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# Three Small-Cap Stocks Set to Explode in 2020

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By Ryan Dinse

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By Ryan Dinse, Editor, *Money Morning*

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A great way to find good small-cap stocks to invest in is to first look for sectors you think are going to grow the fastest.

When that happens, all small-cap stocks in that area tend to ride the coattails of the overall trend.

Which means you can still make good money, even if you pick the wrong stock!

Thankfully in today's fast-changing world there's no end of opportunity. If you know where to look.

And the really exciting thing, is that if you get on the right trend, at the right time, the results can be simply exponential.

For example, when the lithium boom hit the Australian stock market in 2015, nearly every single small miner with even a *hint* of a lithium deposit went absolutely nuts.

The catalyst was the sudden realisation that electric cars were actually going to happen.

**Elon Musk's Tesla Inc [NASDAQ:TSLA]** was making great strides in this new tech and savvy investors put the dots together quickly that lithium batteries were the future.

It built to a buying frenzy as investors piled in.

**Galaxy Resources Ltd [ASX:GXY]** rose from 12 cents a share to a whopping \$4.54 in just under three years.

**Altura Mining Ltd [ASX:AJM]** went from 1.4 cents to over five cents in a similar time frame.

The point is this...

When a mania starts to hit, fortunes are on the table for those smart (and brave) enough to see it first.

Here's the really amazing part (and the one most investors forget)...

Today, neither Galaxy nor Altura are making much money yet.

The frenzy has faded and their respective share prices have fallen hard from their lofty heights, as the reality of the opportunity dawned on investors.

Galaxy is back below \$1.20 as I type and Altura below eight cents (as at 20/11/19).

Timing matters in speculative investments. Getting in before the herd is crucial.



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And as you saw, early lithium investors could've still made a mint if they'd played their cards right, even as late-stage lithium investors lost money.

Getting in early on a new trend is not without risk of course. You never know when an opportunity's time will come.

But the rewards for when you get it right can be substantial.

With that in mind, here are three industries we think could be set to explode in 2020 and a stock in each to look into if you agree.

**[IMPORTANT NOTE: None of these stocks are recommendations. They are just ideas for you to explore further.]**

## Hot Trend #1 — are you ready for a fake meat future?

You've probably heard about fake meat by now.

It was a bit of a breakout year with stocks like **Beyond Meat Inc [NASDAQ:BYND]** in the US listing on the stock market and attracting investor interest in the new idea.

Fake meat has entered the mainstream.

Even Hungry Jacks here in Australia is now offering a fake meat burger.



*Source: Hungry Jacks*

Now to be honest, fake meat isn't my cup of tea.

Give me the real thing, dead cow and all, any day!

But when I looked into the fake meat fad, I actually found something a lot bigger behind it all. Because fake meat is actually just the tip of an iceberg of opportunity sitting underneath.

That real opportunity is in the synthetic biology industry.

And synthetic biology is one of our hot trends for 2020 for you to watch.

So what is it?

Ginkgo Bioworks — a private \$4 billion US company and one of the leaders in this space — describes it as:

*'...an emerging, interdisciplinary area of science that takes engineering principles and*



*applies them to biology, with the aim of designing, redesigning, and constructing new biological structures.'*

Their CEO Jason Kelly explained further in a recent Bloomberg interview:

*'Think of a cell. It's kind of like a little machine that runs on digital code, very similar to a computer, except in this case the code—instead of zeros and ones, it's A's, T's, C's, and G's.*

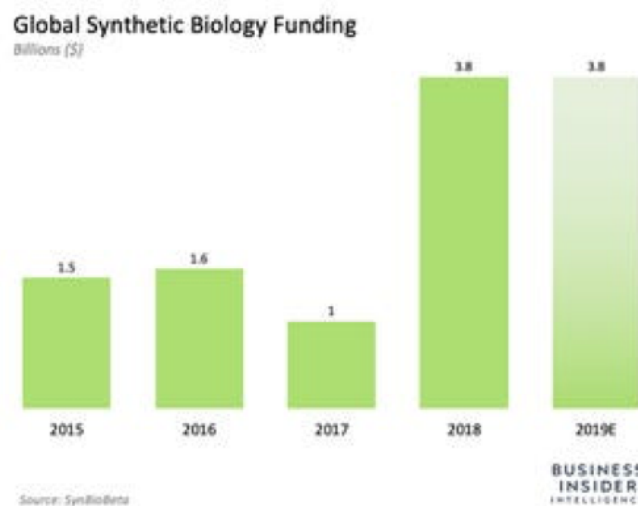
*'The cell reads that code, and it does all the things that a cell does in our body—or a bird's body or bacteria in a river. They're all running on that digital code. We can read that code with DNA sequencing and can write that code with DNA synthesis or DNA printing.*

*If you can read and write that code, and you have a machine that'll run it, that's programming. So synthetic biology is programming cells like we program computers, by changing the DNA code inside them.'*

This is the cutting edge of science and could be the kind of technology that finds its way into every single industry, in much the same way that computer programs have.

From food, to fuel, to pharmaceuticals and farming.

Already big money is starting move in here:



Source: Business Insider

Will it take off in 2020?

It could.

And I think it pays to start looking here early.

Now unfortunately as this is such an early-stage industry, most of the good opportunities are either still in private hands or listed on the US markets only.

But **Recce Pharmaceuticals Ltd [ASX:RCE]** is a \$35 million ASX-listed small-cap stock that is working on a subset of synthetic biology, that you could have a closer look at.

They're in the research phase of trying to create synthetic antibiotics.

A new class of antibiotic treatment to help the world come to terms with a potential looming superbug crisis.



From *Healthline Magazine*:

*‘On a long enough timeline, the superbugs are going to win.*

*‘For starters, there are an estimated 5 million trillion trillion bacteria — a number with 30 zeroes in it — on the planet and only about 7.6 billion of us.*

*‘But the biggest threat posed by bacteria isn’t just its abundance. Rather, it’s that our best defenses against them are becoming less effective by the day.*

*‘By the year 2050, those bacteria are estimated to cause 10 million deaths across the globe each year.’*

Scary stuff!

This is the market Recce are going after and it could be very lucrative for investors if they pull it off.

But the main point is that there are huge opportunities to be found in the entire synthetic biology space.

It’s an area the speculative investor should at least have on their radar right now.

## Hot Trend #2 — your robot doctor awaits

On the outside it looks like a photo booth.



Source: *Mobil Health News*

But on the inside are a powerful array of AI-powered tools.

This is how the company behind the machines describes the system:

*‘When someone makes an inquiry, the “AI doctor” is the first to respond. After the AI algorithm sorts the patient’s basic condition and symptoms, the system automatically transfers the patient to a corresponding real doctor, and the real doctor makes a diagnosis according to the patient’s symptoms and prescribe medication. The “AI doctor” plays the role of assistant to the real doctor, effectively improving efficiency in responding to inquiries.’*

In China, people can spend up to three hours waiting for a doctor, and only eight minutes with the actual practitioner.

So the machines are a sort of filter.

Soon though, the plan is for the machines to dispense pharmaceuticals themselves.



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Sick at work?

See the robot doctor.

But wait, are you faking it?

In China, the robot doctor may inform your boss.

Wouldn't that be a dystopia?

The important thing for now though, is that these tools promise to introduce much-needed efficiency into the Chinese healthcare system.

Currently, the Chinese healthcare system is underfunded, overstretched, and as a result, distrusted by citizens.

These machines could help the country spend less at a time when its economy is starting to feel the strain of the trade war.

You can actually invest in the company that makes these booths too — **Ping An Healthcare and Technology Company Ltd [01833.HK]**.

The main point though is this...

Artificial intelligence and the healthcare industry are about to collide together in a big way. And potentially make some early investors a fortune.

One stock on the ASX you could look into here is **Resonance Health Ltd [ASX:RHT]**.

Resonance's main product is called FerriScan® which provides an accurate measurement of liver iron concentration by using AI-sorted (FerriSmart®) data from MRI scans.

Their other product is called HepaFat-Scan® which looks at fat in liver tissue.

Crucially, both have regulatory clearance in the USA, Europe, and Australia.

Their products which use artificial intelligence (AI) have been clinically shown to be superior to the comparably slower, complicated, and expensive traditional liver biopsy.

Knowing how much iron is in the liver is relevant to the treatment of sickle cell anaemia, people who receive a lot of blood transfusions as well as people with heart conditions.

The bottom line is this: why spend all that time and money cutting people open when you can just run them through the MRI scanner and have AI sort out the data?

That's what Resonance's state of the art products do.

The WHO estimates that 5.2% of the world have haemoglobin disorders (sickle cell and thalassaemia), so that's a massive addressable market for Resonance.

Likewise, HepaFat-Scan® has implications for other liver problems, and perhaps most importantly diabetes which is a huge trend in health.

With the company making inroad into the US, this company could be poised to take the next step in 2020.

AI plus healthcare is the future...



# Hot Trend #3

## — smart materials to bring in a 'New Age'

The fact is that most of the big moments in the evolution of mankind have come with a new material attached.

It's the reason historians classify pivotal moments in time as the Stone Age, the Bronze Age, and the Iron Age.

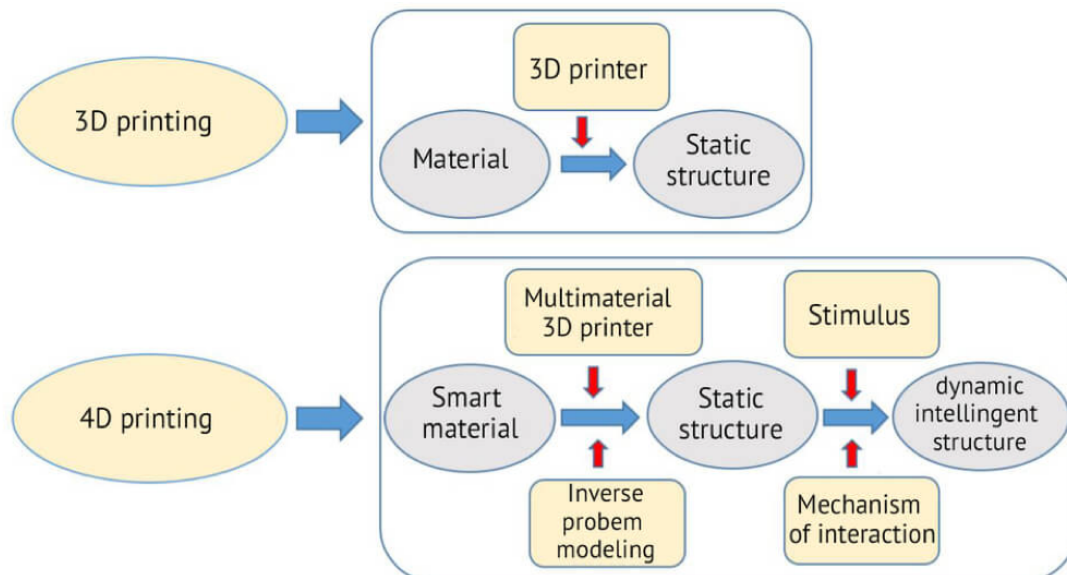
New materials enable new possibilities.

Which leads us to the exciting new world of 'smart materials'.

Smart materials are also known as intelligent or responsive materials. They react in a controlled response to certain stimulus.

These smart materials could even self-assemble when you touch them.

For example, here is a graphic that conceptualises the difference between 3D conventional printing and 4D printing with smart materials:



Source: Differences between 3D printing and 4D printing procedures. Diagram by Jean-Claude André | Scientific Advisor at INSIS

Graphene, electromagnetic polymers, and ferrofluids are just three smart materials that are in a state of deep research right now.

In a way I think of materials technology as an enabler of other forms of technology.

For things such as quantum computing to become possible, unique materials to make microchips that can be stable at room temperature are still required.

But a stock you might want to look into today is actually in the more mundane industry of concrete. The industry it's targeting is huge.

**Eden Innovations [ASX:EDE]** has spent the last few years developing a carbon-strengthened concrete liquid additive.

The idea is that this will make concrete constructions tougher and longer lasting in a whole host of



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buildings form roads to bridges.

Which will be safer and save money.

The company has a firm footprint in the USA and is in the early stages of commercialisation.

While sales have been slow to start with, any uptick in demand could be swift if local authorities start mandating its use.

It's worth a look...

## **Ride the biggest trends, ride the best small-cap stocks**

As I said at the start, finding early-stage trends with exponential potential is a great way for a small-cap investor to start their stock selection process.

It's the method I personally use in my flagship introductory small-cap stock picking service, Exponential Stock Investor.

And it's the process I've found works best over my near two-decade investing career.

Happy hunting!

**Good investing,**

**Ryan Dinse,  
Editor, Exponential Stock Investor**



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