Goldman SMALL CAP RESEARCH

The Goldman Guide

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INSIDE THIS ISSUE:

KEY TAKEAWAYS

⇒ *It has been a take of two markets which has not been helped by the media*

⇒ *The media is stoking the fires with contradictory stories back to back*

⇒ *Small is the way to go judging by current external economic risk and trends*

⇒ *We had a monster 141% winner last week. See what is in store going forward*

⇒ *Under Armour may have hit the jackpot this weekend*

⇒ *This low priced NASDAQ stock has big upside and little down-*

KEY STATISTICS

Index	Close	2015
DJIA	18058	1.3%
S&P 500	2102	2.1%
NASDAQ	4996	5.5%
Russell 2000	1265	5.0%

(figures are rounded)

A Tale of Two Markets

For the better of a year it has been the tale of two markets. During the last nine months of 2014, big caps ruled the roost. However, in the past two months, the mega caps have fallen way behind the performance of small caps and NASDAQ.

When one equity category is up while another is down or the magnitude of performance between the two is vast, Chicken Little starts to come out of his shell. We have been hearing him and reading about doom and gloom in the press for the past couple of weeks in the form of columns and articles. But, just to muddy the waters for us, these same publications produce conflicting stories on the same damn page. For example, on Marketwatch.com published these headlines literally on top of one another:

“Earnings Are Set for First Decline Since 2009, But Don’t Panic”...and...

“How These Leading Indicators Are Signaling a Market Top”

These types of events happen nearly every day. No wonder nearly half of individuals polled by AAII are neutral on stocks. Then again, this headline and sub-headline from Barron’s are enough to make you question how and why stocks keep rising:

“U. S. Equities Face Increasing Head Winds”

A looming interest-rate hike, a strong dollar, weak profit growth, and rich prices could all spell trouble for stocks.

Folks, this is not new news. The pros know it but are still buying. What does that really mean? It probably is a signal that some, of this concern, is already built into stock prices.

Monster Winners

So, while we may be at risk for a modest, short term downswing, the trend is your friend. And the trend shows us that stocks are hitting new highs at a steady rate and in the small cap world, tend to be achieving such gains even on down days. On Friday, 113 NASDAQ stocks hit new highs while 24 reached new lows. The bottom line is that small is still the place to be and with M&A in health care and tech leading the charge, stick with those two sectors.

You must forgive my crowing but we scored a monster hit last week. In our last edition of *The Goldman Guide*, we profiled **Voltari Corp. (NASDAQ—VLTC—$6.36)** and recommended purchase of this tiny stock on the heels of the venerable Carl Icahn adding to his stake to the point where he owns 52% of the company, effectively controlling it. From Friday to Friday, VLTC went from a close of $2.63 to a close of $6.36 and it traded as high as $7.38. We were just looking for $5! That is a gain of 141%!!!

I am not afraid of risk but unless you wish to trade this thing, I would not step in at this stage, and if you have profits, take at least 50% off of the table. Look, it could go to $10 next week—for no apparent reason, or drop back to $4. What should give you pause that this stock has a great of risk isn't just the wild trading ranges, but its volume. The stock has roughly 5 million shares outstanding and traded well over 51 million shares last week. If you feel you must try to take advantage of an opportunity, buy on weakness (in the middle of the day) and sell into strength. Moreover, do not kick yourself if you sell too soon. Remember, you can't go broke taking a profit.

Speaking of monster winners...we talked about what a beast **Under Armour (NYSE-UA—$$83.75–NR)** is. Well, they have hit the jackpot this past weekend. A few months ago they signed 21-year-old golf phenom Jordan Spieth to a 10 year deal (I believe for $100M.) All he did was win the Masters in record fashion, dressed in UA gear from head to toe, and could be the second coming of Tiger Woods. This signing will likely pay off big time for the number #2 sports apparel company. By the way, they dodged a bullet with Kevin Durant by *not* signing him for a boatload of cash in a bidding war with Nike (NYSE—NKE.) He has been injured most of the season and it could be serious.

Big Upside, Little Downside

It has been almost exactly four years since we introduced you to **ForceField Energy (NASDAQ—FNRG—$7.82),** formerly known as Sunsi Energies, Inc. It is an amazing story and one that we believe offers a great deal of upside and little downside. The big picture history goes something like this:

Following a series of transactions in late 2010 and early 2011, the Company essentially went from zero revenue to a peak of over $28 million in a heartbeat. The stock performed well, as you would expect. However, it was later hurt by the swift slowdown in the solar business, which was the Company's bread and butter. Management went on the offensive and elected to stay in the renewable energy arena, again via acquisition. This time the focus was on the early stage, but fast-growing, LED lighting segment. Ultimately, FNRG sold back its interests in the solar business and another renewable energy firm to focus exclusively on the LED space, and has once again come out on top in the process. In fact, we would not be surprised to see the Company hit or exceed its annual 2011 revenue numbers sooner rather than later.

The future for the industry and FNRG are as bright as the LED lights themselves. Ever since the 2014 U.S. mandate which required a phase-out of incandescent lights in the retail market in favor of LED lighting due to environmental concerns, the LED industry has experienced tremendous sales growth and commercial deployments. Across the U.S., 60-watt and 40-watt incandescent bulbs have been phased out and are no longer available for retail sale. These bulbs have been largely replaced by LED lights which are considered "green" and environmentally friendly due to the absence of dangerous chemicals. More important, using these lights reduces energy consumption by 50-75%! Plus, the payback (return on investment) on commercial lighting replacements with LED is very short.

Given these very favorable characteristics, industry estimates suggest that U.S. federal, state and local governments could save billions in energy costs. That is why the estimated replacement market worldwide represents a $1 trillion opportunity.

<u>It is no wonder that ForceField's stock is trading at an all-time high.</u>

Big Upside, Little Downside (cont'd)

ForceField currently boasts more than $100 million in bid proposals and potential revenue over the next few years, through its signed contracts, letters of intent, pilot programs, and official bids, with government entities and major corporations. Sample deployments include municipal LED street light conversion projects driven by state and federal initiatives such as the *President's Challenge for Advanced Outdoor Lighting* and the DOE's *Better Building Program.*

In these large scale and high profile deployments, ForceField works in concert with utility and financing leaders to offer an energy efficiency financing program that does not require an upfront capital outlay. This shrewd financing approach substantially reduces customers' upfront costs which is so important for governments with strapped budgets, making it a no-brainer. Plus, it enables ForceField to generate very significant revenue over a multi-year timeframe, thus maximizing profit potential.

In an environment whereby investors are concerned about high valuations and stocks moving too far too fast, management's methodical approach to growth is reflected in how the stock trades as well. Although the stock is up over 21% year-to-date, it has been a steady climb, and should continue this path going forward. That means investors can establish a position and not worry about volatility. It has neither big up or big down days (defined as in excess of 5%), unlike its peers.

It has increasingly set new highs in recent weeks, in conjunction with increasing volume and has been sparked by business development and the fact that more investors have been exposed to and are learning about the FNRG story as it hits new highs. Technically, the stock looks great and trades above all of its DMAs. Fundamentally, we believe that the coming months will offer new wins, and events on the business development side, which should take it toward the $10 level. Interestingly, despite its upside and recent performance, one does not feel as if the stock has run away; rather, its increasing traction signals major upside ahead and its history indicates little trading downside, even in down markets. Hence, our Speculative Buy recommendation as part of our non-sponsored Select Research offering.

Have a great week!

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