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Amass Your Fortune With These Top Stocks

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You don't need the investing acumen of Warren Buffett or the riches of a trust fund baby to achieve financial success.

Since the stock market is your best hope for realizing your dreams, start investing today, by putting away small sums of money every month. Then seek out undervalued small-cap stocks for your greatest returns. I like these stocks because they offer opportunities for growth, while still being mostly overlooked by the big investors.

To find these future giants, we'll screen for stocks with market values less than $3 billion, an earnings surprise of 15% or more in the previous quarter, and forecasts for long-term earnings growth potential of at least 15%. We'll filter our findings through the collective investing wisdom of the 165,000 members in our Motley Fool CAPS community. If the best and brightest CAPS players think these stocks hold potential, we ought to take notice, too.

Here are some of the stocks this simple screen found:

Company	Market Cap	EPS Surprise	Avg. Analyst 5-Yr EPS Est.	CAPS Rating
Conexant (Nasdaq: CNXT)	$153 million	$0.08 vs. $0.06	20%	****
Ebix (Nasdaq: EBIX)	$636 million	$0.36 vs. $0.30	15%	*****
InterDigital (Nasdaq: IDCC)	$1.1 billion	$0.78 vs. $0.61	15%	****

Source: Yahoo.com and Motley Fool CAPS.

Of course, this is *not* a list of stocks to buy -- just a starting point for more research. We need to look more closely at these companies to see whether analysts' faith in them is well-founded. Still, since the CAPS community's helping us out, their favorite selections might be a good place to begin.

An alternative opportunity
Fabless semiconductor maker Conexant Systems has been diligently unloading the burden its debt-laden balance sheet has caused. It also offered new debt and equity earlier this year, which the market apparently didn't take kindly to. Now it's sold off product lines to focus more on its core business, while using the proceeds to retire debt.

All the same, its remaining legacy lines still drag on operations. Even though it handily beat analyst expectations last quarter, it anticipates a significant sequential decline in its legacy businesses that will crimp total revenue and cause it to post earnings of just $0.04 to $0.05 per share. Wall Street had been hoping for $0.07 a share, so we've seen Conexant's stock continue its downward trajectory.

Yet investors might want to focus on the audio and imaging businesses, where Conexant seeks future growth. Those lines grew 7% last quarter, accounting for 58% of revenue. Still, Conexant will have a hard time distinguishing itself from rivals like **STMicroelectronics** (NYSE: STM) and **Marvell Technology** (Nasdaq: MRVL), even though 90% of CAPS member rating the chip specialist think it will outperform the broad market averages.

I'll drink to that
Providing software solutions to the insurance industry wouldn't seem to provide many opportunities for distinction. Yet Ebix consistently offers investors returns on equity around 30%, doubling the three-year average of its biggest rival **Computer Sciences**, while trading at a discount to the industry.

That could be why CAPS members think the insurance software leader is poised to pop, including this positive outlook from highly rated All-Star rd80:

> Ebix provides software to the insurance industry. Not the most exciting business in the world, but...
>
> Valuation looks excellent considering the growth prospects. The company trades at 13 times estimated 2011 earnings with analysts predicting growth of 15% over the next five years. The Mar '10 balance sheet shows about $56 million in debt with $20 million in cash. Current ratio is over 1, so no near term cash flow problems.
>
> Strong balance sheet good growth prospects value territory multiple = outperform

Slimming down
While the insurance industry is decidedly sleepy, wireless modem technologies such as those provided by InterDigital seem vastly more enticing. Its third-quarter revenue is expected to rise as much as 20% from the year-ago period, significantly exceeding analyst forecasts.

There might even be more growth than that in InterDigital's future, now that **Clearwire** (Nasdaq: CLWR) has thrown in the towel on the WiMAX wireless standard. Once WiMAX's strongest supporter, Clearwire has now begun testing InterDigital's next-generation LTE technology, which could run four to six times faster than competitors' networks. **AT&T** and **Verizon** (NYSE: VZ) were already backing this 4G wireless broadband solution, so Clearwire will have a lot of catching up to do here.

SpartanMAC thinks InterDigital also has the fundamental stability to lead the industry forward:

> PE under 10, healthy amounts of cash on hand, inside ownership over 2%, and average 3 year revenue growth over 10%. Growth projections are strong for this company. Greenblatt pick.

Foolish final thoughts
Stock investing is not brain surgery. Finding good, undervalued companies is not as difficult as the professionals want you to think. Now's the time to begin!

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