April 23, 2012

Volume 2, Number 48

The Goldman Guide

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Key Takeaways

- ⇒ Political rhetoric will not change oil's direction.
- ⇒ Drones watching you in the U.S.?
- ⇒ Apple better have a good earnings report or we may have to duck.
- ⇒ NVLX got recent endorsements and we had a nice 40% hit in 4 weeks.
- ⇒ Great way to play real estate.

The United Schmucks of America

More than just about anything else in life, I hate being wrong. Coming in at a close second is when people speak to me in a condescending manner. Maybe that is why I have little respect for most politicians. I am convinced they think we are a bunch of morons. They treat us as if our country is really comprised of the United Schmucks of America. Last week, a couple pieces of news hit which, as Peter Griffin would say, really grind my gears. I will address them ad seriatim.

The news that got some excited and others fired up was word that President Obama is going on the offensive to drive down the price of the gasoline we pay at the pump by attacking oil speculators. Frankly, this bothers me on two levels. First, dude, where have you been? Second, what gives you the right to attack a segment of the free markets that represents a secondary issue? I am not so naïve to think that they are not culpable but there are other factors here.

First of all, OPEC is a cartel which for years has attempted to rig prices along with controlling supply. Speaking of supply, prices eventually succumb to basic supply/demand and as long as large, developing nations hunger for the product, prices will stay on the high side. Of course their job is difficult since OPEC members routinely work around the group's dogma and policies.

Investing, to a large degree, is about managing risk, and hedging that risk through the use of futures in the commodities market is part and parcel of that strategy. Furthermore, the rhetoric may pander to the working man, but in actuality, making more pronouncements that position the Administration in another position of power is not what we need. Perhaps more boots on the ground to police the markets, is needed, but not if it comes with more regulations and rhetoric.

The other issue is the growing use of civilian drones on U.S. soil. I was always under the impression that drones were designed for surveillance and the delivery of small missiles against our enemies. . Apparently we should be expecting to see more of these, but why? It is disturbing and merits a great deal of scrutiny, but is there a money-making opportunity as well? We will investigate...

Wabbit Season, Duck Season

We will have this push-pull regarding good earnings and bad earnings for a while. If Apple's results are poor, duck, because it will be "duck season."

We have talked recently about divergence and man was it evident last week. The Dow, S&P 500 Index, and the Russell 2000 Index all eked out positive returns while NASDAQ dropped. Somewhat mixed earnings reports, economic concerns in Europe and slightly negative jobless claims numbers were enough to keep things interesting.

A massive number of companies are reporting quarterly financial results this week. That means this week's performance is likely to imitate one of the classic Bugs Bunny/Daffy Duck cartoons. On the one hand, you have bulls proclaiming wabbit season (positive earnings reporting) and the bears (referring to earnings misses) proclaiming duck season, as more bad news is to come. This will likely go back and forth on Monday and Tuesday as all eyes will be on Apple (NASDAQ—AAPL) which, down 11% form its high, is already in the correction phase. The bigwigs there will have to have a good quarter, positive comments and success rallying support, when they release 2Q12 results after Tuesday's close. If they don't succeed it will likely be duck season. Consensus calls for $36.63 billion in sales and EPS of $10.00 per share. (Hard to fathom.)

Interestingly, the group that showed the greatest strength last week was the health care space, and biotech in particular. The group rose 2.6% while technology stocks recorded the worst performance, dropping 0.7%. We should note that year-to-date, the two groups have been neck-and-neck. However, It has been our experience that technology stocks tend to have some weakness beginning mid-2Q. If you follow a sector rotation strategy, we would overweight in health care for the near term.

Our favorite health care stock covered via our Opportunity Research is Nuvilex, Inc. (OTCQB: NVLX—$0.064). The stock is behaving quite well and just received favorable write-ups by The Green Baron and The KonLin Letter. We are considering buying virtual white rice to throw at Nuvilex President Dr. Bob Ryan as we may be getting close to a wedding: the marriage of Nuvilex and SG Austria.

Separately, a month ago, we highlighted 2 stocks that were in a bidding war. One of these battles has now ended. Great Wolf Resorts (NASDAQ—WOLF—$8.06) will be bought by Apollo Mgmt for $7.85 per share, $2.85 more than their original bid and 40% higher than WOLF's price when we highlighted it. A nice 4-week return.

Key Statistics

Index	Close	YTD
DJIA	13,029	6.0%
S&P 500	1379	10.3%
NASDAQ	3000	15.2%
Russell 2K	804	8.9%

(figures are rounded)

GSCR Select Research:
Great Way to Play Real Estate

With 100,000 users, big contract wins and top-tier technology LEDR is in an enviable position.

Remember back in the day, how one would see sometimes cheesy ads for real estate agents with pictures 20 years old and accompanying marketing materials, etc. that just did not fit?

There are companies providing tools and technology to assist real estate agencies in dramatically enhancing their respective agencies and businesses, which have helped shed those old-school images. One such firm is Market Leader, Inc. (NASDAQ – LEDR—$3.65). Market Leader provides real estate professionals with all of the tools needed to manage and grow their practices.

LEDR provides innovative technology and marketing solutions to over 100,000 real estate agents, franchisors, and brokerages. LEDR's end-to-end solutions are sold as a subscription-based software platform. This platform includes contact management software, personalized websites, a marketing suite, lead generation services, and training software that teach users how to convert interested prospects into clients.

Firms of all sizes use the Company's valuable offerings. Last month, Century 21 Real Estate LLC, the franchisor of the world's largest real estate sales organization, announced that LEDR will provide its U.S.-based real estate professionals with new, state-of-the-art marketing that includes a fully integrated customer relationship management (CRM) platform.

Market Leader will provide Century 21 with a comprehensive solution to enable sales professionals to design, create, and manage marketing campaigns, to actively engage contacts and clients, and to cultivate relationships from the initial lead through to a successful home sale. The new marketing platform will also empower Century 21 brokers with an integrated office dashboard that will be fully integrated into the company's intranet to create a seamless experience for offices and agents.

In addition to Tier 1 clients, the Company acquired a valuable asset in late 2011, www.realestate.com, which, along with other sites, attracts millions of prospective home buyers and sellers. LEDR also bought the industry's leading online marketing entity and its leading social network for real estate professionals, which boasts 200,000 users.

Low float, big inst'l ownership, solid trends could mean big run LEDR's shares in May.

For 2011, LEDR recorded $34M in revenue and management expects to achieve significant top-line growth in 2012, on the strength of its leading technology offerings in the space, along with meaningful operating leverage, which will enhance EBITDA. If the real estate industry achieves any kind of rebound this year, LEDR is a cheap pure play on the industry. With $29 billion spent annually on marketing and technology services each year, LEDR is in a great position to chip away at this business and eke out strong market share gains.

There is not a great deal of insider ownership here but institutions own well over half of the stock. In fact, Legg Mason, which has a buy and hold strategy, owns nearly 20% of the outstanding shares. While near its 52-week high of $3.72, we believe the stock can zoom through the $5.00 level, if Q1 results, due out on May 1st, are solid. After all, after accounting for the institutional and insider ownership, there are just 6.5 million shares left in the public float.

Until next week...

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Rob Goldman founded Goldman Small Cap Research (GSCR) in 2009. Rob has over 20 years of investment and research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, he was a senior member of Piper Jaffray's Technology team. Prior to joining Piper, Rob led Josephthal & Co.'s Emerging Growth Research Group. Rob has also served as Chief Investment Officer of two boutique investment management firms, where he managed Small Cap Growth and Balanced portfolios and *The Blue and White Fund.* As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of Penny Stock Junction (www.pennystockjunction.com.)

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