



# ***Rodney's Take***

September 11, 2023

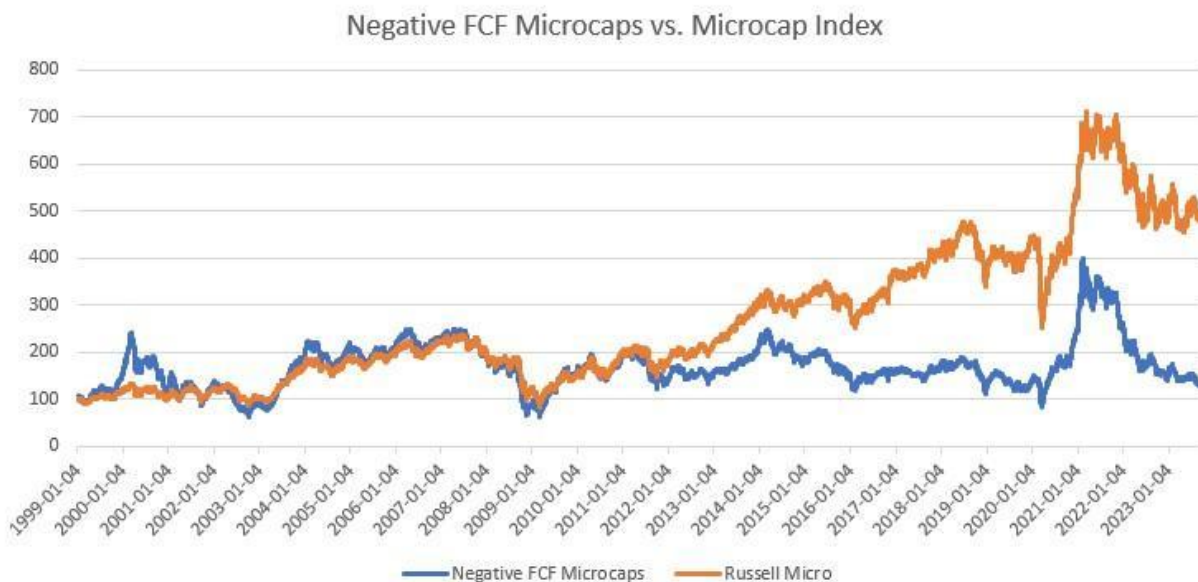
*If you don't know John Del Vecchio, you should. We've been following his strategies at HS Dent, and it is money to our ears. I'm letting John write for me today to give you some insight into what he does.*

## **A Simple Approach to *Crushing* the Market**

Hype: it's a four-letter word. And as we know, four-letter words are bad, especially in investing. Yet again and again, investors wager *massive* amounts of money on hyped-up stocks. I am talking Internet stocks. Cannabis stocks. Crypto stocks. Artificial intelligence stocks.

It's the same movie on repeat—a horror movie with lots of blood and guts—and it *always* ends badly. **Trillions of dollars have evaporated betting on hype.** There is a better way.

Let me explain. Take a look at this chart.

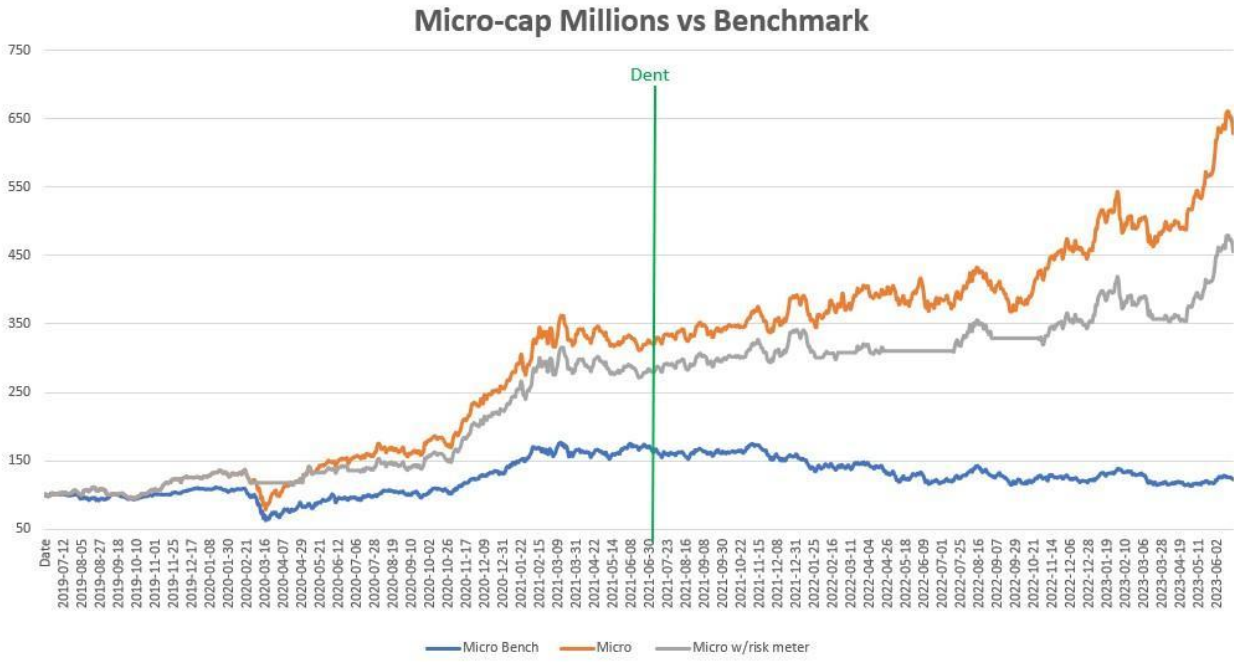


One of the critical factors when investing in hype is that there is *little financial substance* for the company. Instead, massive expectations are built into the current stock price based on “the story.”

We all like good stories, but stories don't translate into cash flow. The most-hyped companies, often those with negative cash flow, tend to be substantial losers (see blue line in chart above). Invest in these, and you will end up with a *20-year drawdown* (period of losing money) and **no returns**. On the other hand, applying some financial statement analysis and accounting forensics to a relatively strong portfolio can yield market-crushing results.

Think of accounting forensics as a crime scene investigation of your portfolio holdings. Every company is guilty until proven innocent. A forensic analysis of your portfolio will separate the best from the rest.

Take a look at this.



My Microcap Millions strategy went live in 2019. The system recently hit its fourth anniversary in June. And what was the real-time result? Annualized returns of 58.4% for Microcap Millions, compared with 5.3% for the benchmark. That’s an increase of over five times for your money in four years. Oh, and Microcap Millions is up 33.6% year-to-date so far in 2023.

Will this strategy continue to work?

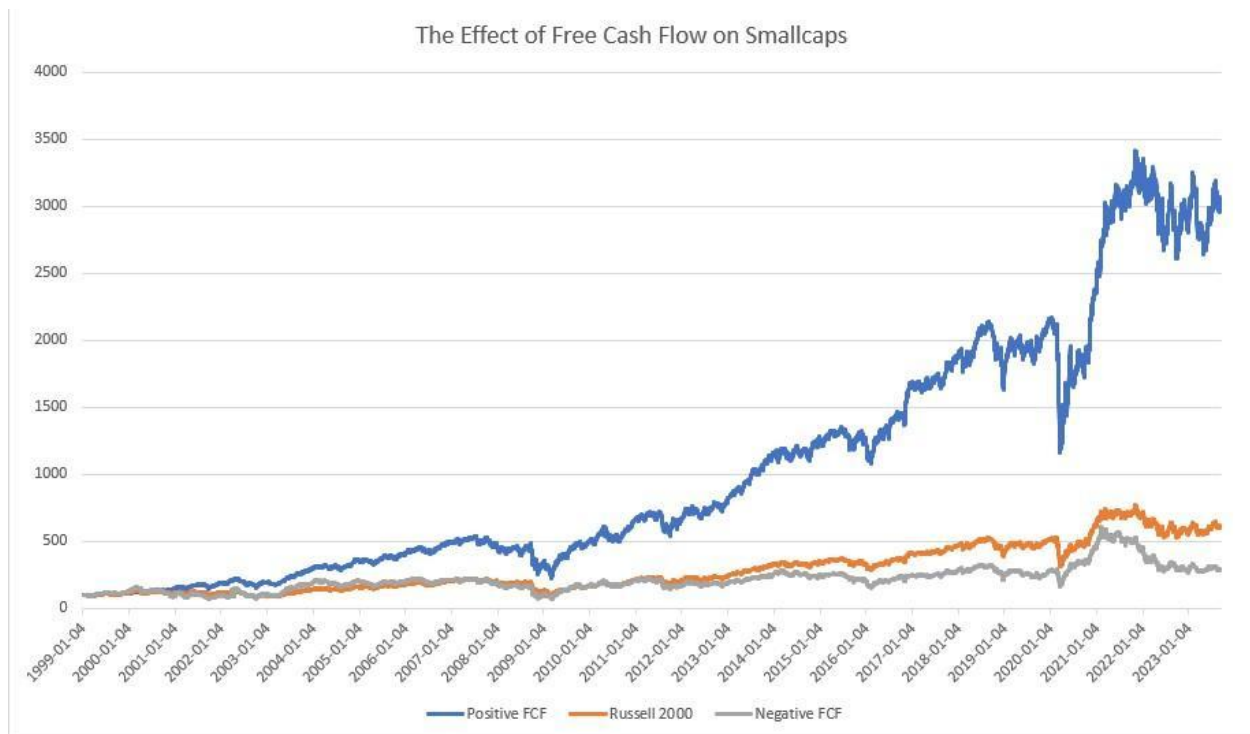
While nothing goes up in a straight line, I believe in the intermediate and long-term prospects of the Microcap Millions strategy. Why? Because microcap investing is **one of the last edges** that the small investor has over Wall Street titans and large institutional investors.

Microcaps are too small for big investors to bet on and often need to provide more investment banking prospects to draw the attention of the Wall Street powerhouses. Small companies fly under the radar, yet, today’s big companies were yesterday’s small companies. If you can separate the hype from the reality, microcap investing offers massive opportunities.

Wall Street is your enemy. The Masters of the Universe on “the street” are not looking out for your best interests. The powerful investment bankers might drive around in Maseratis and spend their lavish bonuses, but where is your Maserati?

To beat Wall Street at its own game, you need to play in a sandbox where you have the advantage and can be the bully—and that sandbox is smaller companies with strong quality of earnings, tangible and sustainable cash flow, and price momentum. Once these stocks break out, they can go a *long way*.

Stop wasting your time getting sucked into the latest investment fad only to have your pocket picked by Wall Street pros. Beat these thugs at their own game with a defined approach and a statistical edge. At the very least, analyze the cash flow of the companies you invest in. Simply avoiding the hype and demanding cash flow can increase your results by 30 times!



Or , consider strategies such as Microcap Millions and let it rip! Stay tuned; I'll have more to tell you about Microcap Millions soon.

John Del Vecchio

Got a question or comment? You can contact us at [info@hsdent.com](mailto:info@hsdent.com).