April 29, 2012

Volume 2, Number 49

The Goldman Guide

Inside this issue:

This Is It!

You Must Own These Stocks, Part I

You Must Own These Stocks, Part II

Key Takeaways

- ⇒ Sell in May and go away
- ⇒ Technology stocks are vulnerable
- ⇒ I wish I could own these 2 stocks
- ⇒ Must own stocks include those with savvy management, huge earnings growth and a share distribution

This Is It!

I have been all talk of doom and gloom for weeks on end and it culminates with this week. We have talked before about the old investment adage "sell in May and go away," which is the second half of the Halloween Indicator that states the best returns in the market are derived from November through April. This week marks the beginning of May which we believe will start the slow short-term decline in many stocks.

The next few months will be choppy at best for the market and we will likely see a modest decline of 3-5%, which means sell portions of your holdings now that are winners, and be careful what you buy. Since valuations are okay but not great, existing prospects lack the urgency of investment and that will be illustrated by lower volume.

Generally speaking, we would avoid technology stocks, save for those with a major emphasis in mobile and mobile applications.

Tech stocks tend to perform the poorest from mid-Q2 though August. It is a seasonal issue. Most technology stocks do not rise based upon milestone or target achievements but if you own one that does, perhaps that stock will rise above others during this sluggish period.

If a 10% correction occurs, we would feel very comfortable returning to a very bullish posture rather than a cautious one. In fact, considering that this is an election year, and the market rarely declines during these years, we feel pretty good about the overall prospects for the tail end of the year. It is just the next 4-5 months that likely offer little upside and modest risk, as a whole.

However, there are certain situations which deviate from this phenomenon and instead offer substantial upside potential.

You Must Own These Stocks, Part I

I must be candid with you. If I had to choose only 2 stocks in the market that I could own, it would be the two discussed on these pages. In fact I am kicking myself that I can't.

But that does not mean you can't! And, you absolutely need to own them. I cannot be any plainer than that.

Last week, we initiated coverage of Global Payout, Inc. (OTCPK—GOHE—$0.09). Our initiation price was $0.05 and the stock obviously ran higher, but our near-term target is $0.16 so there is plenty of room for upside. There are a number of catalysts including major milestone events, news releases on the horizon, and a major push in PR by companies in this space that will place a lot of attention on GOHE. Plus, the float is very small and the stock is closely held, which is a major selling point.

When a company has a leadership position in the most-profitable, fastest-growing, and least crowded segment it is always a stock worth owning.

GOHE management is extremely savvy and savvy management teams usually are the ones that transform stocks that have been unknowns into major wins. In GOHE's case, the Company is successfully penetrating the fastest-growing, most profitable segment, and least crowded of the huge prepaid payments and debit card industry. Here are some highlights:

VISA estimates that the global prepaid debit card market could be as high as $3 trillion.

Global Payout is positioned as the go-to source for domestic and international prepaid debit and *eWallet* programs. GOHE's business model, management expertise, and strategic partners provide it significant advantages over other U.S.-based and foreign players. One of the key features is the soon-to-be-released *eWallet*, which serves as a virtual bank account for users.

Revenue should jump by leaps and bounds over the next 2 years as GOHE's sought-after prepaid debit and payment programs are deployed in the U.S. and abroad. We estimate that revenue will be $5.7M in FY13, up from an estimated $1M in FY12, with operating profit of $1.2M as compared with a loss for 2012.

As milestone events occur in mid-2012, we believe that this low-float stock could easily reach $0.16, which is in line with the valuation afforded its peer group. Plus, with a first-mover advantage abroad, we believe that GOHE could emerge as an attractive M&A target. Looking ahead, as GOHE reaches its financial milestones the stock could reach the $0.20 – $0.25 range in early 2013, which would still represent a very favorable valuation compared to its peer group.

Key Statistics

Index	Close	YTD
DJIA	13,228	9.1%
S&P 500	1403	12.3%
NASDAQ	3069	17.8%
Russell 2K	825	11.9%

(figures are rounded)

You Must Own These Stocks, Part II

On Friday we initiated coverage of LIG Assets, Inc. (OTCPK—LIGA—$0.06). The stock reached $0.09 before backing off at the end of the day. As in the case of GOHE, LIGA is a must-own stock. Furthermore, when I say you need to buy the stock today, in this case, there really is a deadline.

Here's the story with LIGA. We predict that the company will more than triple its earnings from 2011 to 2012, with net income jumping from $1.3M in net income last year to at least $5M in 2012. How? These guys are classic financiers that turn small fortunes into large ones through asset-based acquisition, lending and sales, and roles as venture capitalists. Just on the earnings this totally unknown company should trade many times more than its market cap.

Huge earnings growth, and low market cap will equal a much higher stock price.

After all, how many companies trading at $0.06, with a market cap under $5M will earn $5M this year?

But the sweetener on Monday is the real key. Monday is the record date for the distribution of stock in one of its subsidiaries. If you are a shareholder of record in LIGA, you get 1 restricted share of the subsidiary (SuiteMagic) for every 3 shares you own of LIGA. It's like a bonus.

SuiteMagic will generate $7M in revs this year and go public. LIGA will still retain 45% of the stock, but by buying LIGA quickly, you benefit directly and indirectly from the SuiteMagic business, which should skyrocket next year. After the 30th, you will own SuiteMagic through the LIGA stake and still benefit, but not to the same degree.

As we saw with trading on Friday, this low-float stock, with just over 3M shares in the public float, can zoom higher very quickly. Our target price is $0.50, which is only 7x 2012 estimated EPS, and represents a very low P/E multiple. The stock closed at $0.06. Plus, this target excludes the value of the share distribution.

A share distribution is like a gift for quick-moving investors.

We predict that LIGA will be much higher on its own merits and through its ownership in SuiteMagic. But why not own some SuiteMagic too, right?

Until next week...

GOLDMAN
SMALL CAP RESEARCH

1498 Reisterstown Road
Suite 286
Baltimore MD 21208

Contact Us:
410.609.7100
info@goldmanresearch.com
www.goldmanresearch.com

Analyst: Robert Goldman

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.)

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this newsletter 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 publication.