



COINVESTOR CLUB

TOP

50 MICROCAP INVESTORS



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FINANCIAL GROUP

## Denver Smith Carlson Ridge Capital

For this week's Top 50 Microcap Investor we present Denver Smith, Co-CIO and Founding Partner at Carlson Ridge Capital, a value focused hedge fund manager based in Denver, CO. Denver graduated from the University of Oklahoma with undergraduate degrees in finance and economics before returning to his alma matter to ultimately earn his M.B.A. Additionally, Denver possesses his Chartered Financial Analyst designation alongside a resume filled with other finance related jobs, one of which includes a former position as Chief Investment Officer of 73114 Investments LLC.

Like many of the managers previously featured on our list, Denver's fund also held a position in Xpel Technologies over the past few years. In his own words, the stock was trading at a depressed valuation due to uncertainty and legal expenses surrounding an ongoing IP infringement lawsuit with 3M, a more obscure listing on the Toronto Venture exchange, as well as a few other issues that were masking the earnings power value of Xpel. After this lawsuit was favorably resolved, his fund started purchasing shares around \$1.50. Denver and his partner, Sam Jurens, targeted for Xpel to be the largest position weighting in their portfolio from early 2018 up through the end of 2020. Denver sold off the funds stake over the next few years with the final sale concluding in early 2021 around a share price of \$60. As far as his worst investment decisions go, Denver cited examples of venturing into companies that possess too much leverage, products that are vulnerable to substitutes, underestimating the unpredictability of commodity prices, being naive about how quickly bad management can destroy shareholder value, and failing to act quickly enough on ideas or advice given by his partner Sam. Additionally, while it's hard for any avid reader to boil their "must read" list down to just a few books, Denver was a strong advocate for Seth Klarman's Margin of Safety, There's Always Something to Do: The Peter Cundill Investment Approach, and virtually anything written by Howard Marks.

Denver is the lead manager for the CRC Founders Fund, LP, one of the two funds that Carlson Ridge Capital manages. The fund is a long oriented micro-cap/special situation fund that will occasionally become actively involved with management teams of portfolio companies to help these companies achieve strategic initiatives and unlock shareholder value. Since inception of this strategy on October 28, 2015, cumulative gross returns have been 314.74% and net returns have been 230.89% through the end of October 2021. Net returns are 115.2% greater than those of the Russell Microcap Index and 87.7% greater than returns of the SP 500 over this time period. Net returns equate to 22% annualized returns since October 28, 2015. The fund is up 53.3% net year to date in 2021. These returns have been achieved despite the fund typically holding a large number of securities and large amounts of cash on average. Denver can be contacted through the website, [Carlson Ridge Capital](https://www.carlsonridgecapital.com).

We are excited to present Denver Smith as this week's featured manager and include him as a part of the Co/Investor Club network.