THE MICROCAP Update

April 2026

April Overview

April was a remarkable month. After the turbulence of February and the cautious posture we held through March, the market handed us the setup we had been waiting for — and we deployed most of our cash into it.

The dominant story was the escalating conflict with Iran, which rattled global markets in March. For most investors, that kind of headline risk triggers paralysis. For us, it was an opportunity. By month end, we had redeployed most of the cash reserve we had been carrying since early in March. The timing proved fortuitous. The Deupree James Microcap SMA gained nearly 19% in April, compared to 12.39% for the Russell Microcap Index. Speaking of performance, I was recently looking at our three-year performance and am pleased to report we rank in the top 1% of small cap managers over that time. Hard to beat that!

As we move into May, we want to share a few thoughts on the macro backdrop.

The case for microcaps remains compelling. Valuations are still cheap relative to large caps, M&A activity continues to reward our corner of the market, and as we have written all year, microcaps sit well below their post-World War II trend line — a historical anomaly that has always corrected eventually.

One tailwind is shifting, however. The case for lower rates has weakened meaningfully. Rising inflation — driven in part by the Iran war — is making it very difficult for the new Fed chair to cut rates, and we have reduced our regional bank exposure as a result.

As we move into May we remain optimistic, but we would not be surprised to see a volatile summer. Markets have a long history of testing new Fed chairs. Returns heading into midterms are historically soft. And we find ourselves wondering how long investors can continue to look past plunging consumer sentiment. We are watching all three.

Top Performers in April

WATT (+124.98%)

Energous Corporation (WATT) develops wireless charging technology that delivers power over the air using radio frequency signals. For years, that sentence was followed by disappointment.

WATT has been a money-burning machine for most of its existence. The original vision — wirelessly charging your iPhone across the room — ran straight into physics, FCC regulations, and the reality that high-power devices need more wattage than the technology could deliver. We would have passed on this one a year ago.

What changed our thinking was a shift in application. The same patented technology that failed to charge smartphones is nearly perfectly suited for battery-free IoT tags used in logistics and inventory tracking. These tags require only one to two watts. No FCC hurdles, no battery replacements, no maintenance headaches — just a cheap, lightweight tag that works. At industrial scale, that is a meaningful cost advantage.

The "why now" is FSMA 204 — the FDA's Food Safety Modernization Act traceability rule — which is creating urgent demand for exactly this kind of low-cost tagging infrastructure. We see WATT as one piece of a broader ambient IoT theme in our portfolio, alongside Identiv (INVE) and ReposiTrak (TRAK), all positioned to benefit as that buildout accelerates.

The commercial momentum is real. Revenue has grown from under $1 million annually to $3 million per quarter. Two Fortune 10 deployments have been announced, management has stopped diluting shareholders through their at-the-market offering, and a new QSR customer has been teased that sounds a lot like it has golden arches. At roughly three times enterprise value to sales, we think the valuation still reflects the early innings of this story. We trimmed into the strength but remain meaningfully long.

VNCE (+101.19%)

Vince Holding Corp. (VNCE) is a luxury fashion brand.

We first bought VNCE in January and added to the position during the Iranian war selloff, when the stock dropped alongside everything else despite no change in the underlying business.

The April 15th earnings report confirmed the thesis. Net sales rose 4.7% to $83.7 million, beating consensus, with direct-to-consumer sales up 10.4%. More importantly, the company swung to full-year profitability — net income of $6.4 million versus a loss the prior year — and adjusted EPS of $0.18 crushed expectations that had been set near breakeven. Management guided FY2026 net sales growth of 3–6% and flagged new product categories, dropship expansion, and continued Nordstrom momentum as growth levers.

The stock dropped in our models after earnings so we locked in the gain and moved on. While it is my preference to let the winners run, I've learned to stay disciplined and trust our systems over my gut.

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PODC (+66.58%)

PodcastOne, Inc. (PODC) is an independent podcast network, home to over 200 shows across sports, crime, entertainment, and news — and increasingly, a platform sitting at the intersection of audio content and AI.

We were attracted to PODC for the same reason we like a lot of our names: the market was underpricing a business that was quietly executing. The podcast advertising market continues to take share from traditional radio, the company had already raised guidance once earlier in the year, and the path to profitability was becoming clearer with each quarter. Insider buying earlier in the month gave us additional conviction.

April delivered on two fronts. On April 28th, the company projected record fiscal 2026 results — revenue of $61 million and adjusted EBITDA up nearly 1,500% year over year. Two days later, they launched PodcastOneAI, a platform designed to convert their 200,000-plus hours of audio content into licensed assets for AI training and data monetization. AI needs content for training. This is why Warner Brothers suddenly became more valuable in 2025. The addressable markets they are targeting are huge: $20 billion in AI training data and $40 billion in data monetization.

We remain long. The guidance raise validated the core thesis, and the AI layer adds an optionality story that we do not think is fully priced in yet.

Bottom Performers in April

CINT (-20.77%)

CI&T Inc. (CINT) is a Brazilian digital transformation and AI services company that helps large enterprises deploy AI-integrated solutions at scale.

We owned CINT for its exposure to enterprise AI spending — a theme we have previously discussed — and because the valuation looked attractive relative to peers with similar growth profiles. The company had solid blue-chip clients, improving margins, and a pipeline that analysts were increasingly enthusiastic about. Wedbush initiated coverage in early April with an Outperform rating and a $9 price target, which validated much of what our models had already been signaling.

April saw ongoing concerns around Brazilian economic conditions, interest rates, and currency volatility These weighed on sentiment for LatAm-exposed tech names. As a rule, I don't like to hold onto stocks that are making new 52-week lows – so we've taken our loss and moved on.

CCLD (-19.58%)

CareCloud, Inc. (CCLD) provides cloud-based healthcare IT solutions for physician practices and medical groups.

We were attracted to CCLD as an undervalued healthcare technology name with a credible path to strong free cash flow. The AI-first platform initiatives and recurring revenue base gave us confidence in the business quality, but there was a known overhang: expensive Series B Preferred Stock that was draining roughly $3.2 million in annual dividends and clouding the earnings picture.

In mid-April, that overhang disappeared. The company secured a $50 million credit facility and announced the full redemption of the preferred stock — replacing expensive equity with lower-cost debt and simplifying the balance sheet meaningfully. Management also reaffirmed full-year guidance of $128–132 million in revenue with $25 million-plus in free cash flow. The stock responded positively around the April 13–16 announcement window. The April decline in our reporting reflects the choppiness earlier in the month before the announcement. We remain long and believe the capital structure cleanup sets the stage for a re-rating if management can find a way to accelerate organic growth.

DTI (-18.89%)

Drilling Tools International (DTI) rents and sells drilling equipment to oil and gas operators.

We own DTI for its combination of cheap valuation, strong cash generation, and a diversification story that the market has been slow to appreciate. While North American rig counts have been under pressure, DTI has been quietly building its international business — revenue in the Eastern Hemisphere nearly doubled in certain regions — which provides a meaningful offset to domestic softness. Zacks flagged it as a top value stock in mid-April, which aligns with how our own models have been ranking it.

April was volatile for energy broadly, with the Iran conflict creating uncertainty about oil price direction. DTI moved with the sector rather than on its own fundamentals. Q1 earnings in early May showed the international expansion thesis playing out operationally — Eastern Hemisphere revenue continues to build — but North American rig count pressure weighed on the top line and the stock has fallen in our rankings. When the model loses conviction, we listen. We are working our way out of the position and will redeploy that capital as we find the right opportunities.

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