July 2026

THE MICROCAP Update

July Overview

July was a difficult month for microcaps and for our strategy. The Deupree James Microcap SMA declined 7.95%, net of fees, compared with a 6.01% decline for the Russell Microcap Index. Several holdings posted strong gains, but those advances were not enough to offset the losses elsewhere in the portfolio. Through the end of July, the strategy gained 8.04% year to date, net of fees, compared with 19.84% for the Russell Microcap Index.

In June, we wrote that the months ahead could be choppy. Our research on midterm elections provides some context for that caution. Historically, small-cap weakness and volatility have tended to build in the months before Election Day, while the year following the election has generally been stronger. The timing and magnitude vary considerably from one cycle to the next.

That history gives us a reason to look carefully at opportunities as the summer progresses. A lower share price is more interesting when a company's earnings prospects and balance sheet remain sound. Election uncertainty may create better entry points, but the investment still needs to make sense on its own.

Top Performers in July

OTLY (+59.25%)

Oatly Group makes oat-based drinks and other dairy alternatives. You have probably seen the cartons at your local coffee shop or grocery store. In July, the company gave investors more evidence that its turnaround was progressing. On July 22, Oatly reported second-quarter revenue of $240.1 million, up 15.2% year over year, or 12.7% excluding currency effects. Gross margin improved to 33.9%, and adjusted EBITDA turned slightly positive at $0.4 million, compared with a $3.6 million loss a year earlier.

Management also raised its full-year constant-currency revenue growth outlook to 8-10%, from 3-5%. Oatly still reported a $31.3 million net loss, so there is more work to do. But stronger sales, better margins, and a higher outlook gave the turnaround more substance.

UFI (+34.43%)

Unifi, Inc. makes synthetic and recycled performance fibers, including REPREVE, which turns recycled materials into fibers used in apparel, footwear, and other consumer products. The stock was one of our strongest performers in July. We trimmed the position on July 31.

SHIP (+26.85%)

Seanergy Maritime Holdings Corp. owns large dry-bulk ships that transport commodities such as iron ore and coal. Its July 30 earnings report showed how quickly stronger shipping rates can improve results. Second-quarter revenue reached $55.7 million, compared with $37.5 million a year earlier. The fleet's daily time-charter-equivalent rate, a measure of vessel earnings, increased 63% to $32,355. Net income rose to $26.2 million from $2.9 million, and the company declared a quarterly dividend of $0.35 per share.

Shipping remains a cyclical business, with earnings sensitive to freight rates and global trade. July's results showed substantial improvement in the operating business. We added to the position on July 31.

Advisory services offered through NewEdge Advisors, LLC, a registered investment adviser.

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Bottom Performers in July

VATE (-55.49%)

INNOVATE Corp. is a holding company with businesses in infrastructure, life sciences, and broadcast spectrum. Its shares fell sharply in July despite some constructive news at its largest operating business. On July 8, steel-construction subsidiary DBM Global announced a $12 million dividend, of which INNOVATE expected to receive approximately $11 million. The payment goes to the holding company; it is not a dividend to VATE's individual shareholders.

As an early-August follow-up, results released on August 6 showed strong growth at DBM Global, but only $1.5 million of cash at the corporate parent as of June 30. That distinction matters when assessing a holding company: the operating businesses and the parent's financing needs must be evaluated together.

MYGN (-49.79%)

Myriad Genetics, Inc. develops genetic tests used in cancer care, prenatal screening, and mental health treatment. Its July 30 results showed a meaningful setback. Second-quarter revenue fell 11% to $190.7 million. Testing volume declined only 1%, but average revenue per test fell 9%, reflecting reimbursement pressure and adjustments to expected collections.

The company reduced its full-year revenue outlook to $770-790 million and suspended its adjusted EBITDA guidance. Growth in parts of its cancer-testing business was not enough to offset the broader pressure on revenue and profitability. We sold the entire position on July 31.

SVCO(-43.88%)

Silvaco Group Inc. makes software used to simulate and design semiconductors and their manufacturing processes. The stock's July decline came despite an encouraging announcement late in the month. On July 26, Silvaco announced a collaboration with NVIDIA to combine its simulation tools with accelerated computing and AI. The goal is to help chipmakers model and improve increasingly complex semiconductor designs and manufacturing processes.

The collaboration is relevant to the company's longer-term opportunity, although its commercial benefits will depend on execution and customer adoption. We sold the entire position on July 31.

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