



The Goldman Guide

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INSIDE THIS ISSUE:

Tech & Industrials Picks
This HC Keeps on Going...

KEY TAKEAWAYS

- ⇒ *With all of the attention on energy and global economic issues, major sectors have become forgotten despite their attractive value*
- ⇒ *Large cap has been better than small cap in health care but not for long*
- ⇒ *Previous picks still attractive in tech and industrials space*
- ⇒ *The #1 small cap to own trades 9x EPS and has 50% upside*
- ⇒ *LCI may be up 1000% since our initial profile but looks good til midyear*

KEY STATISTICS

Index	Close	2015
DJIA	18140	1.8%
S&P 500	2110	2.5%
NASDAQ	4956	4.6%
Russell 2000	1232	2.2%

(figures are rounded)

TOP SECTORS AND STOCKS

In one of last week's *Market Monitor* blogs we discussed the forgotten sector, healthcare. While this was somewhat tongue in cheek, the point is made that cheap oil and another impending Greek crisis are dominating global capital market discussions. The biotech segment of healthcare along with the semiconductor segment of technology, are the 'go to sectors in our small cap space. The question is: how have each of these sectors started out 2015 and what does the rest of the year hold, particularly for biotech and healthcare.

The chart below illustrates 4 ETFs which can be used as proxies for the small cap space in healthcare, biotech, technology, and the important industrials space. We reviewed the following ETFs: **Healthcare SPDR ETF (XLV)**, **Powershares S&P Small Cap Industrials Portfolio (PSCI)**, **SPDR S&P Semiconductor (XSD)** and **Powershares S&P Small Cap Healthcare Portfolio (PSCH)** and compared each to the **Russell 2000 Index (RUT)**.

Clearly large cap healthcare has been a big winner thus far this year as compared to small cap healthcare as the price of **XLV** is up 8% while **PSCH** just broke even recently. Technology and industrials have also outpaced the broader Russell 2000 so far according to our proxies.

Tech and Industrials Picks

YTD Price Changes for Select ETFs, Russell 2000

(Source: www.google.com/finance)



Some prior *Market Monitor* picks that maybe be in play include **inTest Corporation (NYSE – INTT - \$4.16)** for technology and **CPI Aerostructures, Inc. (NYSE – CVU \$11.87)** for industrials. Both are very bullish in all durations for the EMA technical indicator, and trade at attractive forward P/Es. **INTT** is a supplier and tester to companies that make semiconductor products, so it has a diverse customer base. **CVU** is a solid defense and industrials play and both stocks are coming out of a relative bottom and accumulation runs.



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This HC Play Keeps on Going...

M&A activity in small cap biotech has been slow for a while but is picking up in the bigger space which could drive it out of its lagging state. Excuse us while we toot our own horn for a moment, but one of our big biotech *Market Monitor* winners from two years ago, **Lannett Company, Inc. (NYSE – LCI - \$63.23)**, is up over 1000% and appears to be headed higher. Even with the great run the all important M&A metric EV/EBITDA is just 9. The Company continues to expand its product line for various medical indications including glaucoma, migraine, antibiotic, pain management, anesthetic, endometriosis, anxiety, irritable bowel syndrome, obesity, congestive heart failure, antipsychotic, tuberculosis, thyroid deficiency, dryness of the mouth, epilepsy, gout, low sodium, bronchospasms, hypertension, and gallstone, as well as HIV. A \$70 is not out of the question by mid-year.



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