October 15, 2012

Volume 3, Number 16

The Goldman Guide

Inside this issue:

Yes, It[s October

Additions and Changes

Yes, It's October

Well, we owe you all an apology. Due to the series of Jewish holidays the past few weeks, we have been on a temporary hiatus at The Goldman Guide. But fear not. We are back and we have some surprises too... More on that later. First, the market.

How do you know when it is October? When the market stinks. And stinks it does. The major indices are down 3-5% over the past month but the true broader market is down by an even larger margin. The AAII investment survey had had record (poor) sentiment changes recently and I am puzzled as to why the market has reversed course while Mitt Romney's poll numbers are rising.

Could it be that Wall Street prefers an Obama re-election when by most accounts it really prefers a Romney win?

Doubtful and coincidental.

What isn't doubtful or coincidental is the fact that stock portfolios are taking it on the chin. As has been the case for much of the year, or at least since the end of Q1, no one feels like they are making money, unless they happen to own the big names that seem to attract the most cash.

(cont'd)

Key Takeaways

- ⇒ Stocks are turning in their typical October performance
- ⇒ Equity outflows remain high
- ⇒ Small stocks are a decent value and will become more attractive
- ⇒ Changes around the corner

Copyright © Goldman Small Cap Research, 2012

Yes, It's October (cont'd)

Equity Fund outflows remain steady at roughly $1.3 billion per week, although investors were clearly nervous nellies at the end of September, as over $13B was removed from equity mutual funds.

This week will be an important tale as no fewer than 40% of stocks will have reported 3Q12 results by week's end, guide financials for the balance of the year and analysts will trim their 4Q12 forecasts. So, hang in there. The worst is just about over, barring more economic calamity.

Expect more normalized jobs data in the coming weeks which could also play a role, as will the impact from both the election debates and the election itself.

So there is no need to really rush in with both feet, at this juncture. Right after the election? That's another story. Clearly, some money is staying on the sidelines as the race is too close to call.

Interestingly, the valuation of the key indices is pretty fair. Not too cheap or expensive. The 12-month forward P/E on both the S&P 500 Index and the Russell 2000 Index are just below or above the 14.0x mark. While that may not indicate huge upside at this juncture, there will likely be greater upside in the coming months.

For example, the multiple on the Dow Jones Industrials, Transports and Utilities, all of which have high-yielding components, are trading at higher than the aforementioned indices, and with higher dividend yields to boot.

Much like there was a big surge in these segments early this year, we believe the pendulum will swing back to growth and small caps, in the next couple of months.

Key Statistics

Index	Close	YTD
DJIA	13329	9.1%
S&P 500	1429	13.6%
NASDAQ	3044	16.9%
Russell 2K	823	11.1%

(figures are rounded)

Copyright © Goldman Small Cap Research, 2012

New Additions and Changes

Folks, we have been burning the candle at both ends for months, with our blogs, the Guide, new microcap reports, blogs, The 30-30 report, etc.

Plus, behind the scenes we have been finishing up our first book and working to provide you with even better stock investing and trading content in a timely fashion, along with new report and newsletter formats. We will even be launching a new website with webinars, interviews, and really cool content, strategies, and intel that will take our offerings to another level.

Speaking of behind the scenes, none of what we do would be possible without the tireless efforts of Nasir Saeed who makes everything work properly. He is the glue that keeps everything together, at all bhours of the day and night whether it be the website, social media efforts, client service, and more.

But, in order to accomplish our goals in providing you with our best efforts, and get some sleep, we are pleased to announce that Aaron Schweitzer has joined Goldman Small Cap Research as a Vice-President. Beginning later this month, Aaron will be a major contributor to our content generation and production.

Aaron has a wealth of experience in the financial industry as a financial advisor and member of client service teams with Morgan Stanley Smith Barney and Edward Jones. Prior to these positions, Aaron spent 11 years in engineering at Caterpillar. Aaron has a keen mind for this business and is a Chartered Financial Analyst (CFA) candidate. He graduated from (The) Ohio State University with a BS in Mechanical Engineering and an MBA in Finance from DePaul University.

Until next week...

Copyright © Goldman Small Cap Research, 2012

GOLDMAN
SMALL CAP RESEARCH

1498 Reisterstown Road
Suite 286
Baltimore MD 21208

Contact Us:
410.609.7100
info@goldmanresearch.com
www.goldmanresearch.com

Analyst: Robert Goldman

Rob Goldman founded Goldman Small Cap Research (GSCR) in 2009. Rob has over 20 years of investment and research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell-side analyst, he was a senior member of Piper Jaffray's Technology team. Prior to joining Piper, Rob led Josephthal & Co.'s Emerging Growth Research Group. Rob has also served as Chief Investment Officer of two boutique investment management firms, where he managed Small Cap Growth and Balanced portfolios and *The Blue and White Fund.* As an investment manager, Rob's model portfolio was once ranked the 4th best small cap growth performer in the U.S. by *Money Manager Review*. In addition to his work at GSCR, Rob is the editor of Penny Stock Junction (www.pennystockjunction.com.)

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this newsletter accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research publication.

Disclaimer:

This newsletter was prepared for informational purposes only. *Goldman Small Cap Research*, (a division of Two Triangle Consulting Group, LLC) produces research via two formats: *Goldman Select Research,* which typically highlights small cap and mid cap companies, and *Goldman Opportunity Research,* which features micro cap companies in a sponsored research format. Thus, the *Select* product reflects the Firm's internally generated stock ideas while the *Opportunity* product reflects sponsored research reports.

It is important to note that while we may track performance separately, we utilize 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 each company-specific report. All information contained in this newsletter and in our reports were provided by the Companies or generated from our own due diligence. Our analysts are responsible only to the public, and are paid in advance to eliminate pecuniary interests, retain editorial control, and ensure independence. Analysts are compensated on a per report basis and not on the basis of his/her recommendations.

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, or other firms. *Goldman Small Cap Research* relied solely upon information provided by the Company through its 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, 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 report or newsletter does not take into account the investment objectives, financial situation, or particular needs of any particular person. This report or 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 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.

For more information, visit our Disclaimer: www.goldmanresearch.com

Copyright © Goldman Small Cap Research, 2012