



SMALLCAP DISCOVERIES

Prepared by:



President: Mike Pruitt

Analyst: Adam Allen

Analyst: Sam DiFiore

Smallcap Discoveries is a research firm run by a former broker, entrepreneur, and MicroCapClub contributor Paul Andreola and Analyst/Investor Trevor Treweeke. These gentlemen are great researchers and experienced professional investors whose insights and ideas in the small and micro-cap space are invaluable. Any investor who is wise enough to subscribe to them will undoubtedly derive tremendous value from their work.

Smallcap Discoveries is primarily focused on the smaller companies listed in Canada—citing more pricing inefficiencies on these smaller and more illiquid exchanges. Their process leads them to steady due diligence on the companies' quarterly and annual reports with established criteria based on the year/year revenue and earnings growth, and in-depth evaluations of ownership structures and managerial incentive structures. Several metrics that will grab Andreola's attention include: Companies hitting a 52-week high, valuation multiples that still allow for a margin of safety, and healthy management efficiency ratios. This method is designed to uncover the Super Compounder stocks that we value at the Co/Investor Club, and which often produce the 10 and 100-bagger stocks that come along. Andreola is potentially most known for his early discovery of XPEL Technologies. He profiled the company at a very early stage on MicroCapClub, and the stock has proceeded to become a 100-bagger in recent years.

Smallcap Discoveries often publishes research on a myriad of topics. Most recently, they've posted the research article "[What Kind of Microcap Market Is This?](#)" This article discusses the microcap space's current makeup and, specifically, if a bubble has formed in the recent rally in prices. They wisely highlight that it is functionally impossible to predict macro-economic trends but that in times like today, when asset prices seem to be expensive across all industries and markets, it is good practice to prepare for the unpredictable, and prescribe several tactics for evaluating your portfolio and removing the risk of emotional decision making. These tactics include a profound reevaluation of your portfolio relative to a potential 30-50% drawdown and a consideration as to how you would reassemble your portfolio today if you had to start from scratch.

The work of Andreola and Treweeke is invaluable for the retail or institutional microcap investor. Their insights into the Canadian marketplace have produced numerous big winners over the years, and their process will likely continue to provide tremendous value to those who pay attention. You can follow their research on their [website](#) or subscribe to their [newsletter on Canadian smallcaps](#) (with brilliant work on the TSX Venture Exchange and the Toronto Stock Exchange). Further, they are active on [MicroCapClub](#) and have excellent research on the forum.