.78%**	2.97%
Oct '13	**6.26%**	4.46%
Nov '13	**5.50%**	2.80%
Dec '13	**4.34%**	2.36%
Jan '14	**-1.76%**	-3.56%
Feb '14	**7.64%**	4.31%
Mar '14	**0.91%**	0.69%
Apr '14	**5.08%**	0.62%
May '14	**0.97%**	2.10%
June '14	**0.83%**	1.91%
July '14	**3.17%**	-1.51%
Aug '14	**3.67%**	3.77%
Sept '14	**-2.39%**	-1.55%
Oct '14	**6.21%**	2.32%
Nov '14	**1.78%**	2.45%
2012	**25.14%**	**5.60%**
2013	**59.01%**	**29.60%**
2014	**28.85%**	**11.86%**
Since Inception	**156.40%**	**53.09%**

My research shows that a consistent long-short strategy underperforms a long-only strategy. However a dynamic long-short strategy which is long during bull markets and long-short during bear markets will not only producing better returns but also significantly reduce the downside. (See the article for more details). The largest decline of the dynamic long-short portfolio was -11%. Until my research tells me otherwise, this is how I intend to manage my portfolio. And at the end of the day it makes perfect sense. The market goes up most of the time and carries with it all types of stocks, and value stocks even more. During bear markets, investors get picky and look for reasons to trash any stock. Why make your investing difficult?

Transaction History by Date:

Date: **November 30th, 2014**
Ticker: GMCR
Name: Keurig Green Mountain
Transaction: Sold Short
Price: $140.93
Size: New Position

Note:
GMCR took a dive post earnings on an outlook that was less than expected. This could be the start of a decent decline in this overvalued stock. Despite the drop, the P/E is around 38 with EV/Sales of about 4-5 and 18x EV/EBITDA. FCF was negative this quarter according to Bloomberg and outlook surely doesn't look supportive of a high growth story. The Coke deal increased shares outstanding thus diluting shareholders and EPS which was about same as last quarter a year ago. I believe the risk return profile makes sense. If it covers the lost ground and goes back to $151 (7% higher) then that's a very potential stop. Shorts can be dangerous during bull markets and so profits need to be taken while losses limited.

Date: **November 12th & 19th & 21th, 2014**
Ticker: ALK
Name: Alaska Air
Transaction: Sold
Price: $55.74, $54.86, $53.82 respectively
Size: Reduced position

Note:

ALK's valuation has risen significantly. Its growth while very decent has somewhat eased. This results in the stock no longer being a value growth play and as a value play alone doesn't make the cut. Hence the decision to begin exiting the position.

Date: **November 14th & 19th, 2014**
Ticker: CSH, ENVA
Name: Cash America, Enova International
Transaction: Sold
Price: $26.94 & 24.18
Size: Exited position

Note:
Exited entire position as the company has split into two: Cash America (CSH - pawn shop), Enova International (ENVA - lending shop). From figures I saw ENVA did not look cheap enough to hold on, especially when taking into account risks and uncertainties (eg. new UK regulation). ENVA was sold at $26.94. Furthermore I didn't feel comfortable with the amount of fundamental data regarding the two separate entities and so exiting made the most sense. For this reason, CSH was also sold at $24.18

Date: **November 19th, 2014**
Ticker: PETM
Name: Petsmart
Transaction: Sold
Price: $75.99
Size: Exited position

Note:
Sold the remaining position in PETM at $75.99, thus recording over a 25% gain. The stock moved up around 4% to a new high after beating EPS estimates but reporting in-line revenue and in-line EPS guidance. The stock is driven by buyout talk, however at current 8x EV/EBITDA is not exactly a bargain. Risks remain in this position held from $56 with little (if any) upside if a deal is done.

Date: **November 12th, 2014**
Ticker: HPQ
Name: Hewlett Packard
Transaction: Sold
Price: $36.58

Size: Reduced position

Note:
Some profit was taken in HPQ ahead of earnings as the position was quite large and valuation has increased a bit. More importantly, I am concerning about PC sales as the boost from moving out of Windows XP is almost done.

Date: **November 12th, 2014**
Ticker: COF
Name: Capital One
Transaction: Sold
Price: $81.55
Size: Reduced position

Note:
Loan-Loss provisions where unexpectedly higher in the latest results. Debt is a little higher than previously while relative valuations are not as attractive as they used to be.

Date: **November 12th, 2014**
Ticker: CSC
Name: Computer Sciences
Transaction: Sold
Price: $60.57
Size: Reduced position

Note:
The position was one of the largest in the portfolio and I decided that it no longer warranted such a size so it was reduced. Firstly I wasn't too happy to see a suit against the company regarding Medicaid Fraud (see: http://goo.gl/MPBMQt) and secondly revenues were somewhat weaker in certain areas that raised a concern.