

August 2025

# THE MICROCAP Update

## August Overview

As my grandfather used to say, "it takes a lot of courage, but if you tend to do what everyone else is doing, you tend to get average results." To those who dared to invest differently with us: Congratulations! Your boldness paid off in August. The Deupree James Microcap SMA delivered another stellar month, gaining approximately 13% in August, outpacing its benchmark (+9.25%), the S&P 500, Nasdaq, and Russell 2000 for the month, year-to-date, and past 12 months. Small caps rallied on expectations of Federal Reserve rate cuts and stronger-than-expected earnings, creating a favorable environment for our strategy, which has outperformed its index in 8 of the last 12 years.

Despite potential volatility in September and October, we continue to recommend increasing exposure to small caps for several reasons:

1. **Rising M&A Activity:** Our portfolio is seeing increased merger and acquisition activity, signaling strong market interest.
2. **Dovish Federal Reserve:** A more accommodative Fed policy supports small-cap stocks which are generally more reliant on floating rate debt.
3. **Attractive Valuations:** small caps are very cheap relative to large caps.
4. **Negative Sentiment:** Hedge funds have built historically large short positions in small-cap stock futures, and small cap positioning is just in the 21<sup>st</sup> percentile per Deutsche Bank.
5. **Historical Opportunity:** Microcaps are at their furthest point below their post-WWII trend since 1945, offering a rare chance for outsized returns.

With a proven track record and a market ripe for small-cap opportunities, our strategy is an excellent choice for investors seeking to capitalize on this undervalued asset class.

## Top Performers in August

### COMM (+94.35%)

CommScope Holding Company, Inc. (COMM) designs and builds critical infrastructure for communication networks, including antennas and fiber optic cables for homes, offices, cell towers, and data centers. Over the past year, we've extensively covered COMM, which has surged over 300% since our purchase in the \$4 range.

This is a classic turnaround story. We remain impressed with management's execution and believe AI-driven demand is fueling growth for their products. However, the company's significant debt has been our primary concern.

In August, COMM took a major step to address this by selling its Home Networks business to Vantiva for \$100 million. This strategic move reduces debt and allows the company to focus on its high-margin, high-growth core businesses, significantly de-risking its balance sheet.

COMM was an atypical investment for us. Unlike our usual microcap picks with strong fundamentals and relative strength, COMM was a "Fallen Angel"—a former midcap that shrank to microcap size. While these investments carry higher risks, they can also deliver substantial rewards, as COMM has demonstrated.

That said, COMM's recent growth has pushed it beyond our microcap strategy. Our edge lies in uncovering undervalued microcap opportunities overlooked by Wall Street. As COMM now attracts broader market attention, we're exiting to focus on finding the next compelling microcap for our investors.

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



August 2025

# THE MICROCAP Update

## **INFU (+92.47%)**

InfuSystem Holdings, Inc. (INFU) is a healthcare company that provides infusion pumps and related services for patients in homes, oncology clinics, and hospitals across the U.S. and Canada. In August 2025, INFU's stock price jumped thanks to strong Q2 earnings. The company reported a 12-cent earnings per share, beating estimates, and record revenues of \$36 million. While the stock is not cheap, it remains well ranked by our model thanks to positive earnings surprises and analyst ratings such as the "strong buy" from B. Riley.

## **BKTI (+81.92%)**

BK Technologies Corporation (BKTI) designs two-way radios and communication software, like the BKR Series and the new InteropONE app, for public safety workers such as police and firefighters in the U.S. and globally. These products ensure reliable communication during emergencies, serving critical needs. After a promising investor relations call in early 2025 highlighting the InteropONE app's potential, we invested in BKTI in April. In August 2025, BKTI's stock surged 50.3% after strong Q2 earnings, driven by a \$21.2 million revenue increase and improved margins from a diversified product mix. We believe this is just the start of a re-rating, with high-margin products planned for 2026 and 2027 and a solid balance sheet boosting confidence. Management's performance-based stock options, set for 2030, align their interests with shareholders, and their ongoing R&D investment supports future growth. Our models rank BKTI highly, and we remain bullish on its long-term potential.

## **Bottom Performers in August**

## **PAYS (-30.38%)**

PaySign, Inc. (PAYS) provides prepaid card programs and payment processing services, mainly for businesses, like payroll cards and healthcare payment solutions. Despite the bad month for the stock, we are still up significantly from our purchase price in PAYS. The poor performance in August came after the company reported a strong Q2 2025 earnings per share of \$0.02 but posted a drop in unrestricted cash from \$17 million to \$11.8 million, driven by high patient affordability program costs, which raised fears about financial stability. We are monitoring the stock but continue to hold it for now.

## **GTEC (-30.05%)**

Greenland Technologies Holding Corporation (GTEC) designs and builds electric industrial vehicles like forklifts. Their eco-friendly products, such as electric wheel loaders, help reduce emissions and save on fuel costs. In August 2025, GTEC's stock fell after a Q2 earnings miss, reporting an EPS of -\$0.05 against an expected \$0.01. After the miss we took our loss and moved on. The stock fell in our rankings and was trading for less than \$2 which made it difficult to buy for some of our advisors affiliated with a brokerage house.

## **KLC (-26.76%)**

Based in Lake Oswego, Oregon, KinderCare Learning Companies, Inc. (KLC) runs early childhood education centers across the U.S., offering daycare, preschool, and before- and after-school programs under brands like KinderCare and Champions. The company IPOed last year, but faces many challenges today including missing earnings estimates, analyst downgrades, and class action lawsuits from disillusioned investors. Despite these challenges, our ranking system believes KLC could outperform over the next 3 months. We'll trust our signals and ignore the noise.

Written by:

*Ben James, CKA®, CIMA®*

Contact Info:

P: 318.562.1030

E: [support@deupreejames.com](mailto:support@deupreejames.com)

For more information visit [djmicrocap.com](https://djmicrocap.com)

This is in no way meant to be promissory regarding performance of products. Investing involves risk including the loss of principal.

This document is for informational purposes only and does not constitute financial, investment, legal, or tax advice.

Past performance is not indicative of future results.