



# The Goldman Guide

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## Let the Plate Smashing Begin

Dear Greece:

Thank you for voting for the party that will honor the austerity package and stave off a global financial crisis. I am sure I speak for many in the financial world and investors everywhere when I say I was tiring of this seemingly never-ending story. I confess that I am a little surprised, given the decades of corruption, sense of entitlement, poor decision making that has led to your 24% overall unemployment rate and 53% unemployment rate for those under 24.

Frankly, you are lucky that the European banks did not let you go belly-up and put the whole mess out of its misery. It would also have taught a lesson to other EU nations in trouble. Still, at least today, in the U.S. we can sing "Greece is the word...". (Forgive my pun.)

I recognize that a default would have whacked the hell out of already leveraged balance sheets in Europe and around the world. You are not out of the woods but I am more worried about Spain and Italy, each of which has a GDP that is 5 and 7 times larger than Greece. They have ridiculous unemployment and housing crises, financial crises, etc. as well.

For now, you have at least given us some hope that some of the external nonsense that has been plaguing the market will subside, for at least a day or too. It looks for a little while that it is cause for celebration. We still have to get our butts in gear and keep Spain and Italy from repeating your mistakes. I don't really trust the powers that be across the pond, but I am hopeful that this is the first step in stemming a bloodbath. Thanks again. May the plate smashing begin!

### Key Takeaways

- ⇒ **The Greek election may have bought investors a quick pop**
- ⇒ **There are more potholes to come**
- ⇒ **Window dressing and short term trades may rule the day for a while**
- ⇒ **Our exclusive interview with Tobin Smith is invaluable**
- ⇒ **Our Market Monitor daily blogs have more big winners—again!**

## Tis the Season



**The stock market is starting its periodic window dressing and short term speculative bets.**

For those of you looking for a quick buck, this may be your week. But if you are willing to look out a little further, keep this in mind:

It is window dressing time.

Tis the season for yet another round of portfolio window dressing and speculative bets. The window dressing usually starts around the first week of the last month of the quarter, but with some mutual fund fiscal years ending in June, and the wackiness of the market, we are in the center of that period today.

Portfolio window dressing is a portfolio manager's way of hiding his bad investments and making it seem as if his good investments were sound. Basically, it is a tried-and-true method of making poor performance appear as if it is the fault of the general market, rather than poor stock-picking skills.

The first quarter of the year was extremely strong, especially for NASDAQ and small cap stocks. However, the second quarter has been anything but strong. In fact, the Russell 2000 Index has declined by roughly 8.4% thus far this period. So what professional money managers are doing right now is selling their losers (lest they be listed on their holdings page), and buying the winners of the quarter. The bigger the name, the better it is for them and if it is a recent winner that is a bonus.

We constantly preach about selling losers, buying winners, following the charts, momentum, etc. Latch on to some of the recent winners or "brand name" winners and you could ride the coattails of the big boys.

It is also a good idea to use this opportunity to sit on a little bit of cash ahead of the start of the third quarter on July 2<sup>nd</sup>. Now it may be a little tricky, and volumes may be a bit erratic since July 4<sup>th</sup> takes place on a Wednesday this year. However, the second week could see some real action.

In the meantime, as you identify winners for the quarter that appear to be under accumulation don't succumb to the lure of pure speculation which even some pros do this time of year for a quick trade.

### Key Statistics

<u>Index</u>	<u>Close</u>	<u>YTD</u>
DJIA	12,767	4.5%
S&P 500	1343	6.8%
NASDAQ	2873	10.3%
Russell 2K	771	4.0%

(figures are rounded)



## Select Research: Don't You Want to Make Money?

We had such a great exclusive interview with Tobin Smith of Fox News Channel and NBT Equities Research that we decided to make it available to everyone. Click on *The Analyst Call* at the top of the Goldman Small Cap Research home page. He gives great market insight and stock picks.

Are you visiting our Market Monitor where we post our daily blogs? Looking for a trade? Check them out each day.

Two weeks ago we profiled 2 stocks leap an average of over 30%. Last week was a bit more difficult, but we still had 3 stocks rise an average of 15% in just days, such as Zynga (NASDAQ—ZNGA) and one 29% winner.

ZNGA still looks good and the big winner is getting pricey but may still have some legs...

KIT digital, Inc. (NASDAQ – KITD - \$4.70) announced that it is engaged with several parties regarding a potential sale or merger. The stock is down big time in 2012 as the tide has turned against it. As a result, there have been a number of changes in senior management in just the past 2 months.

The Company, based in Prague, provides end-to-end video asset management software and related services to around 2500 enterprise and media clients.

It is hard to have conviction regarding 2012 financial projections, let alone 2013 (which we just throw out right now) but management seems convinced it will generate \$250M in revenue this year, which would be a 16% rise from last year. KITD is a cool company with cool technology and top tier clients with a low attrition rate. Under normal circumstances we would use this opportunity to do some work on potential valuation. Our back-of-the-envelope view is that KITD could be sold for at least 1.4x projected FY12 revenue of \$250M, which would be a 25% rise from current levels, on a fully diluted basis.

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](http://www.pennystockjunction.com)).

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