

INSIDE THIS ISSUE:

- In Case You Missed It... p.2
- Goldman Small Cap Contest p.3

KEY TAKEAWAYS

- ⇒ *Small stocks way overlooked as evidenced by new 52-week highs*
- ⇒ *Bodes well after eventual profit-taking*
- ⇒ *Could be Christmas in April for patient, savvy investors*
- ⇒ *Two recent sponsored picks are must-owns*
- ⇒ *New contest...win gift card..match wits with Goldman and other subscribers*

KEY STATISTICS

<u>Index</u>	<u>Close</u>	<u>2013</u>
DJIA	14514	10.8%
S&P 500	1561	9.5%
NASDAQ	3249	7.6%
Russell 2K	952	12.1%

(figures are rounded)

Get Ready For Some Bargains

If the stock market is going up why does it seem like I am not making any money?

This is a popular question asked by retail investors these days. After all, the large cap indices seem to only move in one direction: up. We already passed the double digit consecutive up days on the Dow Jones Industrial Average and are approaching another all-time high on the S&P 500 Index. Heck, even the Russell 2000 Index has shot up like a cannon since the beginning of the year.

Still, it does not feel quite right. For those investors that feel as if they are not fully participating in the upswing, I understand their plight all too well if their portfolios are over-weighted in low-priced stocks. While the early part of the 2013 bull market run was led by retail dollars flowing into equity funds and individual small stocks that were battered late last year, the upswing of the past 2 weeks or so has clearly been driven by institutional investors. So, all of the index funds that mirror the big indices are rocking while the lower price stocks are left in the dust. That plays to the Russell 200 Index's composition as well.

What is the proof that low-priced stocks have been overlooked? Simple. Every day, I review the stocks that have achieved new highs, as I use this measure as one of many sources of blog topics here at GSCR. Since the beginning of March, the number of stocks priced below \$5.00 that have reached new 52-week highs has dropped dramatically while the number of stocks that carry much larger price tags now dominate this metric.

To illustrate this phenomenon, as of midday Friday, roughly 180 stocks that trade on NASDAQ achieved new yearly highs on the day. 19 traded under \$10.00, while only 6 stocks that hit new highs traded below \$5.00. This is clearly an indication that the larger stocks rule the day. Another illustration of lower volumes in the small stock arena can be witnessed by reviewing the stocks on the OTC Bulletin Board that achieved 52-week highs as well. Not only has the aggregate number of companies been in decline in recent weeks, but the composition of these stocks is most telling. (cont'd)

Get Ready For Some Bargains (cont'd)

As of midday Friday, 44 new securities (including warrants) have achieved new 52-week highs on this trading day. However, of the 44, only 12 are unaffiliated with Fannie Mae or Freddie Mac securities. In other words, 32 of the 44 securities are various vehicles and classes of stock associated with either Fannie Mae or Freddie Mac. That is ridiculous. (Of course it also indicates that perhaps the real estate and mortgage markets continue to be under solid accumulation, but that is a story for another day.)

Plus, only half of the 12 non-Fed agency related stocks trades below the \$5.00 mark. What does all of this mean?

In our view, these oddities indicate that small stocks are not under accumulation and have been widely overlooked and are thus undervalued. This is not an uncommon occurrence during secular, big cap bull markets. What usually follows is the realization that the larger cap stocks are overvalued and overbought and a selloff ensues. As the carnage occurs, smart stock investors seek out undervalued small stocks for purchase on the cheap.

We think that time is coming soon. So for those of you concerned that your small stocks are underperforming, do not worry as your time will soon come. For those of you seeking bargains in small stocks, it may be Christmas in April.

In Case You Missed It...

It's rare that we feel like we really need to pound the table on our sponsored research picks, but in these 2 cases, we are compelled to highlight our most recent profiles, including the one released this morning.

Last week, we initiated coverage of **Scout Exploration, Inc. (OTCQB—SCXN)**. The Company owns the rights to what may be the most game-changing approach to containing oil spills. Ever. It can save billions and ultimately generate substantial revenue for the Company. Some of you may be spooked by the fact that the stock ran nearly 50% on the first day of coverage. Don't be. We think it has a lot more to go. Plus, it will be a proxy for all oil spills. Any time there is an oil spill the stock will run big time. You need to own a piece of it to ensure you can participate in news-driven growth.

Today, we initiated coverage of **Prince Mexico S.A., Inc. (OTCQB—LUVE.)** LUVE owns exclusive rights to the sale of Prince sporting goods in most of Latin America, a market that has a huge appetite for tennis, squash, and other sporting goods. The stock just started trading and provides the unique opportunity to essentially buy stock in a company that sells the #1 tennis and squash products in the world. Revenue and net income growth should be huge and the valuation is cheap. LUVE is another must own stock.

Please read all disclosures found in the individual company reports: www.goldmanresearch.com.

Goldman Small Cap Research Contest

As this week marks the beginning of March Madness, we thought it would be appropriate to make week-by-week selections. After all, all work and no play, makes investing a dull and unprofitable venture. With that in mind, why don't you join us in our online bracket pool? The player with the winning bracket (or player with most points according to (www.cbssports.com automatic scoring system) will receive a gift card with a face value of \$50 in the mail. We will be keeping the name of the retailer a surprise until the final week.



All you have to do to enter is like us on Facebook and shoot me an email (rob@goldmanresearch.com) by Thursday at 9AM EST to receive instructions on how to enter your bracket in our group. To get into the right spirit, here are my off-the-cuff Sweet Sixteen Picks. Not final, but pretty close.

Midwest:

- (1) Louisville, but could have hands full with Col State if they advance
- (12) Oregon, a couple of 12's always seem to beat 5's and move forward
- (6) Mich State, in Auburn Hills and they are built for the tournament
- (2) Duke, have tough time against Creighton and run ends here

West:

- (1) Gonzaga, a legit top seed, (5) Wisc, tends to do well in tourn
- (3) New Mexico, not sold on this but not believer in Arizona either, (2) Ohio State, solid team

South:

- (1) Kansas, heart goes with UNC but head with Kansas due to size (4) Michigan, VCU is trendy pick but not sold
- (3) Florida, hate them all but go with higher seed, (2) G'town, unheralded #2 seed

East:

- (1) Indiana, should win it all but probably won't; NC State could beat them, (4) Syr always does well in post-season
- (6) Butler, not believer in other teams except Davidson (2) Miami, FL, team is old and for real

Until next week...



The Goldman Guide

VOLUME 3 | ISSUE 37 | MARCH 18, 2013

1498 Reisterstown Road, Suite 286
Baltimore Maryland 21208
Phone: 410.609.7100
info@goldmanresearch.com
www.goldmanresearch.com

Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research in 2009. Rob 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 publication.

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*, which typically highlights small cap and mid cap companies, and *Goldman Opportunity Research*, which includes micro cap companies. 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. The Firm has not been compensated nor does it expect to be compensated for the any research services for any of the other companies mentioned in this newsletter. Please read the disclaimers found on the initiation reports and updates for compensation disclosure and research subscription terms.

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 FINRA 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