Goldman Small Cap Research

The Goldman Guide

September 11, 2011 Volume 2, Number 16

In This Issue

Contact Us

www.goldmanresearch.com

rob@goldmanresearch.com

A Most Unusual 9/11 then…

Has it really been ten years? Arguably the saddest and most frightening day in American history is celebrated today through mourning, patriotism, and resolve. It did not cripple this great country, but the effect on our economy was been akin to throwing gasoline on a fire, as we have not really come back from this event, despite some go-go times, that we pay for today.

We all have stories and experiences, each more poignant than the next. I will briefly share a few unusual stories to lighten up the sad day.

My wife (at the time) went into premature labor. I do not exaggerate when I say that every pregnant woman in Baltimore must have been in the emergency rooms of the local hospitals. In ours, the TV was on CNN, with grisly pictures prompting anxious mothers into heavy labor one after another until I found the remote and put on a rerun of Maury Povich. People were pissed but at least there was less water breaking all over the place.

The hospital was preparing to receive casualties from 60 miles away in DC, but that never happened. My youngest son was born about two weeks later, by the way.

There was my good friend whose wife was a flight attendant. She was diverted to the Caribbean where she stayed for a few days until airline service was restored. He was left to care for the children while she was forced to spend time on the beach in paradise. Poor woman!

I was lucky.

I was working at Piper Jaffray at the time and we started a series of roadshow meetings for one of the companies I covered, on September 10th in Minneapolis. Instead of accompanying management, I stayed in Baltimore in case my wife went into premature labor. In my stead, I sent one of my junior analysts, on her first ever roadshow.

After the two took an early morning flight to Chicago, word came out about the first plane hitting the first of WTC Towers. They canceled all the meetings and attempted to fly to the East Coast. Not luck, of course. Our in-house travel department arranged a rental car as the trains were booked. Thus began an adventure discussed often, including food issues and especially the flat tire on I-80 in Ohio.

They eventually made it back, but that could have been me.

Thankfully, I know people that made it out okay in New York. And, I have a dear friend who counseled survivors in D.C. for many months after the Pentagon attack.

My favorite story is of a former client. He and his business associates could not fly home to Denver and Chicago, from California. So, he bought a brand new Range Rover, drove one guy home to Denver, and the rest back home to Chicago.

…and after that…

You would think that by now we would be used to bubbles bursting. There was Enron, Arthur Andersen, and the big-'ol dot-com bubble. That was followed by the major market valuation's de-valuation and then 9/11.

We have short term memories, myself included. Most people think the market wasn't really crushed until after 9/11. Au contraire.

For example, the NASDAQ reached its all-time high of over 5000 in March of 2000. It ended the year down about 50% from that high. It declined by a further 33% from January 2001 through September 10, 2011, to around the 1700 mark. So, we were already in a free fall.

The market remained lousy for a full year, as the NASDAQ reached its low in the mid-1100's in October 2002. A one-third drop from the 1740 range on 9/10/01.

From October 2002 until January 2004, the NASDAQ nearly doubled, and held a typical track until the housing bubble really took its toll in 2007 when the subprime market collapsed and foreclosures accelerated. Of course everything came to a head in September 2008.

In essence, we traded one boom/bubble (dot-com) for another, in the form of real estate value spikes.

...and now...

Since our lows of late 2008 – early 2009, which reached around 1400 on NASDAQ, the market doubled, reaching 2800 this year. We all know what has happened of late, with NASDAQ down 18% this quarter.

Since 1998 we have experienced a series of wild swings. In that year, we had the Asian Contagion which drove the NASDAQ to 1500. It rose to 5000 18 months later!

It was a valuation bubble, which collapsed, and was followed by 9/11. Another swing, which lasted a year. Revaluations occurred until the housing bubble burst, which in large part has led us to where are now.

Now that I have bored you with a brief history snapshot, what could it possibly mean for the future?

A few months ago I said that money would flow into multinationals and blue chips, for safety. I am now switching gears. September and October historically stink, performance-wise. I do not expect that to change. However, with the issues in Europe, those big exporters will be hurt more than small caps.

I see 10-15% more downside. Maybe more. But small caps and micro caps, which do not have that type of exposure, and that are already trading at reasonable valuations, will be the place to be.

Not only may they not see the same declines, but I expect those companies with cash and earnings, in certain technology, health care, and basic industries, will be leading indicators.

Under the radar stocks, especially those leveraging consumer trends and appetites, and in the mining space will prove to be good plays.

All I can say is I hope you like rollercoasters. In the absence of economic confidence and global uncertainty, markets traded on rumor and innuendo. Not fundamentals. Not yet, anyway. Me? I can't wait for Thanksgiving. That's when the fun will begin. Make sure you are geared up before then.

Cool Charts

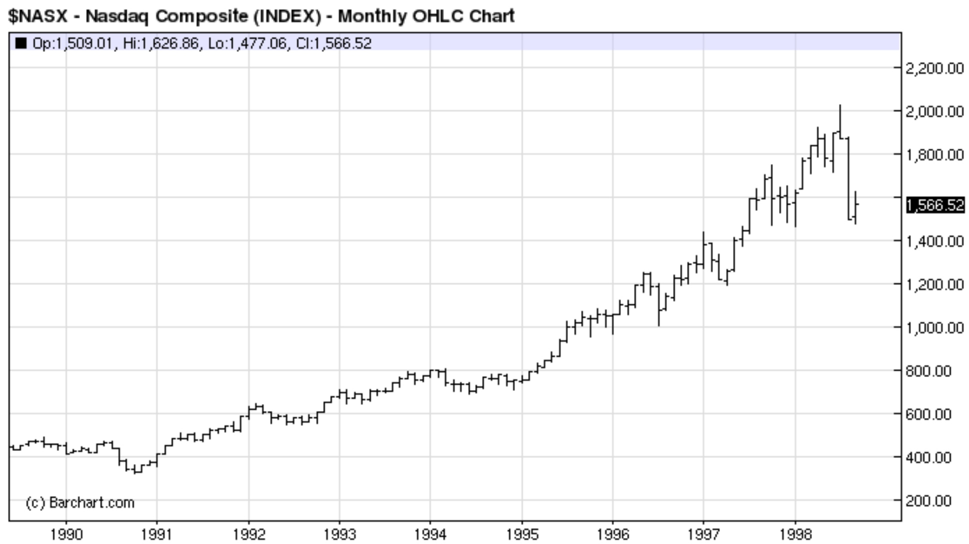

Figure I. NASDAQ from 6/30/89 – 9/98 (I miss those days)

The drop shows the Asian Contagion

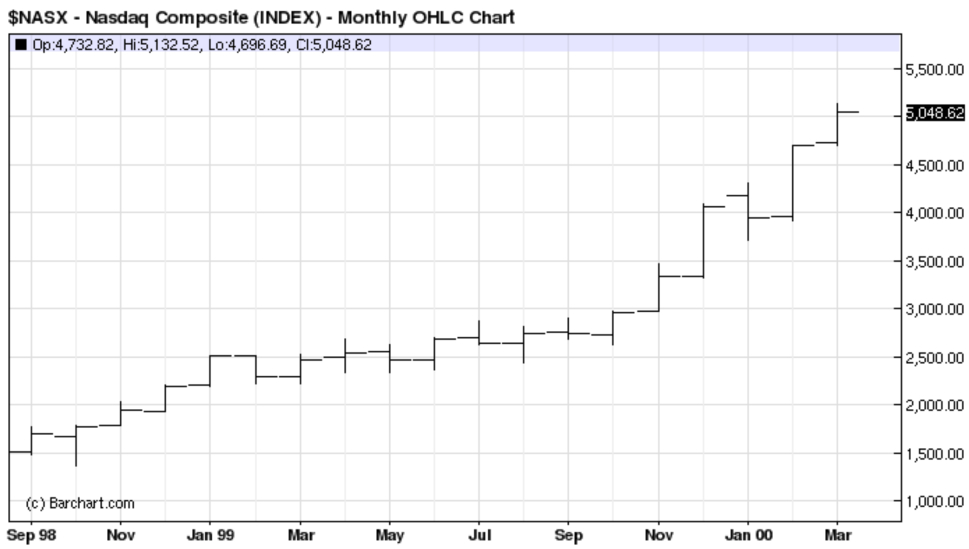

Figure II. NASDAQ 9/98 – March 10, 2000 (the peak of the dot-com bubble)

Up 300% in 18 months!

Figure III. The Dot-Com Collapse (pre-9/11/01)

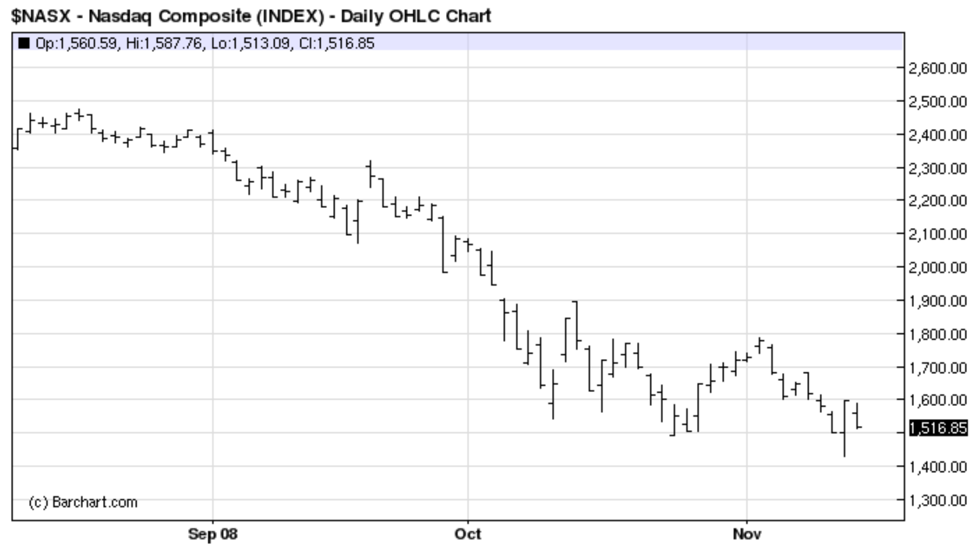

Figure IV. The Financial Meltdown 2008. (40% drop in 3 months)

In Case You Missed It

SunSi Energies, Inc. (OTCQB:SSIE) has released some strong news the past 2 weeks. It doesn't trade with large volume, but it has been solid throughout. (A perfect under the radar, money-making example.)

Not only did the Company announce it has increased its main TCS facility by 50% to meet customer demand, but it shipped its first product to a major customer in Russia.

If a company is increasing its capacity by 50% and plans to nearly double it from here to meet demand, it's a no-brainer. The stock has been trying to break through the $4.00 barrier, up 30% from our initiation price. I suspect it will be at $5.00 or higher inside of 30 days. Management clearly has the wind at its back, unlike most companies.

One important note. A few notable solar panel producers have gone under of late. This doesn't affect SunSi one iota. In fact, since they sell to the leaders in the space, who do you think put those guys out of business with low prices, and will take up the slack?

Edge: SunSi

The Most Important Predictions

Are you ready for some football? Here are my picks.

AFC East: Pats
AFC South: Texans
AFC North: Steelers
AFC West: Chargers

Wild Card: Ravens, Jets

Conf Champ: Chargers

NFC East: Cowboys
NFC South: Falcons
NFC North: Packers
NFC West: Cardinals

Wild Card: Eagles, Saints

Conf Champ: Packers

Super Bowl Champ: Packers

Please feel free to email your picks and any 9/11 stories you would like to share.

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.

Disclaimer

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research* and *Goldman Opportunity Research.* The *Select* product reflects the Firm's internally generated stock ideas while the *Opportunity* product reflects sponsored research reports.

It is important to note that while we may track performance separately, we utilize the same coverage criteria in determining coverage of all stocks in both research formats. Please view the company's individual disclosures for each engagement, which can be found in each company-specific report. All information contained in this newsletter and in our reports were provided by the Companies or generated from our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations. *Goldman Small Cap Research* has been compensated by Sunsi Energies, Inc. for a research service subscription.

The information used and statements of fact made have been obtained from sources considered reliable but we neither guarantee nor represent the completeness or accuracy. *Goldman Small Cap Research* did not make an independent investigation or inquiry as to the accuracy of any information provided by the Company, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its filings, press releases, presentations, and through its own internal due diligence for accuracy and completeness. Such information and the opinions expressed are subject to change without notice. A *Goldman Small Cap Research* report, note, or newsletter is not intended as an offering, recommendation, or a solicitation of an offer to buy or sell the securities mentioned or discussed.

This report or newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report or newsletter does not provide all information material to an investor's decision about whether or not to make any investment. Any discussion of risks in this presentation is not a disclosure of all risks or a complete discussion of the risks mentioned. Neither *Goldman Small Cap Research*, nor its parent, is registered as a securities broker-dealer or an investment adviser with the U.S. Securities and Exchange Commission or with any state securities regulatory authority.

ALL INFORMATION IN THIS REPORT OR NEWSLETTER IS PROVIDED "AS IS" WITHOUT WARRANTIES, EXPRESSED OR IMPLIED, OR REPRESENTATIONS OF ANY KIND. TO THE FULLEST EXTENT PERMISSIBLE UNDER APPLICABLE LAW, *TWO TRIANGLE CONSULTING GROUP, LLC* WILL NOT BE LIABLE FOR THE QUALITY, ACCURACY, COMPLETENESS, RELIABILITY OR TIMELINESS OF THIS INFORMATION, OR FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL, SPECIAL OR PUNITIVE DAMAGES THAT MAY ARISE OUT OF THE USE OF THIS INFORMATION BY YOU OR ANYONE ELSE (INCLUDING, BUT NOT LIMITED TO, LOST PROFITS, LOSS OF OPPORTUNITIES, TRADING LOSSES, AND DAMAGES THAT MAY RESULT FROM ANY INACCURACY OR INCOMPLETENESS OF THIS INFORMATION). TO THE FULLEST EXTENT PERMITTED BY

LAW, *TWO TRIANGLE CONSULTING GROUP*, *LLC* WILL NOT BE LIABLE TO YOU OR ANYONE ELSE UNDER ANY TORT, CONTRACT, NEGLIGENCE, STRICT LIABILITY, PRODUCTS LIABILITY, OR OTHER THEORY WITH RESPECT TO THIS PRESENTATION OF INFORMATION.

For more information, visit our Disclaimer: www.goldmanresearch.com