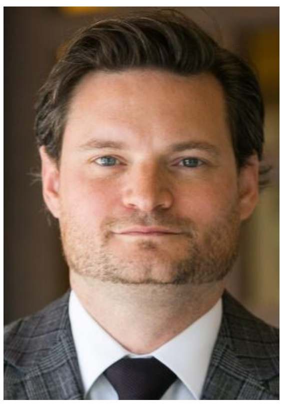


PE is Pee-eww

A few months ago, I warned that a movement to allow 401(k) plans access to private equity and alternative investments is a bad idea.

Right after I wrote that piece, an executive order was issued to make this a reality and broaden investment options for 401(k) plans.

A subscriber recently sent me an article that reminded me that 401(k) plans investing in private equity investments is…

A bad idea!!!

The article was published on zerohedge.com and references a piece from the *Financial Times* highlighting some potential private equity shenanigans. Here's the rather *unflattering* headline:

FT Exposes The Literal Definition Of Ponzi-Scheming In Private Equity

BY TYLER DURDEN SATURDAY, JAN 03, 2026 - 04:05 PM

The zerohedge.com article is freely available online, and I encourage you to spend five minutes reading it to inform yourself of what's going on in the private equity space.

Here's the main gist, though.

Private equity firms are selling assets to themselves at a record pace, and yes, selling assets to themselves. Seems odd, right?

Well, it's not. About 20% of private equity firms are engaged in this activity, totaling $107 billion in 2025. That compares with $70 billion the year before. So, this is not a new scheme.

The private equity firm is the buyer *and* seller. They raise new cash *and* collect fees.

Big fees. *Huge* fees.

It stinks!

Again, read the article on some of the specific chicanery taking place.

This behavior is a stark reminder that most people should avoid these investments like the plague.

While I cannot give specific investment advice, in my book *Rule of 72*, my co-author and I lay out the simplest way to financial freedom.

Time and consistency. Take advantage of the tax and savings benefits of a 401(k) plan. Max it out fully. Leave nothing on the table.

Then consistently invest in the broad market regardless of who is president, who controls Congress, inflation, war, or whatever the news of the day is. Then do it over and over and over again. Game over. You win.

One key component is paying low fees. And, you can't pay low fees to private equity managers. That doesn't exist. It's even worse to pay fees to people who are self-dealing. So, don't go there.

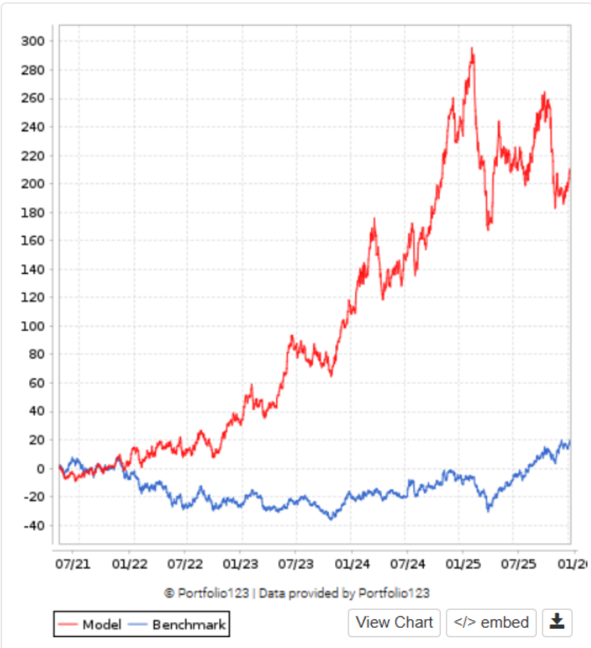
Outside of your 401(k), *then* if you want to invest in stock strategies, precious metals, market timing strategies, or a variety of more complex investments, that's up to you. But the best way to take care of the basics is to start with a basic strategy first.

The folks who invest their 401(k) plans run the risk of being suckered. And, like Warren Buffett said, "if you've been in the poker game 30 minutes and you don't know who the patsy is, you're the patsy."

Don’t be the patsy!

Micro-Cap Millions

Please read the trading tips on the next page.



General Info

PDF Report

Total Market Value (inc. Cash)	3,106,689.13
Cash	-15,414.71
Number of Positions	9
Last Trades (2)	12/29/25
Period	04/23/21 - 01/09/26
Sizing Method	Static Weight
Next Rebalance (Every Week)	01/11/26 Tomorrow
Mode	Manual
PIT Method - Prelim	Use
Benchmark	Russell Micro (IWC:USA)
Universe	United States (Incl. Foreign Primary)
Ranking System	Strategic Profits

Quick Stats as of 1/9/2026

Total Return	210.67%
Benchmark Return	19.85%
Active Return	190.82%
Annualized Return	27.16%
Annual Turnover	376.84%
Max Drawdown	-32.36%
Benchmark Max Drawdown	-40.68%
Overall Winners	(102/192) 53.00%
Sharpe Ratio	0.93
Correlation with Russell Micro (IWC:USA)	0.61

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

Ticker	Name	Return	Days Held	Sector
A LOT	Astro Nova, Inc.	7.33%	11	Technology
DDI	DoubleDown Interactive	-1.96%	53	Technology
ITRN	Ituran Location & Control	13.24%	312	Telecommunications
KOSS	Koss Corp.	-14.21%	60	Technology
NEPH	Nephros	-11.42%	53	Healthcare
PDCO	Podcast One	3.83%	46	Technology
RSSS	Research Solutions, Inc.	-1.69%	137	Technology
TACT	TransAct Technologies, Inc.	-8.76%	129	Technology
TRT	Trio-Tech	90.87%	53	Technology

Helpful Trading Tips:

1. Only fools rush in where angels fear to tread. The average holding period of a position in the portfolio is nearly 90 days. The newsletter is published on Monday mornings because I do the work over the weekend. That's why. It's not because there's some magical reason to trade on Monday. Therefore, be patient. You will almost always get a better price for being patient than if you rush in.
2. There's an old Wall Street adage that "amateurs trade at the open, and professionals trade at the close." If you trade small stocks at the open, you'll most likely get ripped off. Don't do it. If you get ripped off, it's your fault, not the market maker. **There's no need to trade at the open on Monday. It may hurt your returns. You should burn your money instead.**
3. Use limit orders. If you buy at market prices, you'll likely get ripped off—that's not the market maker's fault. You'll likely get your order filled if you use a limit order at the "ask" when you buy. You'll likely get your order filled if you use a limit order at the "bid" on a sale.
4. Ease into a trade. Again, the average holding period is nearly 90 days. No one says you need to buy or sell everything at once. Buy a little bit and see how the market reacts. There's been years of actual trading in the strategy, and often, there's not much reaction. So, you could buy and sell just fine.
5. Check with your broker and see if you can use the volume-weighted average price (VWAP) to trade in and out of the stocks. Trading the VWAP uses an algorithm provided by the broker, and they execute the trade in bits and pieces over the trading day. Professionals use the VWAP. It solves a lot of problems. Many online brokers provide services similar to professional traders. **You** will need to check with your broker. I can’t recommend brokers, and I can't tell you whether they use a VWAP or not. But you can easily check with your broker. If you trade using the VWAP, your problems will be mostly solved, and you don't need to sit there and monitor the position. You can go on with your day.

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