Goldman SMALL CAP RESEARCH

The Goldman Guide

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Top Ten Ways to Invest Now

There is a lot of stress in the market right now, related largely to the current government shutdown and pending budget/debt limit showdown. With that in mind, we thought it would be best to shorten this week's edition of *The Goldman Guide* and focus on what is important when investing in these times.

Without further ado, we bring you *Top Ten Ways to Invest* Now.

1. *Stand tall but invest small.* As we alluded to last week, in times of uncertainty, many investors' go to response is to sell. That is especially the case considering we are in the scary month of October. Instead, be courageous. Stand tall in the face of uncertainty and take small bite sized chunks of stock as the market declines.

2. *Bigger is not better.* In a relatively quiet way, small cap stocks have begun to widen their lead ahead of big caps, 26% to 15%. While we expect some incremental drops this month, small stocks should outperform for the balance of the year.

3. *Contractors will disappoint but your portfolio does not have to.* Once the dust settles on the shutdown/slowdown, the outside contractors hired by DoD and DHS will be in the news, and not just that they are back to work. Some analyst will put out a report quantifying how much time/business was lost in the early part of 4Q13. Avoid or buy puts on some of the leading names like CACI (NASDAQ - CACI) and ManTech (NASDAQ—MANT).

4. *Fore! Skin being shown is a positive for the golf industry.* Unless I am mistaken, what occurred at the President's Cup is a first for golf. The tournament had a streaker steal the show. A *female* streaker. If that is not an indication that the popularity of golf is becoming more mainstream, I don't know what would so it, aside from Happy Gilmore II. Buying a golf stock like Calloway (NYSE—ELY) in the fall may sound crazy but could be very profitable.

5. *Emerging Markets may be weak but small stocks with exposure to Europe or Israel-based stocks traded in the U.S. could be the best performers.*

INSIDE THIS ISSUE:

KEY TAKEAWAYS

- *Gov't shutdown and pending debt showdown will weigh on stocks for a spell*
- *Small stocks are still the best place to be*
- *Defense contractors shuld be avoided*
- *Golf stocks looking good*
- *Some foreign stocks are at great valuations*
- *There is another IPO aside from Twitter that is worthwhile*
- *Inflection point achievements wil drive your performance*

KEY STATISTICS

Index	Close	2013
DJIA	15073	15.0%
S&P 500	1691	18.6%
NASDAQ	3808	26.1%
Russell 2K	1078	26.5%

(figures are rounded)

Top Ten... (cont'd)

6. Illiquid stocks are the kiss of death. Unless a stock has an unusually small public float, it needs to typically trade at least 100,000 shares per day. Otherwise, you could be saddled with a stock that does nothing and that can be just as frustrating as a stock that goes down.

7. *Remember why you invested in your stocks.* With so many changes and news events with all stocks these days, it is easy to lose sight of the catalyst that brought it to your attention to begin with. Review stocks you own and make sure the themes still hold true. If not, jettison and find something that dovetails with your investment thesis.

8. *Who can be more important that what.* The Internet Age has brought with it a whole slew of people writing about stocks. This is especially the case in smaller companies that have more limited research coverage than other, larger firms, since the demise of middle market investment banks occurred in the pat few years. With that in mind, investors need to be mindful of who is writing research pieces just as much if not more than the content itself. Newbies, rookies, or Average Joes can cause stocks to leap temporarily or decline big time, but they do not effect long term direction.

9. *Brand name IPOs should be owned.* Stocks of companies that have recognizable brands, however quirky, should be owned. A lot of people are focused on the upcoming Twitter IPO. You should also be prepared for the JG Wentworth IPO which should do very well. Those inane TV commercials are a great draw as is its model, which is a lower risk path to consistent profitability.

10. *Buy stocks that have reached or are about to reach a catalytic event or inflection point.* If you follow a stock closely, you will get a sense of upcoming milestones which will change a company's fortunes. Now, more than ever, to maximize returns, these stocks will continue to be the top performers.

Until next week...

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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*. 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 The Stock Junction (www.TheStockJunction.com.)

Analyst Certification

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