



## The Best Stocks You've Never Heard Of

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What stocks were the best performers over the past decade? Oil and gas giant **Occidental Petroleum** (NYSE: [OXY](#)) put up a mighty fine 861%, and **UnitedHealth's** (NYSE: [UNH](#)) 399% return was pretty impressive as well -- particularly when you compare it to the overall market's terrible returns.

But these two were nowhere near the [top performers of the last 10 years](#). That list is made up of real rocket shots like **Green Mountain Coffee Roasters** (Nasdaq: [GMCR](#)) -- which put up returns of nearly 6,000% -- and **Bally Technologies**, which was up more than 5,700%.

So what allowed the second duo to deliver such clobbering gains? A lot of things are likely at play, not the least of which are a good business and great execution. But the second two stocks also share something else important in common -- they're tiny and [not very well known](#).

The fact that smaller stocks that haven't been discovered by Wall Street have a tendency to blow past their larger brethren is something that's [well known](#) by my fellow Fools -- particularly the team at [Motley Fool Hidden Gems](#).

But where do we start if we want to find the stocks that will put up market-annihilating returns over the *next* 10 years? I've decided to turn to the 150,000 members in the [Motley Fool's CAPS community](#). Below I've pulled up five stocks that have a market cap of less than \$1 billion and have been highly rated by CAPS members.

Company	Market Cap	Projected Long-Term Growth	CAPS Rating (out of 5)
<b>Ebix</b> (Nasdaq: <a href="#">EBIX</a> )	\$511 million	18%	*****
<b>Jinpan International</b> (Nasdaq: <a href="#">JST</a> )	\$353 million	20%	*****
<b>Aircastle</b> (NYSE: <a href="#">AYR</a> )	\$805 million	25%	*****
<b>Ceradyne</b> (Nasdaq: <a href="#">CRDN</a> )	\$571 million	8%	*****
<b>Houston Wire &amp; Cable</b>	\$224 million	15%	*****

Source: CAPS and Yahoo! Finance.

While these aren't meant to be formal recommendations, they could be a great place to kick off some further research. In fact, let's go ahead and take a closer look at [Motley Fool Rule Breakers](#) pick [Ebix](#).

### Enabling insurance

Ever wonder why Warren Buffett loved Gillette so much as an investment? It's really pretty simple -- customers bought the company's products over and over and over again. Recurring revenue is a wonderful thing for an investor because it tends to make a company more reliable and predictable.

Ebix may not be selling disposable razors, but the company has some pretty impressive recurring revenue nonetheless. Management claims that more than 80% of the company's total revenue is

recurring revenue and that comes from a customer base that has a 99% retention rate. In other words, at the very beginning of each new year, Ebix can already count on a significant amount of business coming its way.

But while predictable business is nice, it's even better when it's combined with a big growth opportunity. In Ebix's case, the company is gobbling up bits of the massive \$60 billion insurance IT market. In a highly competitive industry such as insurance where it can be tough to carve out a true competitive advantage, efficiencies gained through products such as Ebix's can provide a nice leg up -- so it's reasonable to expect that insurers will increasingly find themselves knocking at Ebix's door.

With a very reasonable valuation -- it's currently trading at a mere 12 times expected 2010 earnings -- and a solid business behind the stock, it's no surprise that the CAPS community has given the Ebix's stock a perfect five-star rating.

CAPS member [DrBojangles](#) joined the bullish chorus on Ebix in late January on the hope that the company's products will become an essential part of the insurance industry:

Being a 'middle man', or 'enabler' if you prefer, is the most advantageous position to hold in an industry. I'm voting for this one on the basis that EbixExchange will become an essential part of the worldwide insurance business. It'll take time though so I'm looking to average in gradually on the pullbacks

### **Make your call**

The CAPS community is all about getting everyone's opinion into the mix. So now it's your turn. [Head over to CAPS](#) and let the 150,000 members know what you think about Ebix or any of the other stocks listed above.

*Want to read more about small companies that could make you an investing big shot? Check out [Anand Chokkavelu's thoughts on the stocks that could be the next 10-baggers](#).*

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