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Three Stocks Up 300%

Now THIS is Compelling

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There are leaders and there are laggards. When it comes to stock market performance, sometimes leaders can be laggards. It doesn't take a genius to know you want to own leaders and not laggards, but how does one discern a stock market leader from a laggard? Below we discuss 3 stocks that are up over 300%.

In order to be considered a leader, an investment usually has generates above-market performance for a 1-year, 3-year, and 5-year period. It has been our experience that oftentimes, a great 1-year performer becomes a laggard the next year, so we throw that out. Three years ago we had the financial meltdown which may skew performance to a degree. So, we are left with reviewing the 5-year performance figures.

News flash. As it relates to the market, the numbers stink. For the past 5 years, the DJIA is down nearly 2%, while the S&P 500 is down nearly 11%. NASDAQ is up a paltry 7% while the Russell 2000 is down 7%.

These numbers really stink relative to the great week we just had in the market where NASDAQ rose 7.6%! Makes you wonder why/if investors still engage in a buy-and-hold strategy across the board.

We hear talking heads preach all of the time about "the consumer is dead" or "the consumer is the key to our economy." I have always chuckled when I have heard these comments, knowing that they are true, to a degree. But, how true are these pronouncements as they relate to the market?

Check these figures out. In the past 5 years....

GE is down 55%
Pfizer is down 26%
ExxonMobil is up 11%
Citigroup is down 94%

Microsoft is down 15%
Cisco is down 31%
IBM is up 101%
Google is up 29%

By and large, this is pretty pathetic. But all we have to do is look at our portfolios.

However, if I were to select what the three most important consumer companies were over the past 5 years I would find that they arguably are the greatest performers.

Amazon, one of the industry's most important retailers, is up 362%, while leading retailer Wal-Mart is up 21%.

Apple, which changed the way we communicate and engage in both work and leisure activities, is up 325%.

Chipotle, the high-flying Mexican fast-casual restaurant, is up a whopping 442%, while McDonald's, the everyman's fast food locale, is only up 129%.

Judging by these figures, it appears that just like there is a difference between leaders and laggards, there is a difference between leaders and paradigm changers. In most cases, paradigm changers are the kinds of stocks one should buy-and-hold. And in the current environment, unless one is waiting for a specific milestone event to change a stock's valuation or status as a paradigm changer in its segment, the rest of the stocks in the market should be traded, not held over a multi-year timeframe.

In the case of Chipotle, we are of the belief (as we have written previously) is a beneficiary of trends, and the valuation is too high relative to some of its peers. Thus, we throw this stock out as a keeper. Panera Bread, with a 40% lower valuation, has the same growth rate as Chipotle and is up 150% over the past 5 years. In our view, a swap is a good idea.

Amazon and Apple, on the other hand, are not likely to change their status anytime soon.

So, if you are looking for 3 stocks to buy and hold for a few years in the hopes they would generate substantial growth, while you turn into Rip Van Winkle, Amazon, Apple, and Panera Bread are good choices. They may not rise over 300% in 5 years, but these paradigm changers are likely to handily outperform the market.

Now THIS is Compelling

Multi-billion dollar market with no direct competition. The only viable solution to a significant problem. Tremendously profitable model that is replicable.

Even a cool name. Enter:

Scorpex, Inc. (OTCPK: SRPX - \$0.66)

Scorpex, Inc. is positioned to become the dominant provider of integrated waste management services in a regional market in Mexico that represents billions in annual revenue. The Company has already received an offer to provide waste disposal services of up to 800 tons worth of waste per day. This contract alone is worth hundreds of millions in revenue annually.

With no direct competition, Scorpex should generate substantial revenue and profitability. Current methods of waste disposal are ineffective and costly with landfills overflowing. In fact, the primary current means of waste disposal is transportation to the U.S. and abroad.

The Company has obtained (perpetual) permits to provide its environmentally friendly waste disposal services for its initial site in the Baja region of Mexico. The Company has spent \$3M on this project, including permitting, facility and road construction, and the execution of government studies.

Scorpex has received commitments for \$35M in financing for its waste gasification/thermal oxidation plant and facility. With permitting in place, once the next phase of construction begins, Scorpex's plant should be fully operational by early 3Q12.

With cutting edge technology and a low-cost labor force, Scorpex should generate substantial profitability immediately. Our 2012 forecasts call for \$60M in revenue and \$0.09 in EPS and \$280M in revenue and EPS of \$0.41 in 2013. We note that these estimates do not include the likelihood of additional contracts or deals in adjacent regions.

Scorpex will reward investors by commanding a premium valuation given its dominant market share and high profitability. Our 6- month price target of \$4.00 is based on roughly 40x our FY12 EPS forecast. We project that SRPX will reach \$8.00 in the next 12 months, which at that time would equate to 20x our forward 12-month EPS estimate. We rate SRPX Speculative Buy.

Until next week...

Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this newsletter report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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