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Small-Cap Party Might Be Over: Under the Radar

Jake Lynch

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BOSTON ([TheStreet](#)) -- My love for food stocks is not unrequited. **Lance**([LNCE Quote](#)), **Cott**([COT Quote](#)), **J&J Snack Foods**([JJSF Quote](#)), **J.M. Smucker**([SJM Quote](#)) and **TreeHouse Foods**([THS Quote](#)) -- companies I've highlighted in our "Under the Radar" series -- have jumped more than 19% since mid-June, outperforming the 17% gain of the **S&P 500 Index**.

Our quantitative model deemed these stocks undervalued at the time, but investors have since bid them up to excessive prices. TreeHouse, Lance and J&J Snack are trading at sizable premiums to the market.

Many investors are bracing for a market correction after stocks hit their highest levels in almost a year on Wednesday. Food stocks are usually considered steady bets because of their low volatility and resistance to economic swings. But when safe plays jump this much in a short period, it makes you question how safe they truly are.

I decided to review companies I've profiled in "Under the Radar." Since the series began in May, my picks have risen 9% on average. Sixty four of the 91 stocks I've recommended, or 70%, have gained value. Of the decliners, the average drop is 4%.

Top performers include **Ebix**, **NVE**([NVEC Quote](#)), **Broadpoint Gleacher Securities Group**([BPSG Quote](#)), **Marvel Entertainment**([MVL Quote](#)) and **Knight Capital Group**([NITE Quote](#)). Each climbed more than 30% since they appeared in "Under the Radar."

In total, 37% of my picks have posted a double-digit gain, with 19% rising 20% or more.

Individual investors watched their portfolios lose more than a third of their value last year as the recession took hold. It's great that so many have been able to recover some of their losses, but a sense of entitlement to further appreciation is dangerous.

The excesses of the past decade have not been cured in six months, despite what the market might indicate. A 50% rally over such a short period is unprecedented. Small-cap stocks, in particular, have had a tremendous run. We hope the party can last, but there's no harm in reducing risk and protecting some of your gains.

-- Reported by Jake Lynch in Boston.

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IDC calculates the Market Cap for the basic symbol to include common shares only. Year-to-date mutual fund returns are calculated on a monthly basis by Value Line and posted mid-month.

*Oil Data in Market Overview is Brent Crude Pricing