July 2025

THE MICROCAP Update

July Overview

July marked another good month for us. The Deupree James Microcap SMA is outperforming our benchmark over the past 3 and 12 months. However, we would not be surprised if the market, and the strategy, consolidated these gains over the next few months.

Markets tend to fall and volatility tends to rise in August, September, and October. You might see us increase our cash allocation and, where allowed by custodians and brokers, hedge a small portion of the portfolio using VXX or RWM. Indeed, we've already successfully traded VXX in July/early August. Owning a little volatility seemed like a good risk vs reward with the VIX at 14 entering the last week of July, and it worked well.

Chart 1

Peak to trough move in S&P600 vs S&P500

From	To	Peak to Trough move in S&P600 vs S&P500
Jan-73	Jan-74	-28%
Jan-80	Mar-80	-11%
May-81	Aug-82	-16%
Jun-83	Nov-90	-52%
Mar-94	Apr-99	-53%
Apr-06	Jan-08	-15%
Aug-18	May-20	-35%
Mar-21	Jul-24	-36%
Median		-31%
Average		-31%

Source: Finom Group

If we do experience any volatility, it could be a good time for investors who are underweight small caps to add them to their portfolios. Microcap stocks are the furthest below their post WW2 trend since 1945. Finom Group recently published similar data showing the underperformance of the S&P 600 (midcaps) to S&P 500 (large caps) is already beyond the average peak to trough move. We think contrarian investors should be looking to buy a straw hat in the winter.

Top Performers in July

ZIMV (+100.6%)

ZimVie Inc. (ZIMV) is dental implant manufacturing company. We were attracted to their double-digit forward earnings yield, so we opened our initial position around $9 and bought it again in June and a third time in July. It was cheap with a good margin of safety. On July 21, 2025, ZimVie was acquired by ARCHIMED for $19.00 per share in cash!

One of our bullish points entering the year for small caps was the end of the wrath of Kahn- a reference not to the Star Trek movie, but the former chair of the FTC who essentially froze the merger and acquisition market. We are happy to report this is the second acquisition in our portfolio this year – and (spoiler alert!) since the end of July we've had a third!

SBET (+89.24%)

SharpLink Gaming, Inc. (SBET) is an online marketing company focused on the growing iGaming industry, but a few months ago they transformed into a high-profile Ethereum (ETH) proxy by adopting ETH as their primary treasury reserve asset. Today it is one of the world's largest publicly traded corporate holders of Ethereum. We have long wondered why no one pursued an ETH treasury strategy as the company would be paid for staking – much like a bank receiving interest for owning treasuries. Now, with the House's passage of the GENIUS Act, there are some macro tailwinds for these stocks.

ECOR (+34.5%)

ElectroCore, Inc. (ECOR) sells non-invasive vagus nerve stimulation therapies, primarily through its flagship product, gammaCore. They have a promising product and sales channel in the VA system, but the company has missed guidance several times. We simply don't trust management, so we sold the stock ahead of their earnings report in August. Glad we did. It was another bad one.

Bottom Performers in July

NAGE (-35.11%)
Niagen Bioscience, Inc. (NAGE), formerly ChromaDex Corporation, is a biotechnology company focused on healthy aging through its proprietary NAD+ boosting products. Its flagship product, Tru Niagen, is a dietary supplement that boosts NAD+ levels to support cellular health, energy, and longevity.
We are not concerned about the decline in the stock price – the stock more than doubled after we bought last September, so it was due for a correction. While the stock is no longer cheap, we'll continue to hold it so long as our ranking system likes their growth and profitability.

STKS (-26.187%)
The ONE Group Hospitality, Inc. (STKS) runs upscale restaurants like STK Steakhouse. We bought after a strong earnings report but kept the position small due to management missteps, like filing a mixed shelf offering before missing earnings estimates. After reviewing their latest earnings report, we decided to take the loss.

CNVS (-26.11%)
Cineverse Corp. (CNVS) is a streaming entertainment company that distributes over 71,000 films, series, and podcasts. It owns brands like Bloody Disgusting and uses smart contracts for transparent revenue sharing. CNVS stock fell despite beating consensus estimates and record revenues for the prior quarter. The company has excellent margins and growth, and it remains well liked by our ranking system. We used the selloff to increase our position.

Written by:

Ben James, CKA®, CIMA®

Contact Info:
P: 318.562.1030
E: support@deupreejames.com

For more information, visit djmicrocap.com.