Goldman SMALL CAP RESEARCH

The Goldman Guide

VOLUME 5 | ISSUE 51 | DECEMBER 29, 2014

INSIDE THIS ISSUE:

Stocks To Rock Until This Occurs

We are in the early innings of the time when investing is akin to shooting fish in a barrel, as evidenced by the strong market performance last week. One could expect that the trend (although not the magnitude) will continue for the next few weeks only to be potentially halted in its tracks by big picture economic figures.

It's funny. One of the primary drivers of the current market rise, lower oil prices, could also hurt us. How? Well. given the swift decline in oil prices and subsequent layoffs in the oil services industry here in the U.S., you need to be aware that we could see some concerning employment figures next month.

For starters, the end of the holiday season usually is marked by a seasonal uptick in unemployment as the part-time workers hired in late 2014 have their jobs eliminated in January 2015. This is no surprise given its seasonality, although the market sometimes treats higher unemployment figures in January it as if this event has never happened before.

The bigger wild card is the impact on unemployment due to the degree of current and pending layoffs by U.S. energy companies. While small business seems poised to truly higher again next year, offsetting a portion of these job eliminations, some of the fastest growing markets in the country (such as North Dakota and the Permian Basin) will experience unemployment for the first time in a few years and that could have a cascading effect on those regions' economies.

After all, an oil industry slowdown eventually will affect the consumer segment and other sectors in those regions as unemployment rises. Make no mistake—-lower prices are

KEY TAKEAWAYS

- ⇒ *Like last week, the next few weeks should be banner times for opportunistic investors*
- ⇒ *Although lower oil prices is great for America it is not good for all Americans*
- ⇒ *Layoffs in the oil services industry and the cascading effect on those regional economies could hurt GDP growth and employment growth in early 2015*
- ⇒ *Some investors are already loaded up on consumer, tech and health care stocks and are seeking alternatives*
- ⇒ *COWN is a financial services stock that could jump 50% in*

KEY STATISTICS

Index	Close	2014
DJIA	18054	11.6%
S&P 500	2089	13.0%
NASDAQ	4807	15.1%
Russell 2000	1215	4.1%

(figures are rounded)

This Stock Could Jump 50% in 2015

For weeks we have banged the drum on consumer stocks, certain tech segments and the avoidance of energy companies. While there may be more money to be made abroad given the current U.S. stock valuations, there is one microcap financial services company that we believe will jump 50% in 2015, in conjunction with a 50% increase in EPS.

A former 30-30 pick in June of 2014, **Cowen Group, Inc. (NASDAQ—COWN—$4.73—NR)** is a diversified financial services firm and, together with its consolidated subsidiaries, provides alternative asset management, investment banking, research, and sales and trading services through its two business segments: Ramius and its affiliates make up the Company's alternative investment segment, while Cowen and Company and its affiliates make up the Company's broker-dealer segment. Ramius provides alternative asset management solutions to a global client base and manages a significant portion of Cowen's proprietary capital. Cowen and Company and its affiliates offer industry focused investment banking for growth-oriented companies, domain knowledge-driven research and a sales and trading platform for institutional investors.

The Company's 3Q14 results were one of the best in recent memory and a favorable equity and investment market bodes well for its business segments in 2015. At present, the stock trades 15.8x the expected $0.30 in EPS in 2014, up from $0.05 last year, and trades roughly 10x the 2015 EPS projection of $0.46. At 15x next year's EPS, COWN would reach a target price of early $7, which is an almost 50% gain from current levels. Since achieving a recent (but not 52-week) low of just under $4, the stock has been on fire and is just below its 52-week high, reached in March of 2014.

In our view, COWN is primed to be a microcap under accumulation by opportunistic investors seeking an under the radar stock enjoying huge EPS growth. As an aside, it does not hurt that COWN is not in the consumer, tech, or health care space for those who already have a meaningful presence in those sectors.

Happy New Year!

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