



# The Goldman Guide

VOLUME 5 | ISSUE 9 | MARCH 2, 2014

## INSIDE THIS ISSUE:

This Week's Market Movers

### KEY TAKEAWAYS

- ⇒ *Shorts are deceivers who have the greatest financial gains when involved in a situation*
- ⇒ *Following a short attack, stocks with strength and fundamentals win the day*
- ⇒ *Russia's invasion of Ukraine could spark Cold War*
- ⇒ *Prelim Feb GDP data on Friday could bring cheers or jeers*
- ⇒ *Tech M&A should continue but Fridays are poor performers*
- ⇒ *Despite new market highs, market prognosticators leaning neutral*

### KEY STATISTICS

Index	Close	2014
DJIA	16322	-1.6%
S&P 500	1859	0.6%
NASDAQ	4308	3.1%
Russell 2000	1183	1.6%

(figures are rounded)

## SHORTS ARE NOTHING BUT DECEPTIVE

**I** have been around this business for 25 years and I have reached my breaking point. Long ago I pledged not to attack others in this business, but no more. Not only do I encourage you to read this piece in its entirety but I highly recommend you forward this to anyone you know that invests in small stocks. Tweet about it. Post it on message boards. The word needs to get out:

**Short sellers are nothing but deceivers and you can make money at their expense.**

The conventional wisdom has always been that short sellers are the smartest investors in the equity market. They relish in the fiction that gives them superhuman powers to pick apart a balance sheet, income statement, a company's business model and operations, intellectual property, etc.

The sad truth is that short sellers are wolves in sheep's clothing. They portray themselves as the unofficial "investor branch" of the Consumer Protection Agency when they are the ruthless deceivers who know no bounds when it comes to their short attacks.

This is the shorts' playbook: Lies? No problem. Falsehoods? Keep 'em coming. Deflect attention away from the truth by focusing on the irrelevant? Work it, baby. Claim all proponents are greedy shills? Do it all day long.

One of the great ironies of the shorts' theses is that they claim anyone that is paid to promote a stock has a financial incentive and therefore should not be believed. If that is the case, no one should believe a short, EVER! Especially since many of them are themselves paid shills.

(cont'd)

## ***Deceptive Shorts (cont'd)***

Why? Because a short position by its nature could lose an infinite amount of money. Therefore, it is the short sellers that have the greatest financial incentive to say whatever they need to, in order to destroy a company's market value, lest it rise. In the case of Nuvilex, Inc. (OTCQB—NVLX—Spec Buy), a stock that rose from \$0.10 on 12/31/13 to \$0.62 last week must have cost shorts a fortune.

For longtime followers of GSCR, you know that NVLX is one of our all-time winners. The shorts have tried in vain to crush it for years yet it has risen from \$0.03 when we initiated coverage to the \$0.62 high. Hence, the hatchet piece released Friday.

(Editor's Note: We have covered NVLX for nearly 3 years and have been compensated from time to time by the Company and a third party to publish reports and articles. However, GSCR has not been compensated for this blog nor is management aware of its publication prior to release.)

It is no surprise that NVLX was hammered, as those with big profits in the past few weeks sought to take money off the table following the big rise, which was prompted by a "short story" on Seeking Alpha released as the stock was breaking out on huge volume. If one looks at the NVLX stock chart, it is obvious that the big rise in the stock from \$0.20 to \$0.62 was after the Company announced huge funding news which effectively de-risked the stock and enables it to initiate late-stage pancreatic cancer clinical trials. Moreover, it is a tremendous validation of the technology and model from a noted institutional investor. The SA article barely made mention of this critical and incredibly favorable news choosing instead to focus on promotion, third parties, medical marijuana initiatives, and irrelevant operations from years ago, etc. to deflect attention from the true reasons for the interest in the stock.

Look, the shorts typically win and have the day, but it is usually short-lived unless there is egregious fraud or mismanagement. For example, Bill Ackman of Pershing Square admitted that his short on Herbalife (NYSE—HLF) is his biggest all-time loser as the company has done nothing but post record results and hit new highs time and time again. Still, since he has a major financial incentive to keep it down, he engages in a relentless lobbying and public relations campaign to derail the stock.

## ***Deceptive Shorts (cont'd)***

So what does one do when a short assaults a stock? If one believes the short's thesis does not have merit, the price reduction caused by the short's efforts typically fizzle out after a time, leaving investors with the opportunity to invest in the stock at lower prices. As milestones are reached, and gaps are filled, the stock tends to make a big run-up higher that is not associated with short-covering. That capitulation phase comes later, at least in small parts, driving a stock to new highs.

Longs should also expect that when a short introduces his thesis on a stock, even some so-called investment pros pile on with negative comments and stories. Folks, this is the real tragedy. These schmucks are nothing but naïve paeans that are trying to make themselves look smart by piling on when in truth, especially with small stocks, they are clueless as to what really drives them and how to take advantage of them. They bash the company and the proponents (paid and non-paid) even when proven wrong over and over and side with the shorts that have the greatest and truest amount of money to lose. (I give you 2 guesses as to the poster child for this example.)

If you believe in a stock that is in the crosshairs of shorts and bashers and the stock and company perform, there is no greater satisfaction or profitability, and the profits from such events happen more often and faster than you think.

## ***Market Movers This Week***

There are a lot of events this week which will affect the market:

- Russia's moves on the Ukraine show Obama's and the West's impotence and could spark a new Cold War
- March is the last month to sign up for Obamacare—look for big PR push
- Fridays have been poor performers this year in the market. It could be a bad one again since more prognosticators are becoming neutral on the market
- Preliminary data on February GDP could be left with cheers or jeers shaking confidence
- Tech M&A likely to continue to drive bigger market
- Despite market reaching new highs, the move is not broad-based with only 6% of stocks reaching new highs on Friday; look for continued narrow moves higher

Have a great week!



# The Goldman Guide

1498 Reisterstown Road, Suite 286 Baltimore Maryland 21208 Phone: 410.609.7100

[info@goldmanresearch.com](mailto:info@goldmanresearch.com) [www.goldmanresearch.com](http://www.goldmanresearch.com)

Launched in May 2010, *The Goldman Guide* is a free weekly publication of Goldman Small Cap Research and is written by Founder Rob Goldman with contributions from the GSCR contributor team. This non-sponsored investment newsletter seeks to provide investors with market, economic, political and equity-specific insights via an action-oriented, straight to the point approach. No companies mentioned in this newsletter are current sponsored research clients of the Company or its parent. With rare exceptions, all companies or investment ideas mentioned in this publication are publicly traded stocks listed either on the NYSE or the NASDAQ. Goldman Small Cap Research members and contributors' bios, certifications, and experience can be found on our website: [www.goldmanresearch.com](http://www.goldmanresearch.com).

## Disclaimer

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces non-sponsored and sponsored (paid) investment research. Goldman Small Cap Research is not affiliated in any way with Goldman Sachs & Co.

The Firm's non-sponsored research publications category, **Select Research**, reflects the Firm's internally generated stock ideas, along with economic, industry and market outlooks. In virtually all cases, stocks mentioned in **Select Research** offerings are listed on the NYSE or the NASDAQ. Publications in this category include the weekly newsletter *The Goldman Guide*, daily Market Monitor blogs, Special Reports, and premium products such as *The 30-30 Report*.

**Opportunity Research** reports, updates and Microcap Hot Topics articles reflect sponsored (paid) research but can also include non-sponsored micro cap research ideas that typically carry greater risks than those stocks covered in Select Research category. It is important to note that while we may track performance separately, we utilize many of 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 company-specific **Opportunity Research** reports, updates and articles.

Goldman Small Cap Research has not been compensated for any content in this issue. However, since 2011, the company has periodically been compensated by Nuvilex and a third party for sponsored research content in the form of reports, articles, updates, etc.

All information contained in this newsletter and in our reports were provided by the companies mentioned via news releases, filings, and their websites or generated from our own due diligence. Economic, market data and charts are provided by a variety of sources and are cited upon publication. Stock performance data is derived from Yahoo! Finance. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence.

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, other firms, or other financial news outlets. *Goldman Small Cap Research* relied solely upon information provided by companies through 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, update, article, blog, 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 newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This 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.