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KEY TAKEAWAYS

- ⇒ *Q1 earnings are solid but could Q2 grind stocks to a halt?*
- ⇒ *Money flows and sentiment indicate rough seas*
- ⇒ *Huge returns on small caps profiled in the Guide in 2015*
- ⇒ *Major changes to sentiment on Guide-featured stocks*
- ⇒ *Profile of ugly but profitable and cheap \$3 health care stock targeting seniors*

THE MAJOR INDICES

Index	Close	2015
DJIA	18024	1.4%
S&P 500	2108	1.3%
NASDAQ	5005	5.7%
Russell 2000	1228	1.2%

(figures are rounded)

NEW ANNIVERSARY, NEW LOOK

Good evening! It is hard to believe that with this issue we are celebrating the fifth year anniversary of the our first *Goldman Guide*. I must admit that I really did not want to publish this and thought many times about just shutting it down. It is a herculean task each weekend that takes a lot of time but it is worth the sacrifice.

When I first started this publication I knew that with the nearly instant availability of information from so many sources, how could we keep a weekly piece relevant? We have endeavored to do just that with insights, market direction commentary, off the wall commentary, and small cap stock picks.

Today, that is not enough. So, instead of scaling back, we are making this publication bigger and better. Our goal is for this newsletter to serve as the only financial publication you need to read Sunday night/Monday morning to get a sense of what has happened, current sentiment, likely direction, and unique stock profiles.

The look of this current edition is very much the same, but that will change as new sections introduced today will be presented in a bit of a different fashion going forward. In addition to the usual banter on the front and sometimes second page, along with a stock profile and occasional performance data, here is what's new on the inside pages:

Say What?: Links to important stories and our take

Just the Stats: A quick overview of critical stats

Z'big-news OR: Latest on Opportunity Research stocks

Z'big-news SR: Latest on Select Research stocks

Earnings Reports, Valuation & Trends



We may be in early May but believe it or not, 360 of the S&P 500 Index components have already released their Q1 financials and another 88 are scheduled to do so this week. By and large, estimates have been slightly ahead of expectations (especially the energy sector where estimates were slashed too low.) According to Factset, fully 71% of all respondents have reported EPS higher than the mean estimate and the magnitude of the surprise has been solid as well.

Unfortunately, guidance for Q2 is not quite as rosy and EPS growth year-over-year is not forecast to be anything to celebrate. In fact, it is expected to be negative (to the tune of 4%) for the second consecutive quarter. The main culprit seems to be the high value of the dollar relative to the euro and other currencies which is a trend that should continue.

We should mention that it is completely expected and common that Q2 EPS guidance is reduced. Nearly 7 in 10 companies do so each year. But, with declining earnings, can the market sustain a 12-month forward multiple on the S&P 500 of 17x versus the 14x ten-year average? That is the question...

Considering the effect of the strong dollar on exporters, and the productivity gains on the domestic front, small stocks, while more volatile, are the best equity place to be—but only if you have a short term horizon. The absolute thrashing social media stocks took last week (Yelp, LinkedIn, and Twitter) is a reminder that these and other flavors of the month are not without risks.

Not surprisingly, health care and financials are our two favorite sectors at the moment, aided by the expectation that income growth will be the highest in these sectors. Yes, health care took it on the chin last week, dropping by nearly 3%, but we think investors were just taking some profits. With multiples at high levels, finding some low P/E multiple stocks should not only lower risk but enhance reward in these sectors and certain segments of IT, such as those stocks that are part of the consumer product food chain. (Keep reading and you will find some examples.)

Say What?



Friends, I go through tons of websites and reports to provide you with some key snippets of information. So, the "Say *What?*" section each week highlights a handful of links to some critical stories or bits of information that I think will be useful and interesting to you, along with a comment or two. This way, I can read all this boring junk and give you just the highlights to read at your convenience!

Marketwatch

<http://www.marketwatch.com/story/a-bullish-argument-for-stocks-turns-out-to-be-wrong-2015-05-01>

This Mark Hulbert piece is odd as we recently wrote that retail investors planning to invest may already be fully invested. A good read, nonetheless.

WSJ

<http://www.wsj.com/articles/the-future-of-cancer-closer-to-a-cure-1430104229>

Anything on this front is important for investors in the space and the stats are solid.

Zero Hedge

<http://www.zerohedge.com/news/2015-05-02/major-us-retailers-are-closing-more-6000-stores>

A very bearish case for retail and consumer discretionary. Some of the data is deceptive since RadioShack is toast and some companies are merging. Still, food for thought.

Yahoo! Finance

<http://finance.yahoo.com/news/daily-fantasy-sports-boom-spurs-new-stock-picking-games--but-why-143227505.html>

Just the Stats!

This section is dedicated exclusively to data, either generated and credited by other organizations or by Goldman Small Cap Research that we deem useful for the purposes of economic, market, sector, or individual stock direction and trends.



By the Numbers

Last week was volatile as hell, especially for small stocks and those traded on NASDAQ. Interestingly, while the 30 DJIA components and the S&P 500 Index were down nearly 2% at their trough for the period, they ended the week down around 0.5%. Conversely, NASDAQ and the Russell 2000 Index had a lousy week, even with the Friday recovery. NASDAQ dropped 1.7% for the week but was down over 3% at one point and the small stock barometer dropped by 3.3%-not much better than the 4.1% low for the period.

AAll Sentiment Survey (courtesy of AAll.com)

There was little change in these figures despite the wild volatility experienced last week.

<u>Last Week</u>	<u>LT Avg</u>
Bullish 31%	39%
Neutral 47%	31%
Bearish 22%	30%

The very high Neutral and low Bearish figures could indicate that gains lie ahead in the near term. While that may be the case, we do not believe they will be sustained.

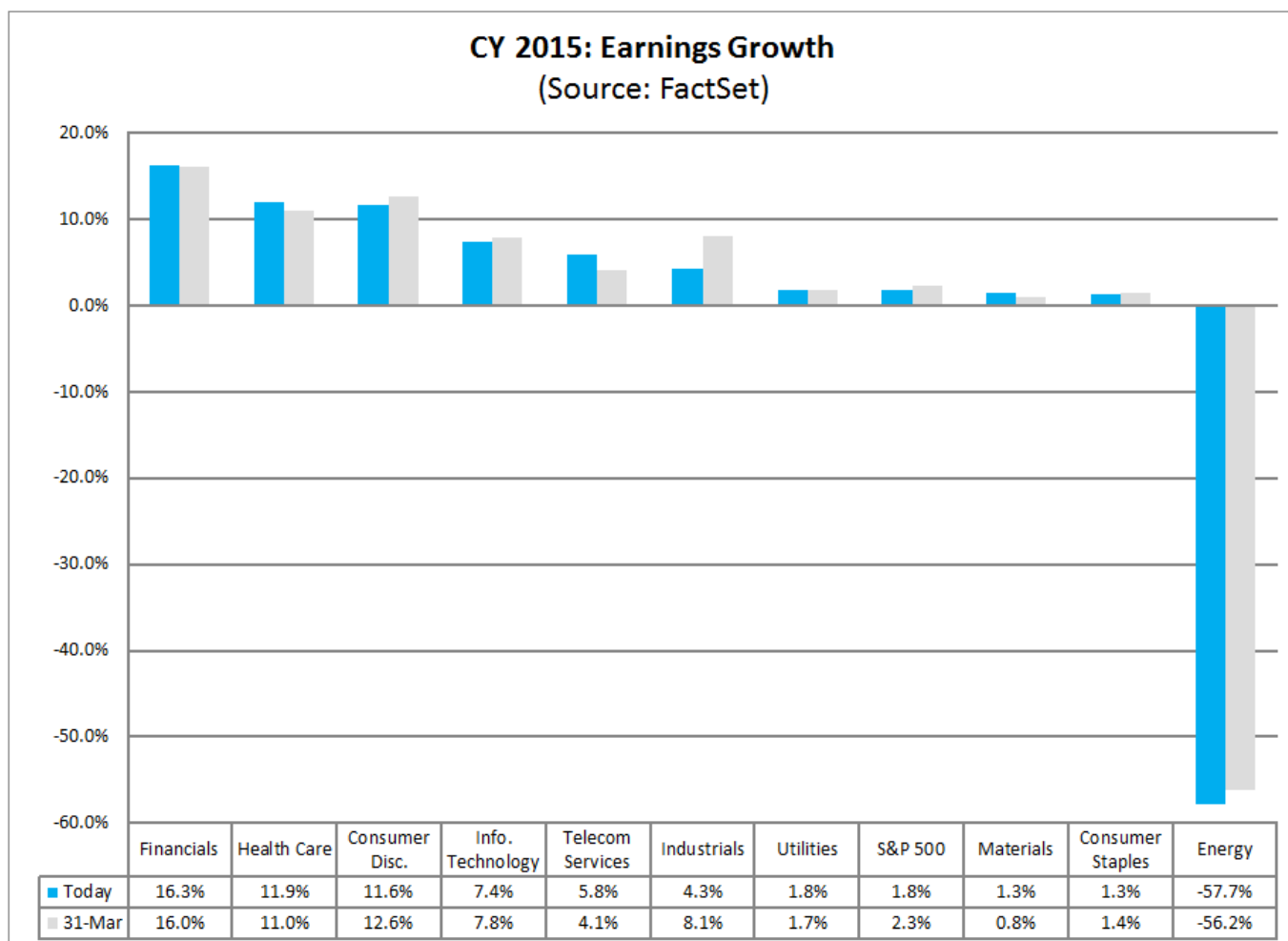
Lipper Fund Flows Survey (courtesy of Lipper.com) (as of 4/29/15)

\$3.3 billion in outflows from domestic equity funds illustrate fear over earnings and a market getting “toppy.” Glee over no change to interest rates and the equity valuation concerns have led to \$30B inflows to corporate debt funds from January—April 2015.

Just the Stats! (cont'd)



Inflow and outflow data can be very useful in identifying trends, although they are usually lagging indicators. According to the Investment Company Institute, money market fund balances have decreased five weeks in a row, and now stand at \$2.58 trillion. If we see continued outflows here and inflows to corporate debt funds, market declines should follow which is what we expect in the near term. How the Street views 2015 earnings could tell us how long it will last. Here is a cool chart that give



Z'BigNews

GSCR Select Research: The Goldman Guide

Mea culpa! **ForceField Energy (NASDAQ—FNRG—NR)**, a company we covered as an Opportunity Research feature from 2011-2012, and an occasional Select Research feature thereafter, is undergoing a litany of issues since our last update and profile in these pages. We have not lost confidence in management but until we get more clarity, we are suspending coverage. Visit www.GoldmanResearch.com to view or download the update.



Orbotech (NASDAQ—ORBK—\$18.00—NR) released downright ridiculously strong results, although you would not know it, judging from the stock movement. We called this our number one small cap stock pick and that has not changed. The bottom line: EPS for 1Q15 was \$0.48 versus \$0.19 and it looks like Q2 could be a repeat performance with revenue flat from Q1 at around \$185M, based on company guidance. For the year, the Street is forecasting \$2.00 in EPS versus \$0.83 last year. At current levels, ORBK trades 9x earnings. Our target remains in the mid-\$20's which would still be incredibly cheap, valuation-wise.

Glu Mobile (NASDAQ—GLUU—\$6.90—NR) soared on the news that it is selling a 15% stake for \$126M to China online giant Tencent.

Voltari Corp (NASDAQ—\$10.45—NR) is still on the move. We profiled the stock and banged the table pretty hard a month ago. It actually neared the \$22 mark before crashing to earth. This is a major win for us—and to think we thought a move from \$2.63 to \$5 would be nice.

1-800 Flowers (NASDAQ—\$10.20—NR) may have a bit of a run this week ahead of Mother's Day, but I don't expect more than 10% or so at most. By the way, our original target was \$10, and since it has broken through the \$12 mark already before dropping, our sentiment could soon change.

Z'BigNews (cont'd)

GSCR Select Research: The Goldman Guide

We are pleased to announce that the performance of the stocks featured in these pages has been huge for the first four months of the year, as noted on the following page. Our Big Cap picks are up an average of 5% versus the 1.3% eked out by the S&P 500 Index. Our Small Cap picks have decimated the Russell 2000. These stocks are up an average of 27% versus 1.2% for the index, aided in large part by VLTC, SKX, GLUU, and FLWS.



PLEASE NOTE: The small cap figures exclude a 15% wrong bet on MSO (a pan versus a pick and the stock is up 15%) and do not include FNRG which has been suspended. With these stocks factored in, our gains would not be as substantial.

Nonetheless, now that some time has elapsed, we are making some changes to this list. Since we were on the wrong side of the coin, we are removing the following stocks:

HRB (down 14.5%)

LPSN (down 18.5%)

VA (down 17.3%)

CVU (down 5.4%)

Going forward, we will be accounting for our performance by using the 5/1/15 sell date for these 4 stocks as we believe investors should no longer hold these names. For the record, we are removing CVU more so due to its extremely low trading and illiquidity rather than the belief that it could continue to decline. We reserve the right to make deletions and additions in future issues and will provide a spreadsheet in these pages outlining any modifications. Readers should assume our sentiment on a given stock has not changed unless so noted.

Stocks Featured in the Guide

GSCR 2015 Picks and Pans					
<i>The Goldman Guide</i>					
Stock	Pick/Pan	Profile Date	Orig Price	4/30/2015	Return
DOD	Pick	1/2/2015	\$15.35	\$15.70	2.3%
T	Pick	1/2/2015	\$33.87	\$34.64	2.3%
VZ	Pick	1/2/2015	\$46.96	\$50.44	7.4%
CVX	Pick	1/2/2015	\$112.58	\$111.06	-1.4%
AAPL	Pick	1/2/2015	\$109.33	\$125.15	14.5%
PIN	Pick	1/9/2015	\$21.53	\$21.01	-2.4%
IBN	Pick	1/9/2015	\$11.55	\$10.93	-5.4%
TTM	Pick	1/9/2015	\$43.83	\$41.19	-6.0%
MSO	Pan	1/16/2015	\$4.77	\$5.50	15.3%
ZIXI	Pick	1/16/2015	\$3.71	\$4.26	14.8%
ELY	Pick	1/23/2015	\$7.92	\$9.68	22.2%
FLWS	Pick	1/30/2015	\$7.89	\$10.57	34.0%
HRB	Pick	2/6/2015	\$35.38	\$30.24	-14.5%
JGW	Pick	2/6/2015	\$10.24	\$10.06	-1.8%
ORBK	Pick	2/13/2015	\$15.87	\$17.95	13.1%
INTT	Pick	2/20/2015	\$4.16	\$4.85	16.6%
CVU	Pick	2/20/2015	\$11.87	\$11.23	-5.4%
LCI	Pick	2/20/2015	\$63.23	\$57.50	-9.1%
LPSN	Pick	2/27/2015	\$11.54	\$9.40	-18.5%
SKX	Pick	3/6/2015	\$66.79	\$89.92	34.6%
VA	Pick	3/13/2015	\$34.77	\$28.74	-17.3%
GLUU	Pick	3/20/2015	\$4.95	\$6.76	36.6%
SKUL	Pick	3/27/2015	\$10.85	\$10.81	-0.4%
VLTC	Pick	4/2/2015	\$2.63	\$10.67	305.7%
FNRG	Pick	4/19/2015	\$7.82	N/A	
Big Cap Avg					5.0%
S&P 500					1.30%
India Avg					-4.6%
SC Buy Avg*					27.37%
RUT 2000					1.2%
Source: GSCR, Yahoo!Finance					

A \$3 Health Care Stock Targeting Seniors



For those of you that have considered subscribing to The 30-30 Report, but have not yet done so, today is your lucky day. One of the stocks we profiled in March had an excessive drop in price on Thursday during the big small cap selloff. While it is possible that “someone knows something” about the upcoming 1Q15 financial results, and thus sold some of their stock, we deem that as unlikely. Instead, we view the selloff as an overreaction and an opportunity for a 15-20% gain this month. Truth be told, this stock is not without risks. Techni-

cally, it looks downright terrible and is well below all of its DMAs. This is a real bottom-fishing situation.

Liberator Medical Holdings, Inc.'s (NASDAQ—LBMH—\$2.94—NR) subsidiary, Liberator Medical Supply, Inc., established the Liberator brand as a leading national direct-to-consumer provider of quality medical supplies to Medicare-eligible seniors. LBMH offers a simple, reliable way to purchase medical supplies needed on a regular, ongoing, repeat-order basis, with the convenience of direct billing to Medicare and private insurance. Liberator's revenue primarily comes from supplying products to meet the rapidly growing requirements of general medical supplies, diabetes supplies, catheters, ostomy supplies and mastectomy fashions . LBMH communicates with patients and their doctors on a regular basis regarding prescriptions and supplies. Customers may purchase by phone, mail or internet, with repeat orders confirmed with the customer and shipped when needed.

A fast growing market that leverages direct response and TV advertising, the Company appears on track to record around \$80M in revenue and \$0.20 in EPS for the year ending September 2015., as compared with \$0.12 in EPS last year. At current levels, LBMH trades less than 15x this year's EPS and offers a 3.7% dividend. If the Company continues on this track, a share price approaching \$4 later this year is in the cards. LBMH's 2Q results should be released later this month and should serve as a catalyst and compass for the stock's future direction.



The Goldman Guide

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