Goldman
SMALL CAP RESEARCH

The Goldman Guide

VOLUME 5 | ISSUE 17 | APRIL 27, 2014

INSIDE THIS ISSUE:

Twelve New Investment Tactics

KEY TAKEAWAYS

- ⇒ *Sell today, not in May*
- ⇒ *The indicator really does show that May—October is not very good for your investments*
- ⇒ *Value, prudence, and fundamentals will rule the market for the coming months*
- ⇒ *Use our 12 tactics for investment success*
- ⇒ *One of the most important tactics is selling stocks once they drop by 15%*
- ⇒ *Easy money can be had by buying stocks slated to be acquired for cash*

KEY STATISTICS

Index	Close	2014
DJIA	16361	-1.3%
S&P 500	1863	0.8%
NASDAQ	4076	-2.4%
Russell 2000	1123	-3.5%

(figures are rounded)

SELL BEFORE MAY

***M**ost of you are likely familiar with the investment adage "Sell in May and Go Away." It sounds good but it doesn't really tell you what to do with your money, does it? Plus, wouldn't it make sense to sell before May, ahead of the pack? Let's look at the background before plotting a path or a source for your investment dollars.

This saying represents the second half of what some refer to as *The Halloween Indicator* which proffers that stocks perform best from November through April. A number of "back-testing" has been implemented by looking at 10, 20, 40, 50, and 60 year periods and in most cases, the majority of gains are in fact borne from November through April and losses in May through October.

To provide you with the most up-to-date results, I looked up the average monthly return of the S&P 500 Index from 1950 – 2013. After calculating the returns I found that the average monthly return (excluding dividends) for the index from May – October was 0.22% compared with an average monthly return of 1.05% from November - April. That is a nearly five-fold difference, so clearly this sentiment and strategy have merit.

As we have been preaching of late, we are transitioning into a new investment mode, one which is led by fundamentals rather than the quick trade or momentum plays. The shift has been driven by valuation concerns, a slowdown in the housing sector of the economy, and to some degree the nearing end of quantitative easing.

Interestingly, many of our recent comments regarding market performance and shifts to value, etc. were echoed in major financial publications this past weekend and we expect this fundamental approach and trend to continue.

COPYRIGHT ©Goldman Small Cap Research, 2014

Twelve New Investment Tactics

Assuming you are being prudent and taking profits and throwing in the towel on some losses, it is time to invest the old school way. Using these strategies are sure to have favorable impact on your portfolio. Here are twelve tactics primed to help you ride the new investment rotation:

1. Buy stocks trading at or below the P/E or Price/Earnings/Growth (PEG) ratios of the market at large.
2. Seek out fundamental turnaround situations and try and avoid stocks with large debt positions.
3. Expanding margins good, declining margins and slow top-line growth bad
4. Engage in a new, hard and fast sell strategy. Sell once a stock drops 15%.
5. Leave story stocks for the water cooler unless they truly leverage new trends.
6. Don't be afraid of cash. Sit on 10-15%.
7. When possible, compare peers' financial and stock performance to ensure that you pick the right stock.
8. Diversify across industries. After all, there is no real, clear cut winner for the near term.
9. Monitor institutional transactions and filings more closely than insider transactions.
10. Take a small position in stocks that have agreed to be acquired for cash and are trading below the cash acquisition price. While the returns are small, there are guaranteed and your funds will only be tied up for a short period.
11. The natural maneuver in shifting markets is to avoid emerging market stocks. Buy highly liquid stocks trading at a 10% or more discount to their U.S.-based peer group.
12. Stage your investments by buying small positions first and add to them if you feel comfortable. This way if the stock drops by 15% or more you have fewer dollars at risk. Plus, you will get in a routine of closely following your individual stock investments.

Bonus: In addition to selling the occasional calls on long positions, consider buying a nominal number of October puts on the market.
Have a great week!

COPYRIGHT ©Goldman Small Cap Research, 2014

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

info@goldmanresearch.com 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, unless noted, 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 .

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*. Goldman Small Cap Research analysts are neither long nor short stocks mentioned in this newsletter.

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.

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 PRES-

COPYRIGHT ©Goldman Small Cap Research, 2014