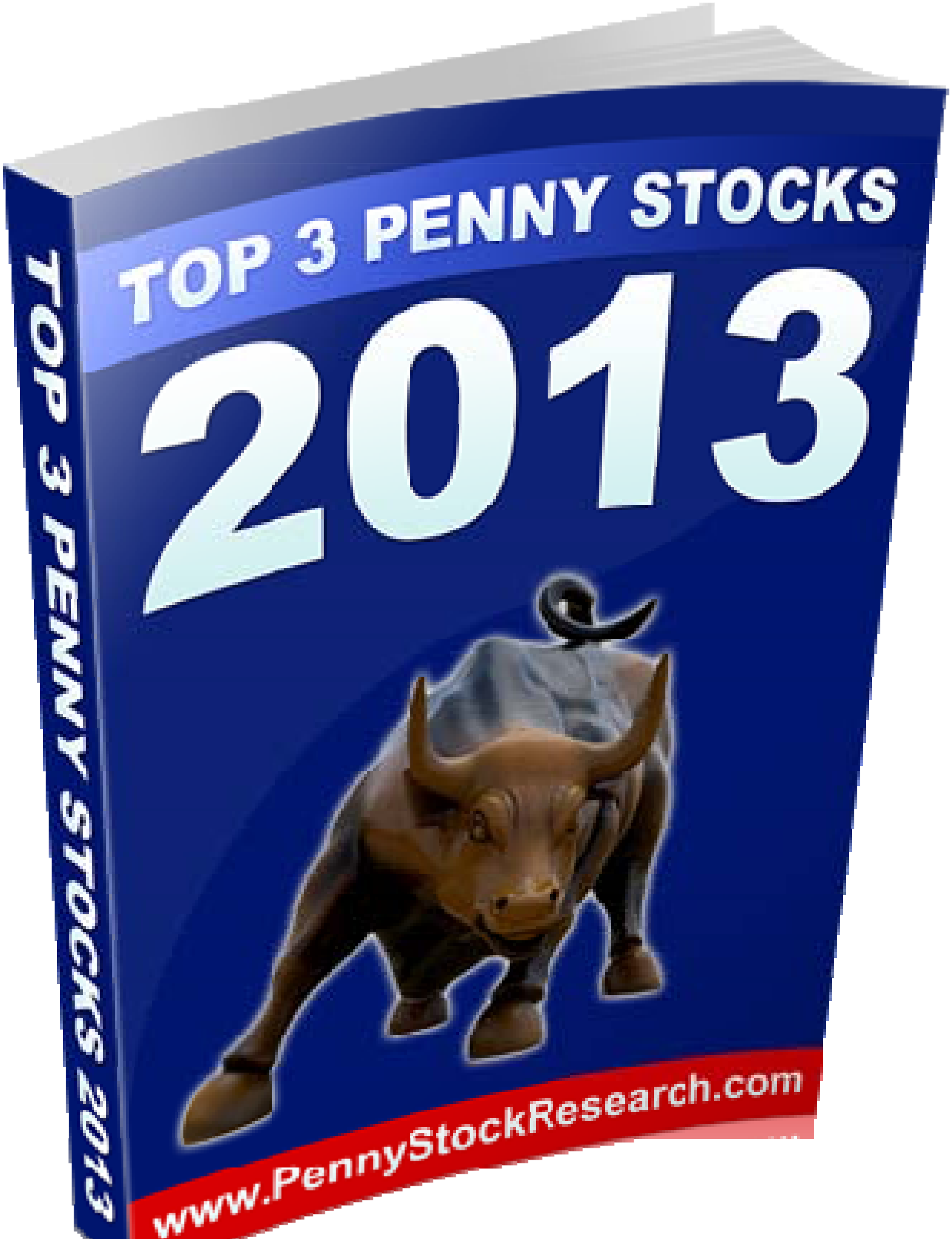
TOP 3 PENNY STOCKS
2013
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TOP 3 PENNY STOCKS 2013

3 Great Penny Stocks For 2013… And Beyond!

"Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can't buy what is popular and do well" – **Warren Buffett**

There's never been a better time to invest in penny stocks.

No matter what industry or sector you choose, penny stock opportunities are nearly infinite. These stocks have the potential to make 10, 20, and even 100 times your money in short order.

As most investors know, it's very difficult to get those types of returns with blue chip stocks. Those guys rarely go up 500% in a year, let alone 1,000%.

But these types of gains are regular occurrences with penny stocks!

And because of all the turmoil in the markets right now, the opportunity to find *high-quality* penny stocks at ridiculous valuations is higher than it's been in years!

In fact, here's a recent example of just how much money you can make with these amazing stocks.

Patrick Industries (NASDAQ: PATK) started as a small building company. By 2009 they morphed into a major builder of RV's and manufactured homes – all while their stock was trading as low as $0.25.

Up until this point, the company had been buying up smaller wood, vinyl, electronics and industrial companies left and right. And in 2011, the company kept growing eventually buying up the majority of their parts suppliers for their finished products.

Moving beyond their own line of business, PATK eventually started expanding into the kitchen fixtures, marine, architectural, aluminum, vinyl, and electronics businesses. In addition, the company became a seller of pre-finished wall and ceiling panels, and drywall finishing products.

And as the housing market finally bottomed, the companies in PATK's stable generated massive revenue. **And the stock took off…**

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PATK went from a miniscule $0.25 to an eye-popping $18.49. In case you're wondering – and I know you are – **that's an unbelievable 7,396% gain!**

That's enough to turn a $500 investment into a whopping $36,980.

Try doing that with a blue-chip!

This example really shows you the power of a great idea and a low stock price.

As wonderful as this was, you should know that not every penny stock goes up by almost 10,000%.

In fact, most penny stocks won't appreciate anywhere near that amount. And many of them will lose money.

But the fact of the matter is, these stocks have been the best performing asset class over the last 85+ years. They've done better than blue-chip stocks, real estate and even gold.

Approached the right way, penny stocks can be the some of the most lucrative investments you ever make!

So without further adieu, let's look at three penny stocks that I think offer a tremendous opportunity to profit right now…

Penny Stock #1: Could This Independent Energy Company End Up A Major Natural Gas Player?

It's no great secret that natural gas prices have bottomed to multi-decade lows this past summer. And just as amazing, their rebound has been fast and furious off the bottom. But prices are still nowhere near historical averages.

Over the coming months and years, that's going to change…

First, demand for natural gas will increase.

It's simple… more and more utilities and power plants are starting the conversion to natural gas from coal. With prices of our most abundant energy source so low, it's foolish for them not to make the switch.

In addition, consumers are also tired of paying a major premium for foreign oil to heat their homes.

Second, US natural gas exports will be getting underway in the next couple of years.

If you didn't know, the US Energy department just approved the first of many applications for the export of Liquid Natural Gas (LNG).

Here's the thing…

As US and global demand for natural gas increases, prices are certain to rise. To profit from the coming natural gas boom, we've found a company already starting to profit… **Warren Resources (NASDAQ: WRES).**

WRES is a small independent oil and gas player currently operating in California. The company also has reserve for oil and natural gas in New Mexico, Wyoming, North Dakota, and Texas.

What's different about Warren is they're sitting on untapped reserves of Coalbed Methane Natural Gas. Coalbed Methane can be accessed and produced more easily than traditional shale natural gas reserves. That has the potential to make the company more profitable, faster, than competitors developing shale-based natural gas wells.

What's more, WRES recently exercised preferential rights to acquire Anadarko's oil, gas, and midstream assets in the Atlantic Rim, Washakie Basin, Wyoming (they're already working there.)

In a nutshell, WRES just bought assets from one of the top industry players that are not only proven, but increase the company's natural gas production immediately. And management believes their experience in this region will allow them to operate them even more profitably than Anadarko.

Now before their recent expansion the company was already profitable.

In the first two months of 2012, Warren's **revenue jumped to $58.5 million from just $50 million for the same period in 2011.** The company also earned $0.13 a share for investors during that time. Great results from a growing company!

The best part is investors still can get shares of this energy player at a virtual steal.

Right now, WRES shares are significantly undervalued by the markets. And given the fact they're slated to grow revenue by over 27% over the next five years, Warren Resources could see their stock make a big move higher from these levels.

With the pending exports of LNG, and the move by utilities to natural gas for energy production, natural gas prices will be climbing for the foreseeable future. And companies in position to leverage, grow, and expand their organization, like WRES, stand to profit.

Buy shares of WRES to cash in on the next leg up in natural gas!

Penny Stock #2: The Next Major Shipping Player?

In 2013, there will be sectors that are hot… and sectors that are not. QE3 will start to take hold and really help out some industries, and hurt others.

As you know, QE3 is set to take the stock market to new multi year highs as more cheap money is pumped into the system. It's not only QE3, but also the monetary stimulus from the ECB, Bank of Japan, and even China!

All this cheap money is intended to do one thing… spur economic growth!

And as global growth picks up from the paltry levels we're seeing now, so too will the need more raw materials, goods, and energy. It's just basic supply and demand.

When a country doesn't have enough of a certain commodity, they simply import it from abroad. And many times, goods travel across the world's oceans to reach their final destination.

As you probably are guessing right now, we're looking at shipping companies to lead the way higher in this next economic expansion.

And of course I have a company that fits the bill perfectly…

Introducing **Teekay Tankers (NYSE: TNK).**

Teekay Tankers is a Bermuda-based shipping company with 28 vessels in their fleet. The fleet is made up of 12 Aframax tankers, 10 Suezmax tankers, and 6 product tankers. TNK also has 1 chartered Aframax, and is building a VLCC (very large crude carrier) under a 50/50 joint venture.

Here's why this stock is a great investment…

TNK's stock price is very closely tied to the Baltic Dry Index (BDI).

If you weren't aware, the Baltic Dry Index tracks the daily rates of various ship classes for many of the standard travel routes across the globe. And as rates fall, TNK stock has fallen with it. The inverse is also true.

Take a look at this chart going back to 2006 and see for yourself…

Clearly, shipping rates have plummeted since 2006 (blue line). In fact, we're talking about a drop of over 70%. And right along with it, TNK (in red) has mirrored the fall.

What's more, <u>rates are now so low that virtually every shipping company out there is losing money moving goods.</u> Under any scenario, that's just simply not sustainable.

Here's the thing…

As global growth picks up as a result of QE3 spending, more and more goods will need to be shipped. That means before long shipping rates will rise, and along with it company profits. It comes down to basic supply and demand issues… and the demand for shipping will be increasing.

And as shipping rates rise, so will TNK's share price.

But that's only part of the story…

TNK pays investors a dividend based on shipping rates.

While it's true TNK is loaded with debt (as are pretty much all shipping companies), they do currently pay what amounts to a 15% dividend. Most likely as the share price increases, so too will the dividend payout as the dividend is based on the spot shipping rates. It's all tied together.

Here's the best part…

TNK is improving both revenue and earnings next year. Analysts see EPS coming in at $0.54 a share in 2013. **That's a more than 150% gain** from 2012's $0.20 per share.

With the huge potential for shipping rates to rally hard, and improvements in earnings already on the way, this cheap stock won't stay undervalued for long. Don't miss out on the chance to add some TNK to your portfolio now!

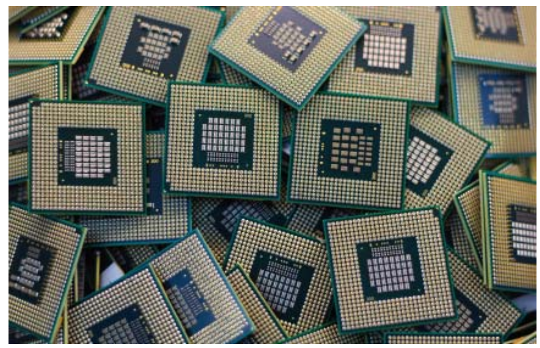
Penny Stock #3: This Tech Turnaround Is Trading For Just Pennies On The Dollar!

Often a major industry change can drive viable businesses into the abyss and leave them for dead… and every once in a while, a special type of company can rise from the grave!

The best of these companies capitalize on industry changes and become wildly profitable!

We'll we've found that very company in the tech industry.

Before I tell you who they are, you're going to need a brief background on an evolution in the PC and computing industry that forced many in the profitable peripheral industry to make big changes to their business.



This story goes back quite a bit…

In the heyday of the PC, there were entire companies designed to make just peripheral devises like keyboards, mice, and printers just to name a few…

In the mid-nineties, the company we found grossed a record $207 million from keyboard sales alone. It was definitely the peak for peripheral device pricing and demand.

As in virtually every industry, the high profit margins on peripherals brought in steep competition from outside the US.

Chinese players drove the average price of a keyboard down to virtually nothing, leaving our company high and dry and wondering how to move forward.

It didn't take our company long to figure out that becoming an electronic manufacturing supplier (EMS) was the way to remain a strong player in the industry. So just year's later, they transformed into just that, and EMS provider.

In 1998, this very same company was awarded a contract from Qualcomm, marking their first major contract as an EMS supplier. The rest is now history, as they remain a strong player in the electronic manufacturing industry.

So who am I talking about?

None other than **KeyTronic (NASDAQ: KTCC)**.

KeyTronic was founded way back in 1969 as an independent keyboard manufacturer. By 1978, KTCC was recognized as the number one keyboard producer in the world. But their focus on just keyboard morphed into much more.

In fact, over 98% of KTCC's revenue comes from EMS today. And that's what we're focusing on, where KeyTronic is today.

For starters, the company now brings in nearly $350 million in annual revenue. Better still, KTCC earned a massive $1.10 per share in fiscal 2012.

That's EPS growth of 100% from the $0.55 a share the company earned in 2011!

And they're not done growing.

Analysts are forecasting earnings to reach $1.44 in 2013, and $1.66 a share in 2014. That's phenomenal growth for a company with a $100 million market cap.

Now here's the crazy part…

The market is dramatically undervaluing shares of KTCC right now. With a forward price to earnings (P/E) ratio of just 6.2x, KeyTronic shares are a steal.

For an apples to apples comparison, the industry average P/E ratio 12.3x. That's a nearly half of the already incredibly low industry average P/E.

Just think, S&P 500 stocks have a historical P/E average of roughly 15x… while other tech players such as **Amazon (AMZN)** carry an astronomical price to earnings ratio of 295x!

Even if the market valued KTCC in-line with the industry average P/E, this stock could easily double. And the way they're growing earnings, I see no fundamental reason why it wouldn't happen.

Before the market finds this screaming deal… make sure KTCC finds its way into your portfolio!

The Top 9 Penny Stocks To Avoid In 2013…

Now that we shared with you three penny stocks poised to rally in the upcoming year, we'd like to take a moment to tell you about nine penny stocks you should look to avoid. Based on our research, each of these stocks will probably underperform the overall market… so stay away.

And, if you've got these stocks in your portfolio now, you might think twice about that decision.

I've grouped these stocks into three sub-categories… each of which faces its own set of unique challenges. It's these challenges I believe will prevent these stocks from moving higher in the next few months.

So, let's get started…

First off, the re-election of President Obama will bring about very specific financial conditions. One of the most important is **a continued low-interest rate environment**.

You see, with President Obama remaining in office, we'll likely see Federal Reserve Chairman Ben Bernanke stay at his post as well.

With that said, Ben Bernanke's easy money policies will keep interest rates suppressed well into 2014, if not 2015.

Low interest rates affect many industries, but one industry has been struggling more than other is **Life Insurance.**

If you didn't know, super-low interest rates make it very difficult for these highly regulated companies to make money. Most times, these companies are required to keep their reserves in conservative fixed income vehicles (bonds, treasuries, etc…).

The promised rate of return they've offered on many of their products makes it difficult for them to turn a profit.

The following three penny stock life insurance companies are ones you should avoid right now, given the super-low interest rate environment…

1. **Imperial Holdings (IFT)**
2. **Life Partners Holdings (LPHI)**
3. **Atlantic American Corp (AAME**)

There's no question low interest rates will affect companies that rely on interest income for at least the next few years. But these aren't the only types of companies you should be avoiding…

The next three companies are ones that fall into the category of overvalued, and overbought. You see, not only do the next three stocks fall into the category of overvalued based on a high Price-to-Earnings (P/E) ratio, but they are currently in overbought territory.

As such, these three stocks are already trading much higher relative to their peers, and seem to have most of the "easy money" priced in. Even if these stocks hold their current value, their upside going forward may be limited *(that is unless fundamentals improve.)*

Here are the three penny stocks that are currently overvalued and overbought which you should avoid. I've also listed their current P/E ratio for reference…

1. **Misonix (MSON) – P/E ratio: 175x**
2. **Perion Network (PERI) – P/E ratio: 63.8x**
3. **General Finance (GFN) – P/E ratio: 47.5x**

As you can see, each of these stocks has a rather high P/E ratio at their current price. What's more, each looks like it peaked in 2012.

Clearly, buying stocks which are currently overpriced and overbought is not what smart investors should be looking for. In fact, these are the types of stocks you should avoid putting in your portfolio, at all costs.

Here are three more stocks to avoid. The reason is simple, troubles abroad… specifically **the continuing economic struggle in Europe**.

With the EuroZone sovereign debt crisis dragging on, many companies in this region have seen their top and bottom lines impacted negatively.

And it's not going to get better anytime soon because the European economy is continuing to weaken.

What's more, these issues will not be resolved overnight… and there is potential the EuroZone could collapse into further economic recession the longer problems continue.

As most of you know, the worst of all the EuroZone economies is no doubt Greece. The Greek economy continues to fall further into recession with each review by the IMF and EuroZone leaders.

The bottom line… <u>avoid buying Greek stocks at all costs.</u>

The following three penny stocks easily make our list of companies set to underperform in 2013.

1. **Capital Product Partners (CPLP)**
2. **Aegean Marine Petroleum Network (ANW)**
3. **FreeSeas (FREE)**

Now that we've told you about the three best stocks to buy… and nine stocks to avoid at all costs, that leads us to a very important question…

The Big Question—Are Penny Stocks Really A Good Place To Put My Money?

Let's get straight to the point. Penny stocks offer several advantages over large company stocks, commodities and even real estate. It's been proven they've consistently outperformed most other asset classes throughout history.

So how do small caps (penny stocks) get their edge?

First and foremost, penny stocks fly under the average investor's radar. The average stock buyer has no idea these companies even exist.

Why?

For one, Wall Street analysts don't cover these companies. They're too small to catch the attention of the average analyst. Those suits can't be bothered researching a company if it's not a blue chip or a huge IPO.

But that's good news for you.

The investment crowd isn't blindly piling into smaller stocks… so penny stocks often trade at a discount to their true value.

And that's not all…

Small cap companies typically run streamlined operations. They aren't burdened with a zillion product lines and reams of corporate policy. This makes them more nimble and adaptable than larger companies.

When market conditions change, small companies can react quickly and make the right strategic choices.

Often times, they'll leave the big companies behind in the dust. By the time a large company makes a change, a small company is already off and running, grabbing as much market share as they can along the way.

More importantly, penny stocks offer bigger profit upside than large cap stocks.

One event you'll rarely see with large caps are life-changing acquisitions. A huge company may acquire a small company, but it'll never register in the stock price. And huge companies are rarely ever acquired themselves.

But small cap companies get purchased all the time. **And when it happens, their stock can take off.**

As if you needed more, there's another reason penny stocks tend to be better investments than large stocks.

As companies grow, they often raise money by issuing millions and millions of shares. Once a company reaches large cap status, they've issued so many shares, it takes a ton of buying to move those share prices higher.

But small caps typically haven't issued anywhere near the amount of shares the big firms have issued. *That means it takes far fewer buyers to send share prices soaring.*

It's not unusual to see a 25 cent stocks go to 50 cents… one dollar… five dollars and more. The percentage gains these moves equate to is enormous!

Here's the bottom line…

With penny stocks, you have the chance to earn massive returns… often much quicker and easier than with any other investment!

Where Can I Get More *Legitimate* Penny Stock Ideas and Research?

I hope you now fully understand the benefits – and huge profit potential – of penny stocks. And you even have three great stocks to take a look at.

Now it's time for the next step…

One of the additional benefits you'll receive a long with this report, is a free subscription to the *Penny Stock Research* newsletter.

Written by me and my carefully selected team, *Penny Stock Research* provides you with penny stock recommendations, investing tips and anlaysis you simpley can't get anywhere else.

We'll alert you to the scams, introduce you to companies you probably have never heard of, and show you the *RIGHT* way to make money with penny stocks.

And to make sure you get everything you need, each daily article is written in a short, easy-to-understand format!

You won't have to slog through poorly-written "analyst speak" that puts you to sleep.

We'll give you our honest, thoroughly-researched opinions and analysis of tons of small cap companies. **And we'll make it our mission to uncover the stocks with the biggest upside potential.**

And as you read *Penny Stock Research* each day, keep in mind we're 100% unbiased. That means we don't accept compensation from the stocks we talk about.

That might not sound like it's important, but trust me, it is!

Penny Stock Research is one of the few, truly independent free newsletters left in the world.

We think you'll notice the difference *immediately*.

So welcome aboard…

You're about to start a journey with penny stocks that could completely change your financial situation forever!

Sincerely,

Robert Morris,

Chief Investment Strategist
Penny Stock Research

P.S. Everyone knows discovering the *next* Apple, or Google, or McDonald's is the quickest and easiest way to become wealthy. But finding these companies while they're still penny stocks can be quite a challenge. That is, unless you know what to look for…

Luckily, I've just written a report that shows you how to identify tomorrow's superstar penny stocks *today* and turn as little as $500 into ***half a million*** or more! **Click here to read it…**

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