Mossberg's Investor Digest

February 2013
Issue #56

From the Editor…

Here are a few of my favorite quotes about investing….

"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." Warren Buffett

"Most of the time common stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people to speculate or gamble... to give way to hope, fear and greed." Benjamin Graham

"Wide diversification is only required when investors do not understand what they are doing." Warren Buffett

"Why not invest your assets in the companies you really like? As Mae West said, "Too much of a good thing can be wonderful". Warren Buffett

"In this business if you're good, you're right six times out of ten. You're never going to be right nine times out of ten." Peter Lynch

"Go for a business that any idiot can run - because sooner or later, any idiot probably is going to run it." Peter Lynch

Thank you for your interest in Mossberg's Investor Digest. I welcome your feedback.

Dave Mossberg

February 2013 Issue

MVC Capital, Inc. (NYSE:MVC) *$12.24, February 12, 2013, Page 3* – MVC Capital, Inc. is a business development company that provides long-term equity and debt investment capital to fund growth, acquisitions and recapitalizations of small and middle-market companies in a variety of industries primarily located in the U.S. MVC stock is attractive based on its 4.4% dividend yield and below-book valuation alone. Net asset value as of October 31, 2012 was $16.14.

eGain Corporation (Nasdaq:EGAN) *$7.50, February 15, 2013, Page 4* – eGain Corporation is the leading cloud provider of multichannel customer service interaction solutions. It provides collaborative customer interaction software solutions to more than 250 direct customers and 200 OEM customers worldwide. eGain is the only pure-play web customer service vendor with material scale and market leading technology. Its stock appears attractively valued in comparison with less fully diverse businesses in similar spaces.

DSP Group (Nasdaq:DSPG) *$7.41, February 27, 2013, Page 5* – DSP Group is best known for its wireless chipset solutions used in cordless telephones. With growth opportunities in very large end markets for mobile and home automation, a growing VoIP business, a dominant position in the cordless telephone market, and cash of $120 million (equal to approximately 75% of its market capitalization), DSPG appears to be an attractive value with a strong risk reward profile.

Unitech Corporate Parks (LSE:UCP.l) - *£ 0.3525, February 28, 2013, Page 6* – Unitech Corporate Parks' strategy is to make investments in Indian commercial real estate developments specifically for the high-growth information technology and IT-enabled services sectors. UCP's 60% share of the market valuation of pending Gurgaon asset sale represents £146 million, which is basically equivalent to the current market cap. At current prices, investors are getting assets that produce the remaining half of UCP's rental income for little or no cost.

Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since June 2012 and the Russell 3000. ***Performance data quoted represents past performance and does not guarantee future results.*** Current performance of ideas may be lower or higher than the performance quoted.

Company	Pub. Date	Original Price	Recent Price	Change	Russell 3000 Change Since Pub. Date	Relative Perf. vs. Russell 3000
Spectrum Pharmaceuticals, Inc. (Nasdaq: SPPI)	3-Jun-12	$11.01	$11.31	2.7%	17.6%	-13.5%
Matrix Service Co. (Nasdaq: MTRX)	8-Jun-12	$10.46	$15.60	49.1%	13.4%	37.0%
Orbital Sciences Corp.(NYSE: ORB)	13-Jun-12	$12.02	$14.86	23.6%	14.7%	10.6%
Landec Corp.(Nasdaq: LNDC)	18-Jun-12	$7.55	$10.91	44.5%	12.1%	33.9%
Compass Diversified Holdings (NYSE: CODI)	7-Jul-12	$14.24	$15.49	8.8%	10.8%	-1.1%
Codexis (NASDAQ:CDXS)	29-Jul-12	$3.23	$2.14	-33.7%	8.9%	-41.3%
Silicon Motion Technology Corp. (NASDAQ:SIMO)	29-Jul-12	$15.33	$13.12	-14.4%	8.9%	-21.9%
Franklin Covey Co. (NYSE:FC)	29-Jul-12	$10.27	$13.34	29.9%	8.9%	22.4%
Deere and Company (NYSE: DE)	13-Aug-12	$79.31	$86.44	9.0%	6.3%	3.6%
Power Solutions International (OTC BB:PSIX)	16-Aug-12	$16.99	$20.00	17.7%	6.3%	12.4%
U.S. Concrete, Inc. (NASDAQ: USCR)	26-Aug-12	$6.24	$10.19	63.3%	6.9%	57.0%
Ikanos Communications, Inc. (NASDAQ:IKAN)	30-Aug-12	$0.92	$1.74	89.1%	7.6%	82.6%
Zale Corporation (ZLC)	17-Sep-12	$5.87	$3.93	-33.0%	2.9%	-35.5%
Air Transport Services Group, Inc. (ATSG)	24-Sep-12	$4.67	$4.63	-0.9%	3.3%	-3.5%
Northern Technologies International Corp. (NTIC)	27-Sep-12	$10.95	$13.25	21.0%	4.1%	17.7%
KEMET Corp. (KEM)	28-Sep-12	$4.40	$6.70	52.3%	4.5%	48.5%
GameStop Corp. (NYSE: GME)	4-Oct-12	$22.16	$24.75	11.7%	3.1%	9.2%
Sycamore Networks, Inc. (NASDAQ:SCMR)	11-Oct-12	$3.01	$2.27	-24.6%	5.1%	-29.0%
RPX Corp. (NASDAQ:RPXC)	25-Oct-12	$9.69	$12.51	29.1%	6.5%	23.1%
Prospect Global Resources, Inc. (NASDAQ:PGRX)	31-Oct-12	$2.76	$1.32	-52.2%	6.5%	-58.2%
Gaiam Inc. (GAIA)	7-Nov-12	$2.94	$3.57	21.4%	7.7%	14.1%
Green Dot Corporation (NASDAQ:GDOT)	26-Nov-12	$11.71	$14.34	22.5%	6.8%	15.8%
JTH Holdings, Inc. (NASDAQ:TAX)	27-Nov-12	$13.92	$15.63	12.3%	7.3%	5.1%
Elephant Talk Communications, Corp. (NASDAQ:ETAK)	28-Nov-12	$1.06	$1.24	17.0%	6.5%	10.6%
Sealed Air Corporation (NYSE:SEE)	16-Dec-12	$16.13	$21.20	31.4%	6.1%	25.7%
Westmoreland Coal Co. (NASDAQ:WLB)	17-Dec-12	$10.02	$10.22	2.0%	4.9%	-2.6%
Regional Management Corp. (NYSE:RM)	18-Dec-12	$16.55	$17.46	5.5%	3.6%	2.0%
Michael Baker Corporation (NYSE:BKR)	30-Dec-12	$24.45	$24.09	-1.5%	6.7%	-8.2%
DHX Media Ltd. (TSX:DHX.TO)	12-Jan-13	$1.86	$2.47	32.8%	1.5%	30.9%
Mood Media Corporation (TSX:MM.TO)	20-Jan-13	$1.93	$1.93	0.0%	0.5%	-0.8%
MoneyGram International Inc. (NYSE:MGI)	30-Jan-13	$13.99	$16.76	19.8%	-0.6%	20.3%
GenMark Diagnostics, Inc. (NASDAQ:GNMK)	30-Jan-13	$11.11	$10.38	-6.6%	-0.6%	-6.0%
				14.1%	**6.5%**	**8.2%**

Best Idea Profile: **MVC Capital, Inc. (NYSE:MVC)**

DESCRIPTION:

MVC Capital, Inc. is a business development company that provides long-term equity and debt investment capital to fund growth, acquisitions and recapitalizations of small and middle-market companies in a variety of industries primarily located in the U.S. Its largest portfolio investment is U.S. Gas & Electric, Inc. MVC typically serves as the lead investor for transactions, but also participates as a co-investor or with other private equity investors. It targets companies with revenues between $10 and $200 million and EBITDA of $3 to $25 million. MVC made 11 investments totaling $11 million in fiscal 2012. In late 2006, The Tokarz Group Advisers LLC became the sole advisor and manager of the Company. MVC Capital was founded in 1999 and is based in Purchase, New York, with an additional office in Chicago.

KEY INVESTMENT CONSIDERATIONS:

Financial Success – MVC has reported bottom line growth each year under its current management, and combined net realized and unrealized gains on investments of approximately $187 million from the beginning of 2004 through fiscal 2012. NAV growth per share averaged 7% since fiscal 2004, including through the financial crisis. The Company's strong cash position and ability to further monetize its portfolio readies it to deploy into new investments. The company also has a large capital loss carry forward (from losses created under previous management) available to shelter eligible future gains.

Proven Investment Strategy – Management looks for investments in underperforming companies with opportunities to redirect resources and strategies. It targets companies with secure market niches and predictable profit margins. Greater than 90% of MVC's current investment portfolio at fiscal year end was comprised of investments where MVC was the lead or sole investor. Although energy represents more than a quarter of the portfolio, there is diversity among the remainder: less than 20% in specialty chemicals and close to 10% in medical devices and equipment, automotive retailing, and business and industrial services. Its largest investment, USG&E, has been recognized by *Inc. Magazine* as one of the "Fastest-Growing Private Companies in America" for four consecutive years.

Long History of Strong Yield – MVC paid at least a $0.12 quarterly dividend for seven years and distributed more than $85 million to shareholders under the current management.

Proven Management Incented to Succeed – The managers have an average of 15 years of experience and impressive track records of financial and operational successes. The Chairman is a buyout pioneer and former general manager of KKR for 17 years. Other managers' credentials include the creation of the second largest venture capital firm in the world, and cofounder of Merrill Lynch Venture Capital. They are incented to succeed with MVC's assets: the managers receive incentive fees for net realized capital gains and a 20% fee for exceeding net income target of 8.75%. Insider buying since the beginning of the year also indicates management's interest and expectation of success.

VALUATION:

MVC stock is attractive based on its 4.4% dividend yield and below-book valuation alone. Net asset value as of October 31, 2012 was $16.14. Add to that the potential for future growth in assets and profitability and shareholders have the opportunity to maximize their total return through capital appreciation and income. Interestingly, MVC's total return has consistently outpaced the S&P's total return.

MVC Capital, Inc. (NYSE:MVC)
Investment Data (as of 2/12/13)

Recent Price	**$12.24**
52-Week Range	$11.60 - $13.39
Fiscal Year End	Oct
Dividend	$0.54
Yield	4.40%
Shares Outstanding	23.9 M
Average Trading Volume (3 mos)	88k
Market Capitalization	$292 M
Cash	$36 M
Long-term Debt	$50 M
Enterprise Value (EV)	$306 M
Book Value	$16.14
TTM Revenue	$29.9 M
P/ Revenue	9.8x
TTM EPS	$(0.90)
P/ EPS	NA
TTM EBITDA	NA
EV/ EBITDA	NA

Best Idea Profile: **eGain Corporation (NASDAQ:EGAN)**

DESCRIPTION:

eGain Corporation is the leading cloud provider of multichannel customer service interaction solutions. It provides collaborative customer interaction software solutions to more than 250 direct customers and 200 OEM customers worldwide. eGain provides on-premise technologies through licenses, as well as cloud-based technologies to help businesses communicate and sell to their customers. eGain targets four vertical business-to-consumer markets: telco and media, retail and branded manufacturing, insurance and retail finance, and health insurance. Significant clients in these markets, respectively, are Vodafone, Cannon, and USAA. eGain was founded in 1997, is located in Sunnyvale, California, and employs 500 people.

KEY INVESTMENT CONSIDERATIONS:

Highly Regarded Products – Gartner, Inc. puts eGain in the "Leaders" quadrant of its 2013 "Magic Quadrant for CRM Web Customer Service Applications." It recognizes the Company's "market-defining vision and the ability to execute." The Company's new technology release pulls it even further ahead of its competitors with the introduction of SuperChat. SuperChat is a pioneering customer collaboration solution that empowers businesses to proactively engage customers beyond text chat with unified auto chat, video, voice, and co-browse capabilities.

Win-Win Transition to Cloud Services – eGain's significant investment to migrate from licensed, on-premise technology to cloud-based technology is paying off. In fiscal 2011, 24% of new business was cloud-based, versus 75% today. The most recently reported quarter was the first time cloud customers were the majority of total business (60% of total revenue). Yet tremendous opportunity remains in converting the on-premise customers to the cloud. Close to two-thirds of existing customers are on-premise clients and migrating them to the cloud yields two to three times incremental revenues for eGain, and improved service and agility for the client: A winning combination for the Company and its customers.

Increased Revenue Visibility – Recurring revenue increases visibility of forward revenues and earnings. More than half of eGain's revenue in the most recently reported quarter was recurring revenue, which carries a gross margin of 85%. The quarter's backlog of $40.5 million was up 127% over last year's comparable quarter.

Growing Distribution Channels – eGain has a myriad of growth opportunities including growing direct sales presence in current geographic markets, and entering new geographic markets, such as France and Asia Pacific. The third piece of its growth is continuing to develop and strengthen partner channels in order to reach many more opportunities early in the cycle and with the benefit of incumbency of the partners. In the most recent quarter eGain expanded its partnership with Cisco, going beyond its successful OEM relationship, to now resell the broad eGain suite as part of Cisco's solution.

VALUATION:

eGain is the only pure-play web customer service vendor with material scale and market leading technology. Its stock appears attractively valued in comparison with less fully diverse businesses in similar spaces. RightNow Technologies was acquired about a year ago by Oracle for $1.5 billion, or 8x revenue. LivePerson (NASDAQ: LPSN) trades at 5x revenue. Comparatively, EGAN trades at less than 4x trailing revenue.

eGain Corporation(NASDAQ:EGAN)
Investment Data (as of 2/15/13)

Recent Price	**$7.50**
52-Week Range	$3.31 - $7.98
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	24.7 M
Average Trading Volume (3 mos)	33k
Market Capitalization	$185 M
Cash	$19 M
Long-term Debt	$8 M
Enterprise Value (EV)	$167 M
Book Value	$0.10
TTM Revenue	$47.6 M
P/ Revenue	3.7x
TTM EPS	$(0.28)
P/ EPS	NA
TTM EBITDA	$(4.4) M
EV/ EBITDA	-37.9

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Best Idea Profile: **DSP Group (NASDAQ:DSPG)**

DESCRIPTION:

DSP Group is best known for its wireless chipset solutions used in cordless telephones. DSP is a U.S. Corporation, but approximately 75% of headcount and most of its R&D resources are located in Israel. The R&D capabilities are well known in Israel and the rest of the world and have developed valuable intellectual property including 167 patents granted and 76 pending. IP developed by DSPG has led to two successful spin-offs, DSP Communications (acquired for $1.6 Billion) and CEVA, (market cap $336MM); and the creation of two companies, Nogatech JV with SCITEX (acquired for $170 Million) and AudioCodes (market cap $160MM).

KEY INVESTMENT CONSIDERATIONS:

Profitable Core Business – DSP is a market leader in digital enhanced cordless telecom (DECT) with customers ranging from Samsung to Alcatel. DSP has a 70% market share in the home telephony market. Although this business is in secular decline, it remains very profitable, allowing for substantial investment in research and development in new technologies. DSP spent approximately one quarter of its revenues on research and development over the past five years.

Opportunities in New Markets – With home telephony profitable but declining, DSP is aggressively entering new markets with three new chipsets already launched in 2013 to address three different segments: mobile, home automation & enterprise VoIP.

***VoIP* –** The shift in office phones from proprietary PBX to open IP PBX systems has allowed DSP to capture the third largest market share among chipset vendors. It is quickly gaining market share in the VoIP market whose total market is estimated at $150 million and is growing at a compound annual growth rate of 14%. DSP's market share in VoIP tripled from 2010 and is expected to achieve 30% in 2015.

***Home Automation* –** Home Automation is expected to see significant growth as operators across the globe look for vertical market opportunities to drive ARPU. DSP is leveraging its leadership in DECT technology for use in home automation via the emerging DECT-ULE (ultra-low energy) wireless standard. DECT-ULE has several advantages over other short-range wireless standards including a licensed, interference-free frequency band, longer range, RF robustness, wall penetration, voice/video support and lower cost of deployment. Two of Europe's leading operators are already using DSPG's DECT/CAT-iq 2.0 chips in their home gateways are keen to launch DECT ULE services for home automation. IMS estimates 52MM low-power wireless ICs will be shipped in 2014.

HDClear – HDClear – In the mobile market, DSP recently introduced HDClear, a voice enhancement product for mobile devices that incorporates proprietary, groundbreaking noise cancellation algorithms. This innovative technology applies to cellular conversations as well as speech recognition technology use. Check out a demo on DSP's website www.dspg.com. ARCchart forecasts that 1.8 billion mobile phones with some form of voice control functions will ship globally by 2016.

Improved Financial Performance – Fourth quarter results exceeded expectations. The Company implemented cost controls in 2012 that enabled it to return to profitability at much lower levels of revenue. Non-GAAP year-over-year analysis shows significant progress: 2012 EBITDA $2 million, EPS $0.04.

Cash Flow and Share Buyback – Over the past five years DSP has generated $71 million in cash flow and bought back shares valued at $87 million. It ended 2012 with total cash of $120 million, or $5.50 per share.

VALUATION:

With growth opportunities in very large end markets for mobile and home automation, a growing VoIP business, a dominant position in the cordless telephone market, and cash and long-term securities of $120 million (equal to approximately 75% of its market capitalization), DSPG appears to be an attractive value with a strong risk reward profile.

DSP Group (NASDAQ:DSPG)
Investment Data (as of 2/26/13)

Recent Price	**$7.41**
52-Week Range	$5.05 - $7.91
Fiscal Year End	Dec
Shares Outstanding	21.7 M
Average Trading Volume (3 mos)	50 k
Market Capitalization	$161 M
Cash & Marketable Securities	$120 M
Long-term Debt	0
Enterprise Value (EV)	$41 M
Book Value	$6.55
TTM Revenue	$163 M
P/ Revenue	1x
TTM EPS (Non-GAAP)	$0.04
P/ EPS	Nmf
TTM EBITDA	$1.9 M
EV/ EBITDA	22

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Best Idea Profile: **Unitech Corporate Parks (LSE:UCP.L)**

DESCRIPTION:

Unitech Corporate Parks an AIM-listed, closed-end investment company whose strategy is to make investments in Indian commercial real estate developments specifically for the high-growth information technology and IT-enabled services sectors. The Company is focused on investment in Special Economic Zones dedicated to these industries or IT Parks that are suitable for foreign direct investment. All six of the ongoing development projects in which UCP has invested are joint ventures with Unitech Ltd, one of India's largest listed property developer. UCP owns a 60% share of IT parks in Gurgaon and Noida, India. Unitech Ltd, owns the other 40% of the IT parks. UCP initially raised approximately £360 million by issuing and placing its ordinary shares on the Alternative Investment Market (AIM) of the London Stock Exchange in December 2006.

KEY INVESTMENT CONSIDERATIONS:

Value of Assets – Recently it was announced that Blackstone would buy UCP's main Gurgaon asset for at least the equivalent of $517 million. The landowner gets 28% of the proceeds and UCP would receive 60% of the remainder. This property accounts for probably half of UCP's rental income and at that price should return about 90% of their enterprise value.

Growth of IT Jobs Will Overcome Short-term Decline – Office markets in much of India have become saturated short term. However, demand will likely decline only 20% this year and then will need to ramp back up to accommodate the 150,000 new IT jobs added annually. Although the Indian and global markets remain difficult, the Indian economy grew at over 5% annually in the first three quarters of 2012 and the Indian government has started to embrace policies more likely to promote investor confidence.

Potential Payout to Shareholders – When assets are sold, it could mean at least a partial distribution to shareholders. Unitech Ltd.'s need for cash to pay down its own debt will align it in the best interests of UCP shareholders in selling and distributing proceeds.

Strong Leasing Results – At September 2012, leasing increased to 6.4 million square feet, compared with 6.0 million square feet at the end of March 2012. The Company's share of rental income during the six-month period was £13.3 million compared with September 2011 of £9.9 million. The Company's share of rental income will rise to £22.1 million per annum when the entire 6.4 million square feet becomes fully income producing.

VALUATION:

UCP's 60% share of the market valuation of the Gurgaon asset represents £ 146 million, which is basically equivalent to the current market cap. It's likely that a large portion of these proceeds will be distributed to shareholders given that UCP's development partner needs cash to de-lever. So basically at current prices, investors are getting assets that produce remaining half of UCP's rental income for little or no cost. Overtime, if the market does not realize the disparity in value, shareholders should be able to realize the value, as the trust is schedule to dissolve within three years.

Unitech Corporate Parks (LSE:UCP.L)
Investment Data (as of 2/28/13)

Recent Price	**£ 0.3525**
52-Week Range	0.2825 - 0.3825
Fiscal Year End	March
Dividend	NA
Yield	NA
Shares Outstanding	360 M
Average Trading Volume (3 mos)	400 k
Market Capitalization	£ 127 M
Cash	£ 31 M
Long-term Debt	£ 53 M
Enterprise Value (EV)	£ 149 M
Book Value	£0.70
TTM Revenue	£ 71 M
P/ Revenue	x
TTM EPS	£ 0.02
P/ EPS	21.2
TTM EBITDA	NA
EV/ EBITDA	NA

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12 Monthly Compilation Issues

Access to Past Compilation Issues

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The value proposition of the digest is essentially an "Idea Generator". During the course of my 17-year career in capital markets, I've had the chance to meet and work closely with some very smart professional investors who have consistent track records of outperforming the market indexes. Some of these investors, which include mutual fund managers, hedge fund managers, and other professional investors, are kind enough to share their best ideas with me. I conduct my own analysis of their ideas and publish summaries of those ideas I think represent timely investment opportunities. Over time, I trust the majority of these ideas will pan out and help subscribers generate index-beating returns.

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