



## Drawdowns Happen

Drawdowns happen.

And, we are in one.

The problem with drawdowns is that no one knows how severe they will be or how long they will last.

Any strategy that sees the light of day in a newsletter looks good on paper.

Over 25 years, I have developed and tested countless strategies.

I would not be surprised if it's in the thousands.

The strategies I present in my newsletters are only the best I have been involved with.

There's plenty of work I would never share for one reason or another.

The most significant factor in determining what to show outside folks such as yourself is the odds that the strategy will perform well in "real life."

Again, no one knows for sure.

However, educated guesses based on experience can be made.

I focus intently on risk.

That's because sticking with the system is the most significant factor in success.

Drawdowns are a test to see if investors and speculators can stick with the system.

Through thick and thin.

We know that most people cannot stick with the system

That's our edge.

We know that the highest allocation to equities ever made by average people was near the peak of the Dot-Com Bubble.

We know that average folks' lowest equity allocation was **at the exact low** in 2009 during the Great Recession.

Those are facts.

We also know most people will not keep up with inflation.

This is because they buy high and sell low.

So the key is to stick with the system through thick or thin and hell or high water.

Practically, how can we do this?

One step you can take is to diversify the strategies you use to construct your portfolio of investments.

You might have a trend-following system.

You might have a value system.

You might have an income system.

The list goes on.

Those systems may perform differently at different times.

The result is shallower drawdowns and a smoother equity curve.

You may rest easier at night.

However, life has a habit of throwing a turd in the punch bowl.

Once in a while, the shit hits the fan everywhere and all at once.

There's nothing you can do about that.

Like Alec Baldwin's character, Blake, says in the great movie *Glengarry, Glen Ross*, it "takes brass balls to sell real estate."

It takes brass balls to stick with the system.



Either you have brass balls, or you don't.

It's ok if they're not brass.

Paper mache balls work, too, for many things in life.

Just not in investing.

So, developing and sticking with a system that fits your personality is very important.

That said, let's examine the *Microcap Millions* strategy to delve deeper into the current drawdown.

This is the primary strategy of my not-so-vast financial publishing empire.

The risk/reward ratio is exceptional.

Additionally, there's a massive advantage over Wall Street that will continue until the end of time.

However, it won't be a straight ride to the Moon.

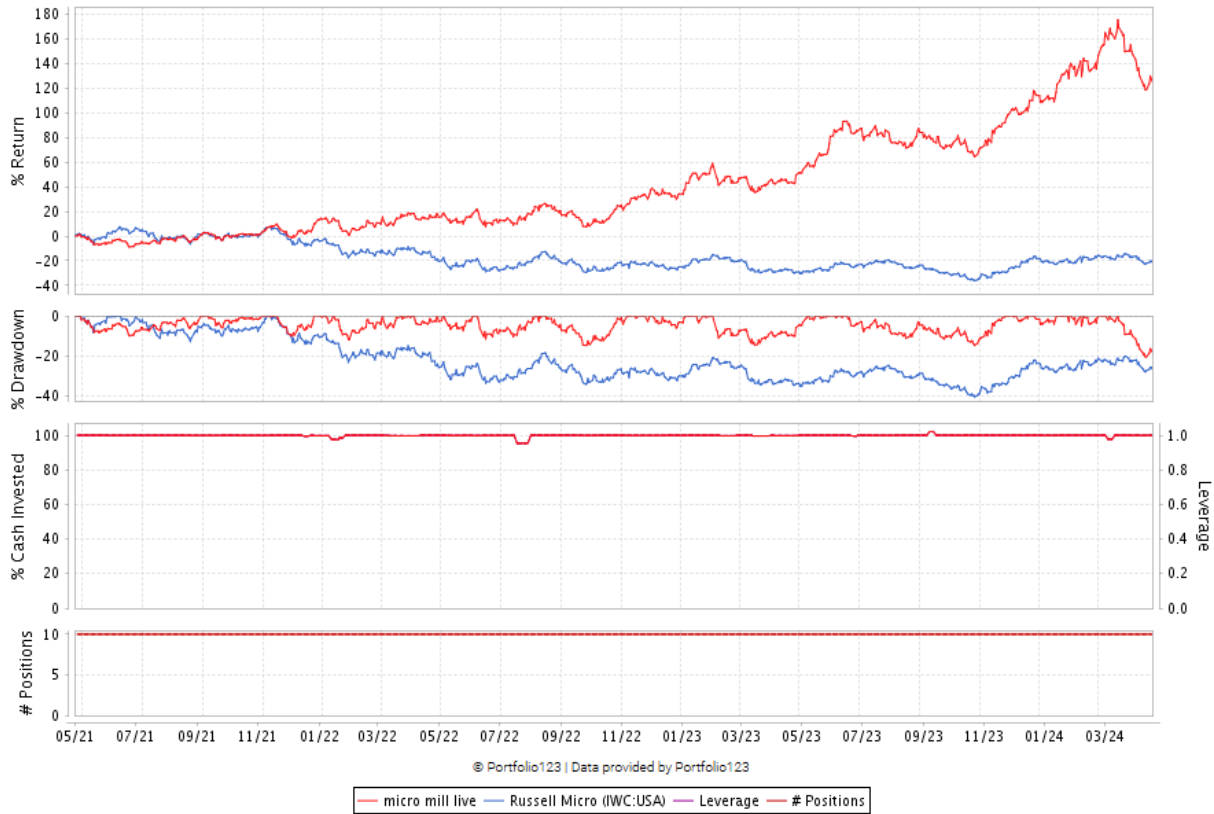
Recently, the strategy took about a 20% haircut (redline in the middle panel of the chart below).

That compares to 40% for the deepest drawdown for the microcap benchmark index (blue line in the middle panel of the chart below).

There have been two 20% drawdowns in recent history.

20% hurts.

No loss feels good.



Now, going back further, the strategy has experienced 50% drawdowns, and the index has gotten spanked even worse.

I am 1,000% certain that another 50% drawdown lurks in the future.

However, I do not know when.

*Microcap Millions* is a monthly strategy, and things look better on a monthly basis.

Monthly Performance Last 12 Months

Return (%)	2023/05	2023/06	2023/07	2023/08	2023/09	2023/10	2023/11	2023/12	2024/01	2024/02	2024/03	2024/04
Model	13.81	8.89	-0.38	1.48	-7.74	-2.51	17.89	7.84	6.37	6.05	3.43	-9.77
Benchmark	1.29	6.56	5.49	-6.56	-6.69	-7.07	9.52	14.28	-4.02	6.47	2.44	-8.03
Excess	12.52	2.32	-5.87	8.04	-1.04	4.57	8.37	-6.44	10.39	-0.42	0.99	-1.74

The strategy has a monthly drawdown of just under 10% compared to about 8% for the index.

Microcaps have been out of favor in April.

It happens.

On an annual basis, things look perfectly fine.

## Performance by Calendar Year

Return (%)	2021*	2022	2023	2024**
<b>Model</b>	13.57	18.23	59.55	5.27
<b>Benchmark</b>	-3.90	-21.93	8.99	-3.73
<b>Excess</b>	<b>17.47</b>	<b>40.17</b>	<b>50.56</b>	<b>9.01</b>

(\*) From 04/23/21 (\*\*) To 04/26/24

Sticking with the system still yields a profit year-to-date and significantly outperforms the microcap universe.

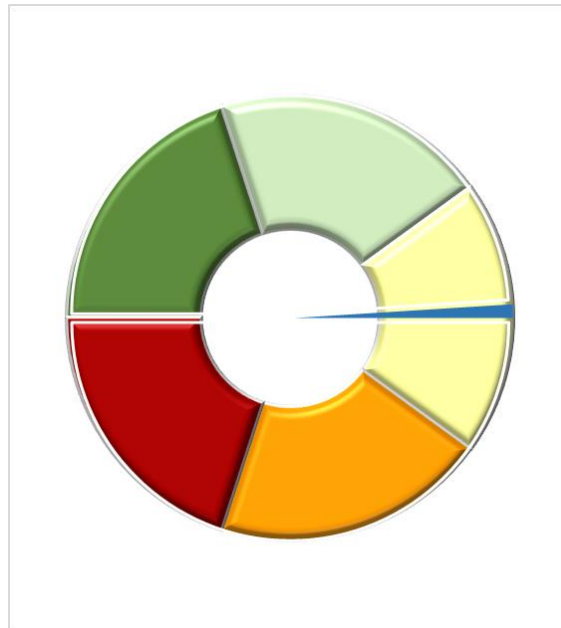
In the end, it's much ado about nothing.

If you play enough hands of blackjack when the odds are in your favor, you will win.

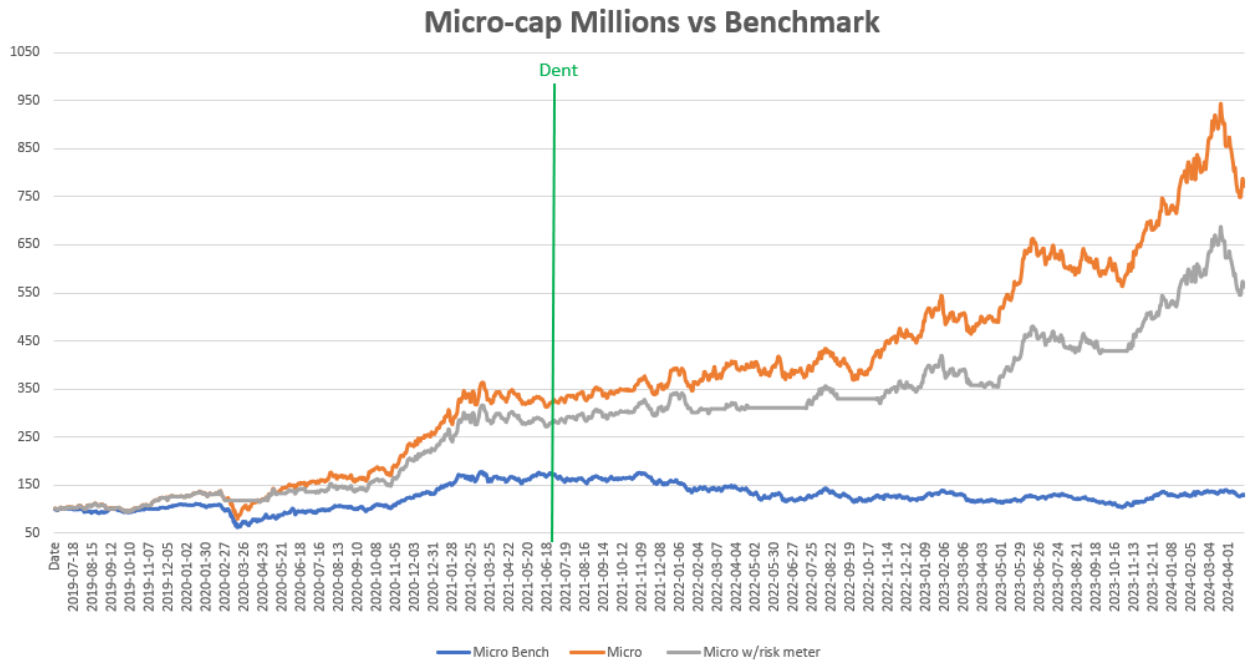
Even if you lose 100 hands in a row.

Strategic investing works precisely the same way.

Nothing new with the *Risk-O-Meter*. Next week, I will share my list of future buys and their proportions the next time the market is deeply oversold.



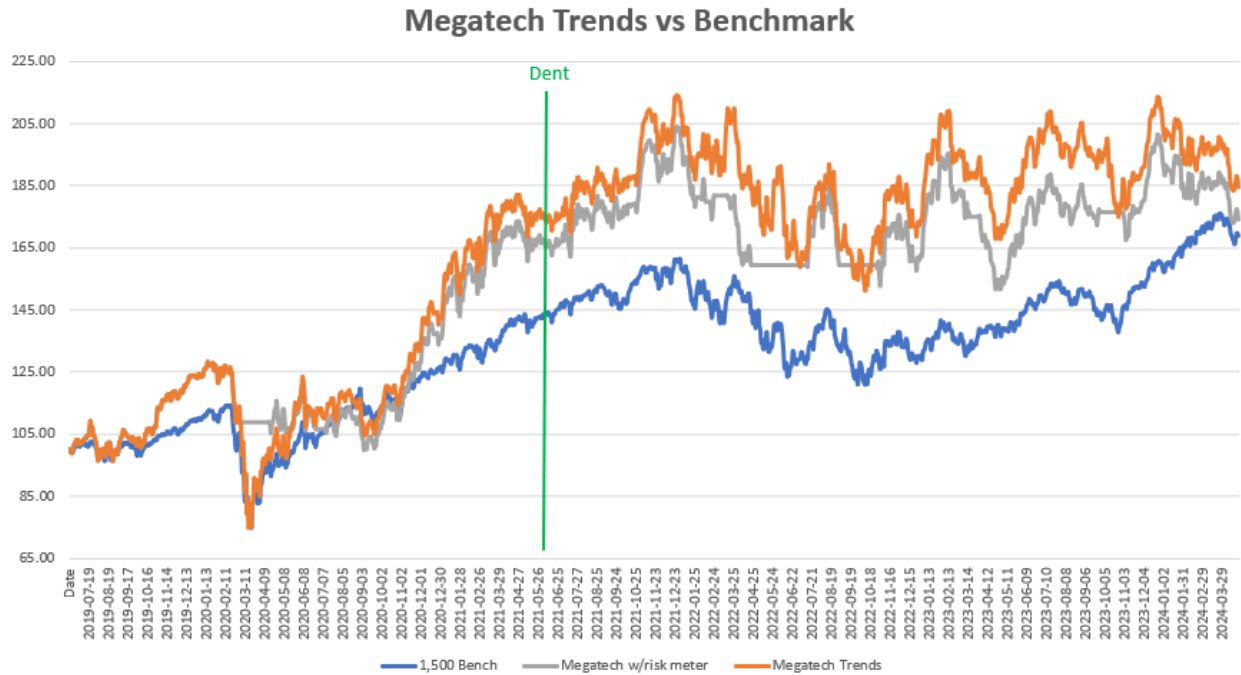
# Micro-Cap Millions



There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
ALOT	AstroNova, Inc.	1.34%	4	Technology
BWAY	Brainsway Ltd.	-17.12%	38	Healthcare
CLMB	Climb Global Solutions, Inc.	14.57%	73	Technology
CRNT	Ceragon Networks Ltd.	-3.86%	59	Technology
CXDO	Crexendo, Inc.	-12.27%	24	Technology
DDI	DoubleDown Interactive Co., Ltd.	-15.60%	65	Technology
DHX	DHI Group, Inc.	-2.35%	24	Technology
DSP	Viant Technology, Inc.	64.43%	178	Technology
ELMD	Electromed, Inc.	17.76%	65	Healthcare
ITRN	Ituran Location & Control Ltd.	9.70%	325	Telecommunications

# Mega-Tech Trends



There is one trade this week.

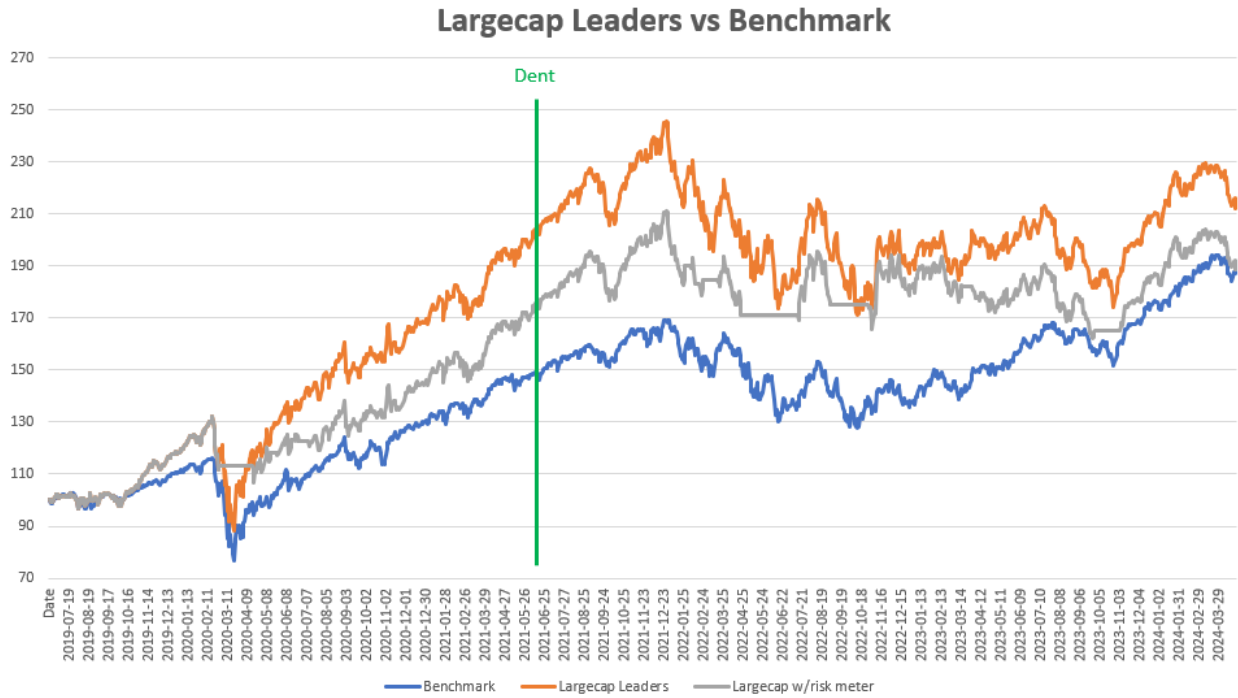
**Buy TD SYNEX Corp. (NYSE: SNX)**

**Sell Xerox Holdings Corp. (Nasdaq: XRX)**

Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
BMY	Bristol Myers Squibb Co.	-10.80%	94	Healthcare
COLL	Collegium Pharmaceutical, Inc.	8.64%	94	Healthcare
DBX	Dropbox, Inc.	-4.59%	65	Technology
DXC	DXC Technology Co.	-6.00%	80	Technology
OSUR	OraSure Technologies, Inc.	-30.70%	87	Healthcare
SCSC	ScanSource, Inc.	5.44%	87	Technology
<b>SNX</b>	<b>TD SYNEX Corp.</b>	<b>0.00%</b>	<b>NEW</b>	<b>Technology</b>
SWKS	Skyworks Solutions, Inc.	-1.57%	87	Technology
TDC	Teradata Corp.	-0.87%	38	Technology
YELP	Yelp, Inc.	-10.40%	80	Technology

# Large Cap Leaders



There are no trades this week. Here is the current portfolio:

Ticker	Name	Return	Days Held	Sector
AKAM	Akamai Technologies, Inc.	-6.59%	31	Technology
AMAT	Applied Materials, Inc.	17.60%	94	Technology
BMJ	Bristol Myers Squibb Co.	-10.06%	87	Healthcare
CDW	CDW Corp.	3.24%	4	Technology
CHTR	Charter Communications, Inc.	-31.29%	87	Telecommunications
CMCSA	Comcast Corp.	-12.64%	94	Telecommunications
CTSH	Cognizant Technology Solutions Corp.	-8.91%	24	Technology
FFIV	F5, Inc.	0.98%	94	Technology
HPE	Hewlett Packard Enterprise Co.	-2.30%	31	Technology
MSFT	Microsoft Corp.	25.88%	213	Technology



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