

## U.S. Small & Mid Cap Strategy

# Capex: A double-edged sword?

**Capex levels are elevated for small caps.** Post 2003, capital expenditure trends have diverged between small and large caps with small caps consistently spending more (especially relative to cash flows), resulting in a higher gearing to the domestic economy. In this note we dig deeper into capital expenditure trends and their implications for returns.

**Our analysis of small cap returns at the index level across varying capex regimes and GDP growth confirms the benefits of higher capital spending during periods of stronger economic growth.** In addition, confirming our intuition, data from the last 25 years show a high correlation between net capex and sales for small caps. However, we observed a lagged relationship between capex and sales at peak and trough periods. From an investor's perspective, this highlights the importance of companies aligning capex around key inflection points of economic cycles.

**Similarly, at the stock level, we find that companies engaging in higher capital spending outperform during up markets, but underperform over an extended period.** We looked at the long-term relationship between various levels of capital spending and returns (12/1979-9/2015). We found companies that engaged in higher capex underperformed companies with lower capex on an absolute (13.7% vs. 9.2% annualized return) and a risk-adjusted basis (0.66 vs. 0.41). The best risk-adjusted returns were from companies that engaged in moderate levels of capital spending (0.76).

**High capex small caps appear to suffer from over-optimistic growth expectations.** Digging deeper, we find the long-term underperformance of high capex stocks is principally due to significant underperformance during down markets (-10.8% annualized return vs. R2), with modest outperformance during up markets (+1.9% annualized return vs. R2). We find higher capex stocks are generally lower quality but have strong trailing top-line growth, and face higher expectations for future top-line and earnings growth. In other words, it appears that small caps engaged in higher capital spending suffer from the same over-optimism that broadly plagues small cap growth stocks.

**We recommend higher quality small caps that are engaging in higher levels of capital spending.** To position for the current environment (relatively strong domestic growth coupled with a weaker global growth outlook), we recommend higher quality small cap stocks that are engaging in higher levels of capital spending. Over the long term, our back-test shows that this combination has outperformed (by ~3% on an annualized basis vs. Russell 2000). During up markets, higher capital spending drives returns while their higher quality attributes provide a defensive buffer during down markets. We provide a list of 21 small caps which fit these criteria.

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### INDUSTRY UPDATE

#### U.S. Small & Mid Cap Strategy

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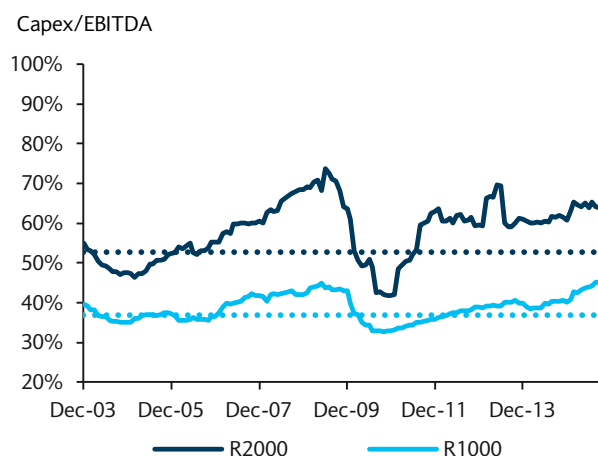
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## Capex: A double-edged sword?

In the past year, we noted that small cap capital spending has been elevated (Figure 1) relative to their cash flow generation. Moreover, small cap capex has also been higher than large caps. Higher capital expenditures by small caps appear to have been funded, in part, by more aggressive use of balance sheet leverage (Figure 2). This we believe has heightened small caps' gearing to domestic growth and can partially explain the recent divergence in top line and earnings growth between small caps (5.4% sales growth; 4.9% EBITDA growth) vs. large caps (-0.3% sales growth; -1.8% EBITDA growth). (All sales and EBITDA growth figures are on a LTM y/y basis.)

FIGURE 1

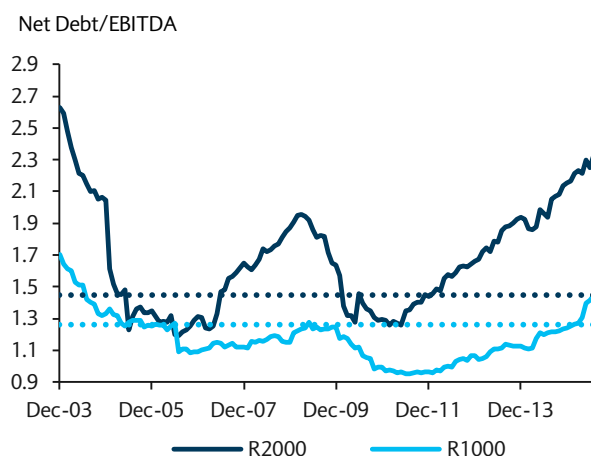
Small cap capex is elevated vs. large caps ...



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
Data is as of 10/12/2015

FIGURE 2

... as is small cap leverage

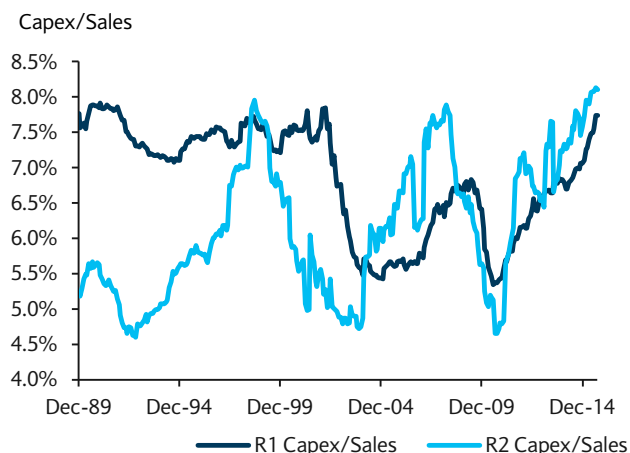


Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
Data is as of 10/12/2015

Taking a longer-term view we find that over the last 10 years there has been a notable divergence in capital expenditures between large caps and small caps. Prior to 2003, small caps would consistently have lower levels of capex/sales when compared to large caps (Figure 3). Post-2003, large caps meaningfully reduced their capital expenditure while small caps have maintained an elevated level of spending. While the current capex-to-sales levels look similar for large caps and small caps, when viewed relative to different capital allocation priorities, the divergence is evident – unlike small caps, large caps appear to have focused more on capital returns to shareholders vs. reinvestment via capital expenditures (Figure 4).

FIGURE 3

## Capex/sales is also higher for small caps



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
 Note: Data is as of 10/12/2015

FIGURE 4

## Large caps have prioritized return of capital to shareholders over capex

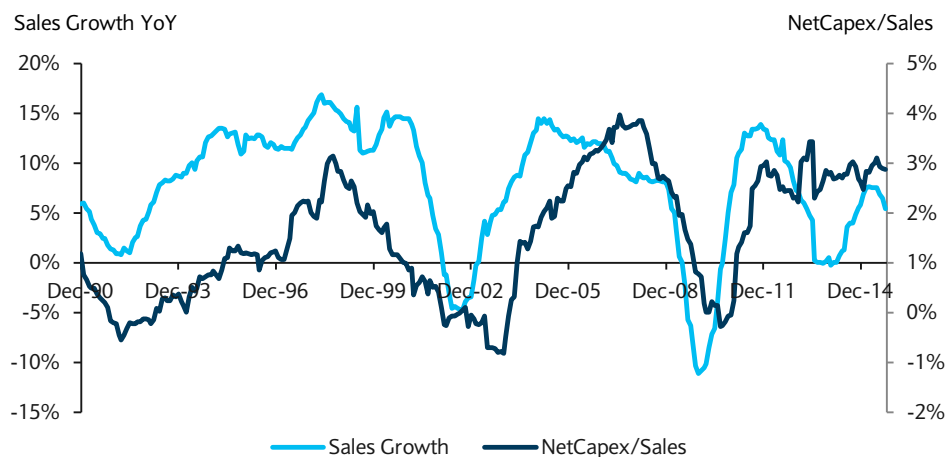
Percentage of Capital Allocation		
R1000	Current	Long-Term Median
Capex	37.8%	46.3%
Buybacks	26.4%	18.8%
Dividends	18.7%	18.6%
Cash for Acquisitions	17.1%	16.1%
R2000	Current	Long-Term Median
Capex	48.0%	52.6%
Buybacks	12.0%	10.8%
Dividends	11.1%	12.6%
Cash for Acquisitions	28.9%	23.9%

Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
 Note: Long-term median is from 12/1989 – 9/2015. Data is as of 10/12/2015

Intuitively, one would expect higher levels of net capex<sup>1</sup> to result in higher levels of sales for companies reinvesting at a faster pace. Our analysis of data over the past 25 years for small caps confirms the high contemporaneous correlation between net capex and sales. However, we observed a lagged relationship between net capex and sales at peak and trough periods. Peaks and troughs in capital expenditure tend to lag changes in sales growth by a few months. At the trough of sales growth, companies appear to await an economic rebound before committing more capital to their business. Conversely, at peaks of sales growth, companies tend to accelerate capital expenditure in anticipation of continuing sales growth.

FIGURE 5

## Small cap capex typically lags sales growth by a few months



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
 Note: Data is as of 10/12/2015

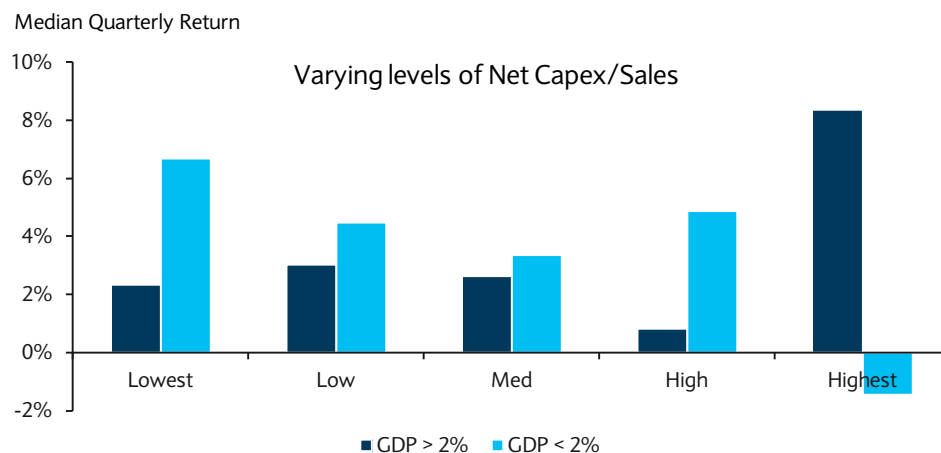
From an investor's perspective, this suggests the importance of companies aligning capex with economic cycles. Our analysis of small cap returns in different capex regimes relative to GDP growth confirms the benefits of higher capital spending during periods of stronger

<sup>1</sup> We define net capex as LTM capital expenditure – LTM depreciation. This we believe is a better proxy for reinvestment in growth.

economic growth (Figure 6). Small cap returns have historically been far more robust (8.4%) during periods of stronger GDP growth and higher levels of capital spending (i.e., high net capex/sales) compared to periods of lower capex levels (2.3%). On the flip side, we find that weaker economic growth periods accompanied by higher capex intensity resulted in weaker returns (-1.5%) compared to lower capital spending during those periods (6.6%).

FIGURE 6

### Higher capex spending positively impacts small cap returns during periods of stronger economic growth



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope

Note: Median quarterly returns are from 12/31/1989 – 6/31/2015.

Considering that the real GDP consensus forecast is above 2% for 4Q15 (+2.7%) and 2015 (2.5%), we believe that current elevated levels of net capex/sales within small caps are likely to be beneficial for returns through the end of the year.

### *The best performing small cap stocks have moderate capex levels*

More broadly, we also looked at the long-term relationship between various levels of capex intensity (net capex/sales levels) for small caps and back-tested their returns (12/1979 to 09/2015<sup>2</sup>). Figure 7 shows the annualized average and risk-adjusted returns for different levels of capital intensity, while Figure 8 shows the cumulative return spread between high and low net capex/sales quintiles.

<sup>2</sup> We created sector neutral equity quintiles (see Appendix for more information) from the Russell 2000 of varying capital spending intensity (net capex/sales) at each month-end beginning 12/31/1979. The quintiles were then rebalanced each month end and the one-month forward market cap-weighted returns were calculated.

FIGURE 7

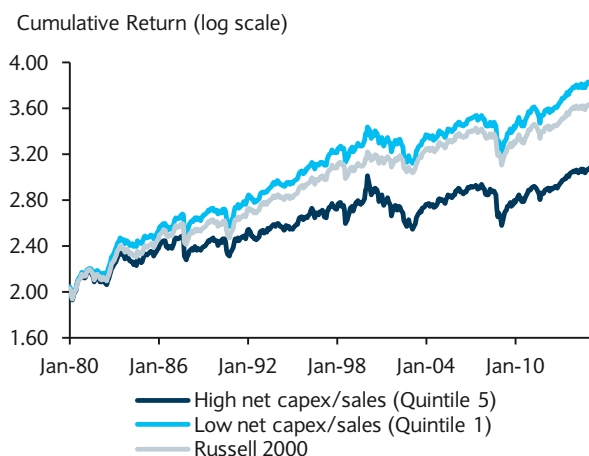
Small caps engaged in higher levels of capital spending posted lower absolute and risk-adjusted returns (12/31/1979–9/30/2015)

Net Capex/ Sales (Quintile)	High (5)	Moderately High (4)	Moderate (3)	Moderately Low (2)	Low (1)
Annualized Average Return	9.2%	11.9%	13.1%	13.4%	13.7%
Annualized Standard Deviation	22.2%	19.5%	17.2%	19.0%	20.7%
Risk- Adjusted Return	0.41	0.61	0.76	0.70	0.66

Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
Past performance is not a guarantee of future results.

FIGURE 8

Low net capex/sales stocks significantly outperform high net capex/sales stocks over time



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
Past performance is not a guarantee of future results.  
Note: Returns are from 12/31/1979-09/30/2015

The primary takeaway from our analysis is that small caps stocks that engage in higher capital spending underperform over time. On average, the high net capex/sales quintile underperformed the low net capex/sales quintile by 4.5% per annum while also having higher volatility. In comparison there was not a significant difference between the average returns of the moderate net capex/sales quintile and the low net capex/sales quintile (13.1% vs. 13.7% average annual return), both of which outperformed the Russell 2000 (12.3%). In fact, when adjusted for volatility, the moderate net capex/sales quintile was the strongest performer (0.76).

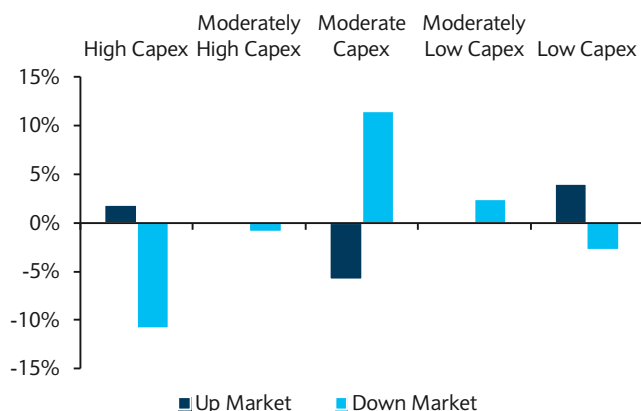
Digging deeper, we find the long-term underperformance of stocks engaged in higher capital spending is principally due to their significant underperformance (lagging R2 by ~11% on an annualized basis) during down markets that overwhelms the modest outperformance during up markets. Looking further at the fundamental characteristics of companies engaged in higher net capex/sales, they tend to be of lower quality<sup>3</sup>, which results in a drag on returns during down markets.

<sup>3</sup> Quality scores are calculated on a monthly basis, at month-end. We define quality as an equally weighted blend of ROIC, 12-month change in ROIC, 12-month change to assets to debt, Sloan accruals (low is preferred), 12-month change in shares outstanding (low is preferred), capital turnover, and AltmanZ-Score. The following variables are ranked for all securities in the Russell 2000 within the GICs sectors on a scale of 0-100 (0 is the lowest and 100 is the highest). A quality variable is calculated by adding the scores of the above seven variables for each security then re-ranking on a scale of 0-100 within sectors. High quality is defined as securities within the highest quintile of the quality score (80 or above) while low quality is defined as securities within the lowest quintile of the quality score (20 or below).

FIGURE 9

### High net capex/sales stocks underperform meaningfully during market downturns ...

Annualized Return Relative to R2000



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
 Note: Up/down market is defined as positive/negative returns for the RTY  
 Past performance is not a guarantee of future results.  
 Data as of 12/1979 – 9/30/15

FIGURE 10

### ... due to low profitability and high future growth expectations

#### Median Growth and Quality Values

NetCapex/ Sales	Quality Score	ROIC	IBES Long- Term Growth Estimate	Trailing 12-mo Sales Growth	12-mo forward Sales Growth
High	44.0	5.26%	18.5%	12.88%	12.81%
Moderately High	59.0	7.39%	15.7%	10.08%	8.15%
Moderate	54.4	6.19%	12.0%	7.56%	6.50%
Moderately Low	54.4	6.24%	15.0%	6.70%	6.52%
Low	37.3	3.22%	15.0%	4.59%	7.03%
Russell 2000	50.0	5.74%	15.0%	10.33%	9.06%

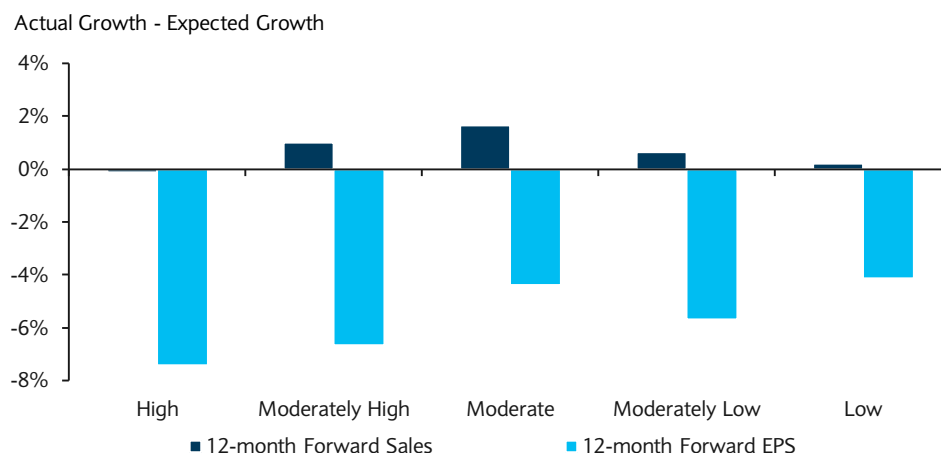
Source: Barclays Research, Thomson Reuters, Compustat, WorldScope  
 Note: Data is from 12/2000 – 9/2015 due to limitations on sales estimates. 12-month forward sales growth is the calendar weighted growth of current and next fiscal year consensus sales.

From the aggregate growth and quality statistics in Figure 10 we come to the following conclusions:

- High capex stocks are generally lower quality but have strong trailing top-line growth and face higher consensus expectations for future top-line and EPS growth.
- In contrast, low capex stocks exhibit low trailing sales growth as well as low consensus expectations for future growth prospects. This is intuitive as a company that is not growing revenues and is not profitable would more likely focus on cost cutting before reinvesting in growth.

By reframing high net capex/sales as “low quality, high growth stocks” and low net capex/sales stocks as “low quality, low growth stocks”, it is easy to see that high net capex small cap stocks suffer from over-optimism, which typically plagues small cap growth returns. As we’ve discussed in detail in our earlier work (*U.S. Small & Mid Cap Strategy: Geared to Recovery*), small cap growth stocks have meaningfully underperformed small cap value stocks over the long term in good part due to over-optimism built into their future growth expectations. Figure 11 confirms this by showing that high net capex/sales stocks have tended to fail in meeting expected sales and EPS projections. For forward 12-months, high capex stocks fall slightly short of sales growth expectations (-0.1%) and well short of EPS growth expectations (-7.5%).

FIGURE 11

**High net capex/sales stocks miss expectations by the widest margin**

Source: Barclays Research, Thomson Reuters, Compustat, WorldScope

Note: Data is from 12/2000–9/2015 due to limitations on sales estimates

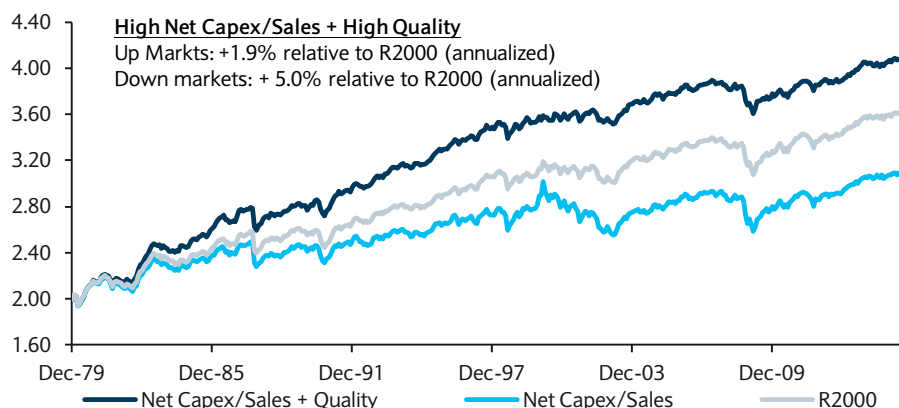
*We recommend higher quality small caps that are also engaged in higher levels of capital spending*

Since we expect U.S. GDP to remain relatively strong over the next six months, we expect small caps engaged in higher levels of capital spending to be positioned favorably from a returns standpoint. However, there is still heightened risk emanating largely from concerns of a global growth slowdown that could spill over and impact domestic growth negatively, and hence small caps as well. As our analysis has shown, small caps engaged in higher levels of capital spending are more vulnerable to a slowdown in domestic growth. To position for such an environment we recommend higher quality small cap stocks that are also engaged in higher levels of capital spending. During up markets, higher capital spending should drive returns while their higher quality attributes should provide a defensive buffer during down markets. To validate this approach we analyzed the historical performance of small caps stocks that were in the top quintile of net capex/sales and the top quintile of quality score. Figure 12 shows that a small cap basket comprised of high quality and high net capex/sales stocks has significantly outperformed a basket solely composed of high capex stocks, as well as the broader R2000 in both rising and falling markets.

FIGURE 12

**Incorporating high quality scores results in better performance for high capex stocks**

Cumulative Return (Log Scale)



Source: Barclays Research, Thomson Reuters, Compustat, WorldScope

Past performance is not a guarantee of future results.

Data from 12/79-9/30/15

Note: Quality is defined as an equally weighted blended score of ROIC, 12-month change in ROIC, assets to debt, low loan accruals, 12-month change in shares outstanding, capital turnover, and Altman-Z Score. The following variables are ranked within sectors for all securities in the Russell 2000 on a scale of 0-100 (0 is the lowest and 100 is the highest). A quality variable is calculated by adding the scores of the above seven variables for each security and re-ranking within sectors. High quality is defined as securities within the highest quintile of the quality score (80 or above) while low quality is defined as securities within the lowest quintile of the quality score (20 or below).

To position for the current environment, we recommend small caps that are engaging in higher levels of capital expenditures and also have high quality scores. In Figure 13, we present 21 stocks from the Russell 2000 that was screened based on the following criteria:

- Within the top quintile of net capex/sales for their sector
- Within the top quintile of quality score (< 80) for their sector
- Average daily traded dollar volume greater than \$20mn

Note that we excluded stocks from the biotechnology and non-REIT financials since capex is a less relevant metric for these sectors.



FIGURE 13

## List of securities with high quality scores and high net capex/sales

Ticker	GIC.SEC	MCAP (\$Bil)	Price	Quality Score	NetCapex/Sales	Dollar Volume (\$mil)
RRGB	Consumer Discretionary	1135	80.06	82	4.2%	21
TXRH	Consumer Discretionary	2672	38.13	83	4.6%	23
FIVE	Consumer Discretionary	1893	34.71	92	3.1%	39
AEO	Consumer Discretionary	3137	16.05	98	1.0%	84
BWLD	Consumer Discretionary	3655	192.26	98	2.5%	90
EXPR	Consumer Discretionary	1579	18.64	99	1.5%	37
SAM	Consumer Staples	3007	228.35	91	6.6%	34
CALM	Consumer Staples	2706	55.80	98	1.9%	37
TFM	Consumer Staples	1201	24.70	99	2.2%	21
SAFM	Consumer Staples	1549	69.13	100	4.4%	34
DFT	Financials	1854	28.36	84	32.9%	15
OZRK	Financials	4045	46.59	85	3.2%	29
ISBC	Financials	4357	12.61	94	2.2%	36
LCI	Health Care	1691	46.35	96	6.5%	38
CBM	Health Care	1377	43.89	96	4.3%	21
VA	Industrials	1496	34.45	86	1.5%	27
SWFT	Industrials	2311	16.18	86	2.2%	48
CNW	Industrials	2721	47.55	92	1.0%	35
KNX	Industrials	2062	25.35	94	11.4%	32
ELLI	Information Technology	2066	69.81	80	24.2%	33
FTK	Materials	1031	19.24	84	0.4%	26

Source: Barclays Research, Thomson Reuters, Compustat, WorldScope

Note: BWLD, FIVE, TXRH, ISBC, DFT, KNX, SWFT, VA, and ELLI are covered by Barclays.

For Technology companies we also include R&amp;D cost in capex. Data is as of 10/12/2015

## Appendix

Figure 14 shows capital spending across sectors. As can be seen, there is a wide dispersion of net capex/sales across these sectors.

FIGURE 14

There is a wide dispersion of net capex/sales across sectors

Net Capex/Sales					
	Current	10-year median		Current	10-year median
BIO	0.59%	0.67%	IND	0.72%	2.38%
DISC	0.15%	0.16%	TECH	-1.04%	-0.92%
STAP	0.56%	0.56%	MAT	0.24%	0.10%
ENG	15.73%	16.18%	REIT	67.66%	37.75%
FIN ex REIT	1.49%	-0.61%	TELE	0.47%	0.06%
HLTH ex BIO	-0.32%	0.07%	UTIL	10.23%	8.83%

Source: Barclays Research, Thomson Reuters, Compustat, WorldScope

Note: Median values are from 9/2005-15. Ten year medians were used instead of long-term medians due to sparse historical data in some sectors.

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### Materially Mentioned Stocks (Ticker, Date, Price)

Buffalo Wild Wings Inc. (BWLD, 12-Oct-2015, USD 192.26), Overweight/Neutral, C/I

DuPont Fabros Technology, Inc. (DFT, 12-Oct-2015, USD 28.36), Overweight/Neutral, C/J/K/M/O

Ellie Mae Inc. (ELLI, 12-Oct-2015, USD 69.81), Overweight/Positive, C/E/J/K/L/M

Five Below, Inc. (FIVE, 12-Oct-2015, USD 34.71), Overweight/Neutral, C/I

Investors Bancorp Inc. (ISBC, 12-Oct-2015, USD 12.61), Overweight/Neutral, C/I

Knight Transportation Inc. (KNX, 12-Oct-2015, USD 25.35), Overweight/Neutral, C/I/O

Swift Transportation Co. (SWFT, 12-Oct-2015, USD 16.18), Overweight/Neutral, C/J/K/M/O

Texas Roadhouse, Inc. (TXRH, 12-Oct-2015, USD 38.13), Overweight/Neutral, C/I

Virgin America (VA, 12-Oct-2015, USD 34.45), Overweight/Positive, A/D/E/J/K/L/M

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Below is the list of companies that constitute the "industry coverage universe":

**North America Airfreight & Ground Transportation**

Box Ships Inc. (TEU)	C.H. Robinson Worldwide Inc. (CHRW)	Canadian National Railway (CNI)
Canadian National Railway (CNR.TO)	Canadian Pacific Railway (CP)	Canadian Pacific Railway (CP.TO)
Costamare Inc. (CMRE)	CSX Corporation (CSX)	Diana Containerships Inc. (DCIX)
Diana Shipping Inc. (DSX)	DryShips Inc. (DRYS)	Expeditors Intl. of Washington Inc. (EXPD)
FedEx Corp. (FDX)	Fortress Transportation & Infrastructure Investors LLC (FTAI)	Heartland Express, Inc. (HTLD)
Hub Group Inc. (HUBG)	JB Hunt Transport Services Inc. (JBHT)	Kansas City Southern (KSU)
Knight Transportation Inc. (KNX)	Norfolk Southern Corp. (NSC)	Seaspan Corp. (SSW)
StealthGas Inc. (GASS)	Swift Transportation Co. (SWFT)	Teekay Corp. (TK)
Union Pacific Corp. (UNP)	United Parcel Service Inc. (UPS)	Werner Enterprises Inc. (WERN)
XPO Logistics Inc. (XPO)		

**U.S. Airlines**

AerCap Holdings (AER)	Air Lease Corp. (AL)	Aircastle Ltd. (AYR)
Alaska Air Group (ALK)	Allegiant Travel Co. (ALGT)	American Airlines Group Inc. (AAL)

**IMPORTANT DISCLOSURES CONTINUED**

Delta Air Lines (DAL)	JetBlue Airways (JBLU)	Southwest Airlines (LUV)
Spirit Airlines (SAVE)	United Continental Holdings (UAL)	Virgin America (VA)
<b>U.S. Food &amp; Drug Retailing</b>		
Big Lots, Inc. (BIG)	Costco Wholesale Corp. (COST)	CVS Health Corp. (CVS)
Dollar General Corporation (DG)	Dollar Tree, Inc. (DLTR)	Five Below, Inc. (FIVE)
GNC Holdings Inc. (GNC)	Herbalife Ltd. (HLF)	Kroger Co. (KR)
Sally Beauty Holdings, Inc. (SBH)	Smart & Final Stores, Inc. (SFS)	Sprouts Farmers Market, Inc. (SFM)
SuperValu Inc. (SVU)	SYSCO Corp. (SYF)	United Natural Foods, Inc. (UNFI)
Vitamin Shoppe Inc. (VSI)	Wal-Mart Stores (WMT)	Walgreens Boots Alliance, Inc. (WBA)
Weight Watchers International Inc. (WTW)	Whole Foods Market (WFM)	
<b>U.S. Mid-Cap Banks</b>		
Associated Banc-Corp (ASB)	Astoria Financial (AF)	Bank of Hawaii Corp. (BOH)
BankUnited, Inc. (BKU)	Capital Bank Financial Corp. (CBF)	Commerce Bancshares, Inc. (CBSH)
Cullen/Frost Bankers, Inc. (CFR)	Dime Community Bancshares (DCOM)	East West Bancorp (EWBC)
EverBank Financial Corp. (EVER)	First Financial Bancorp (FFBC)	First Horizon National (FHN)
First Interstate BancSystem Inc. (FIBK)	First Niagara Financial Group Inc. (FNFG)	First Republic Bank (FRC)
FirstMerit Corporation (FMR)	Fulton Financial Corp. (FULT)	Investors Bancorp Inc. (ISBC)
New York Community Bancorp (NYCB)	People's United Financial (PBCT)	Signature Bank (SBNY)
SVB Financial Group (SIVB)	Synovus Financial (SNV)	TCF Financial (TCB)
Texas Capital Bancshares (TCBI)	Umpqua Holdings Corp. (UMPQ)	Webster Financial (WBS)
Zions Bancorporation (ZION)		
<b>U.S. REITs</b>		
Alexandria Real Estate Equities Inc. (ARE)	Apartment Investment & Management Co. (AIV)	Apollo Commercial Real Estate Finance Inc. (ARI)
Avalonbay Communities Inc. (AVB)	Boston Properties Inc. (BXP)	Brandywine Realty Trust (BDN)
Brixmor Property Group Inc. (BRX)	Camden Property Trust (CPT)	Campus Crest Communities, Inc. (CCG)
CBL & Associates Properties Inc. (CBL)	CBRE Group, Inc. (CBG)	Digital Realty Trust Inc. (DLR)
Douglas Emmett Inc. (DEI)	Duke Realty Corp. (DRE)	DuPont Fabros Technology, Inc. (DFT)
Equity One Inc. (EQY)	Equity Residential (EQR)	Essex Property Trust Inc. (ESS)
General Growth Properties Inc. (GGP)	Hudson Pacific Properties (HPP)	Jones Lang LaSalle Inc. (JLL)
Kimco Realty Corp. (KIM)	Lexington Realty Trust (LXP)	Macerich Company (MAC)
Mack-Cali Realty Corp. (CLI)	Newcastle Investment Corp. (NCT)	Parkway Properties Inc. (PKY)
Pennsylvania Real Estate Investment Trust (PEI)	Post Properties Inc. (PPS)	Prologis (PLD)
Public Storage Inc. (PSA)	Regency Centers Corp. (REG)	Rouse Properties (RSE)
Simon Property Group Inc. (SPG)	SL Green Realty Corp. (SLG)	UDR, Inc. (UDR)
Vornado Realty Trust (VNO)	Winthrop Realty Trust (FUR)	
<b>U.S. Restaurants</b>		
BJ's Restaurants Inc (BJRI)	Bloomin' Brands, Inc. (BLMN)	Bojangles' Inc. (BOJA)
Brinker International (EAT)	Buffalo Wild Wings Inc. (BWLD)	Chipotle Mexican Grill, Inc. (CMG)
Darden Restaurants (DRI)	Domino's Pizza (DPZ)	Dunkin' Brands Group (DNKN)
Jack in the Box Inc. (JACK)	McDonald's Corp. (MCD)	Noodles & Co. (NDLS)
Panera Bread (PNRA)	Shake Shack Inc. (SHAK)	Sonic Corporation (SONC)
Starbucks Corp. (SBUX)	Texas Roadhouse, Inc. (TXRH)	The Cheesecake Factory (CAKE)
The Wendy's Company (WEN)	Wingstop Inc. (WING)	Yum! Brands Inc. (YUM)
<b>U.S. Software</b>		
Amdocs Ltd. (DOX)	Ansys, Inc. (ANSS)	Autodesk Inc. (ADSK)
CA Technologies (CA)	Check Point Software Technologies Ltd. (CHKP)	Citrix Systems (CTXS)
Cornerstone OnDemand Inc. (CSOD)	CyberArk Software (CYBR)	Demandware (DWRE)

**IMPORTANT DISCLOSURES CONTINUED**

Ellie Mae Inc. (ELLI)	FireEye (FEYE)	Five9, Inc. (FIVN)
Fleetmatics Group, PLC (FLT)	Fortinet, Inc. (FTNT)	Hortonworks, Inc. (HDP)
Imprivata (IMPR)	Intuit Inc. (INTU)	LogMeIn, Inc. (LOGM)
Magic Software Enterprises Ltd. (MGIC)	Microsoft Corp. (MSFT)	MobileIron, Inc. (MOBL)
NetSuite Inc. (N)	Nice Systems (NICE)	Oracle Corp. (ORCL)
Palo Alto Networks (PANW)	Paycom (PAYC)	PTC Inc. (PTC)
Qlik Tech (QLIK)	Rapid7 (RPD)	Red Hat Inc. (RHT)
Salesforce.com Inc. (CRM)	SAP AG (SAP)	Sapiens International Corp (SPNS)
ServiceNow, Inc. (NOW)	Splunk Inc. (SPLK)	Symantec Corp. (SYMC)
Tableau Software, Inc. (DATA)	Tangoe Inc (TNGO)	Teradata Corp. (TDC)
Varonis Systems, Inc. (VRNS)	VMware Inc. (VMW)	Workday Inc. (WDAY)

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