

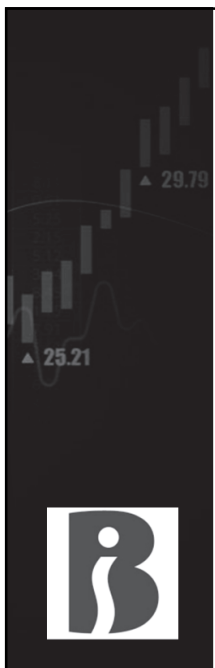


AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS & BETTERINVESTING

AII + BETTERINVESTING: BUILDING WEALTH WITH SMALL-CAP STOCKS



23 SEPTEMBER 2025
DOUG GERLACH
VICE-PRESIDENT, BETTERINVESTING



AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS & BETTERINVESTING

SMALL COMPANY INVESTING FOR LONG-TERM INVESTORS



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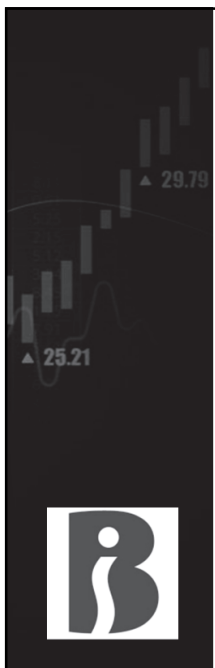


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OUR 3 INVESTING NEWSLETTERS



Investor Advisory Service: Founded 1973, uses BetterInvesting/SSG style GARP methodology.

- Named to **Hulbert Investment Newsletter Honor Roll** for 15 years for consistent, long-term performance.



SmallCap Informer: Founded 2013, uses SSG approach to target smaller companies with long-term potential.

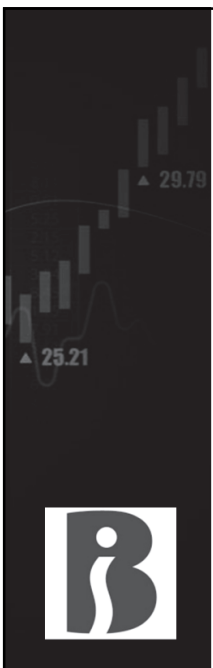
- Has outperformer S&P SmallCap 600 since founding.



Dividend Informer: Founded 2023, uses new approach to long-term quality & dividend growth metrics with aim to reduce volatility & still deliver performance.



INTRODUCING THE SMALLCAP INFORMER



SMALL COMPANY STOCK NEWSLETTER

- Monthly **newsletter** generating small company stock ideas for individual investors.
- Utilizes disciplined methodology to select **quality stocks** selling at **reasonable prices** with **above-average total return** prospects compared to small-cap indexes
- Follows **long-term, buy-and-hold** strategy.
- Regularly **outperforms small-cap market index.**

COMPOUND ANNUAL RETURN

Period	SmallCap Informer	iShares S&P Smallcap 600 Index Fund
1/1/2025-9/17/2025	~19.5%	~3.0%
Lifetime	~8.0%	~4.0%
3 Years	~13.0%	~6.0%
10 Years	~8.5%	~3.5%

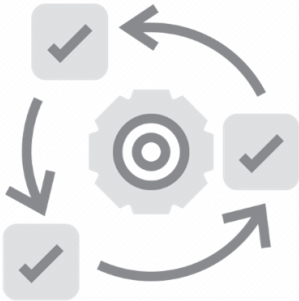
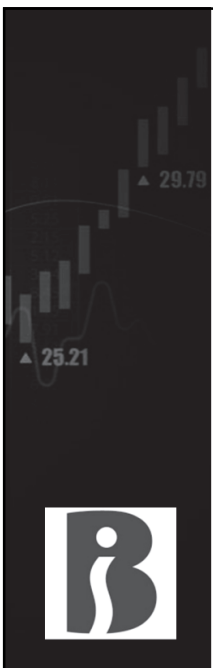
as of 9/17/2025

LONG-TERM TRACK RECORD OF SUCCESS SINCE FOUNDED IN 2012



BENEFITS OF SMALL-CAP STOCKS

- BetterInvesting suggests 25% of stock portfolio be devoted to small company stocks.
- Small & large company stocks tend to perform at different times in market cycle.
- Small company stocks have historically boosted performance over long-term.



METHODOLOGY



REQUIREMENTS FOR COVERAGE

- Annual sales typically **between \$100M and \$2B** when initially covered.
 - Will continue coverage as companies perform well & exceed this range.
- Operating in **any sector & industry** (rarely cover utilities or energy companies).
- Must be **profitable**, typically with minimum 3 years of operating history



INTRODUCING Q-GARP

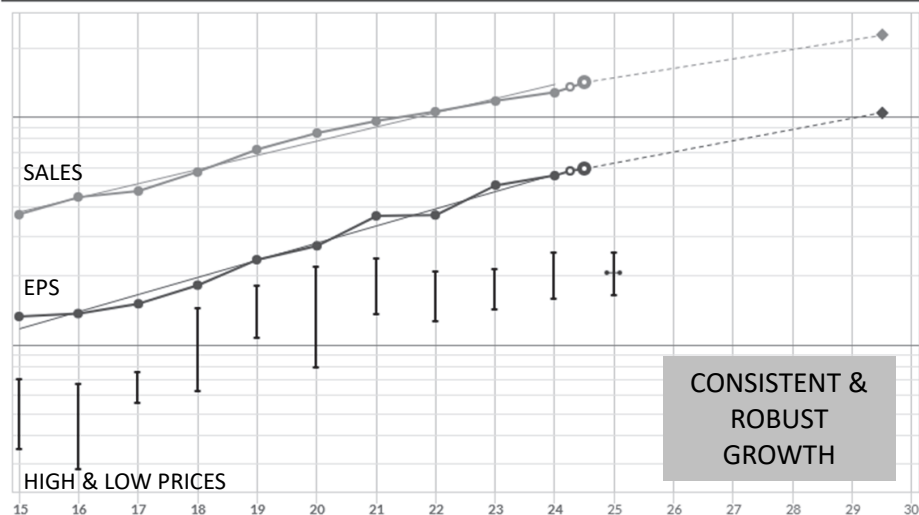
- Our unique approach to analysis called **Q-GARP**.
- Based on **Growth At a Reasonable Price (GARP)** with a persistent **Quality** underpinning.
- Uses **NAIC/BetterInvesting's Stock Selection Guide (SSG)** as starting framework.

GROWTH CRITERIA

- Sales growth is **required** to drive long-term EPS growth.
- EPS growth is **required** to drive long-term capital appreciation.
- Typically seek out annual growth potential of at least 8%.
- Historical growth trends provide base.
 - Research into future headwinds & tailwinds provides **confirmation** or cause for **elimination**.

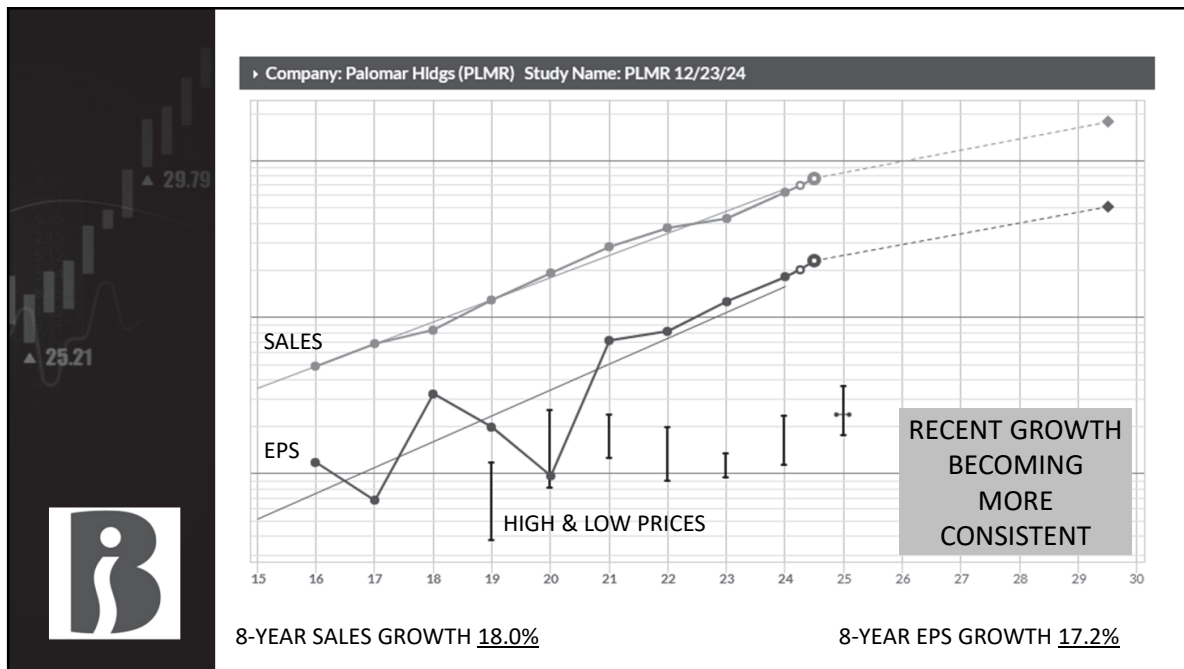


Company: Addus HomeCare (ADUS) Study Name: Addus HomeCare Corp



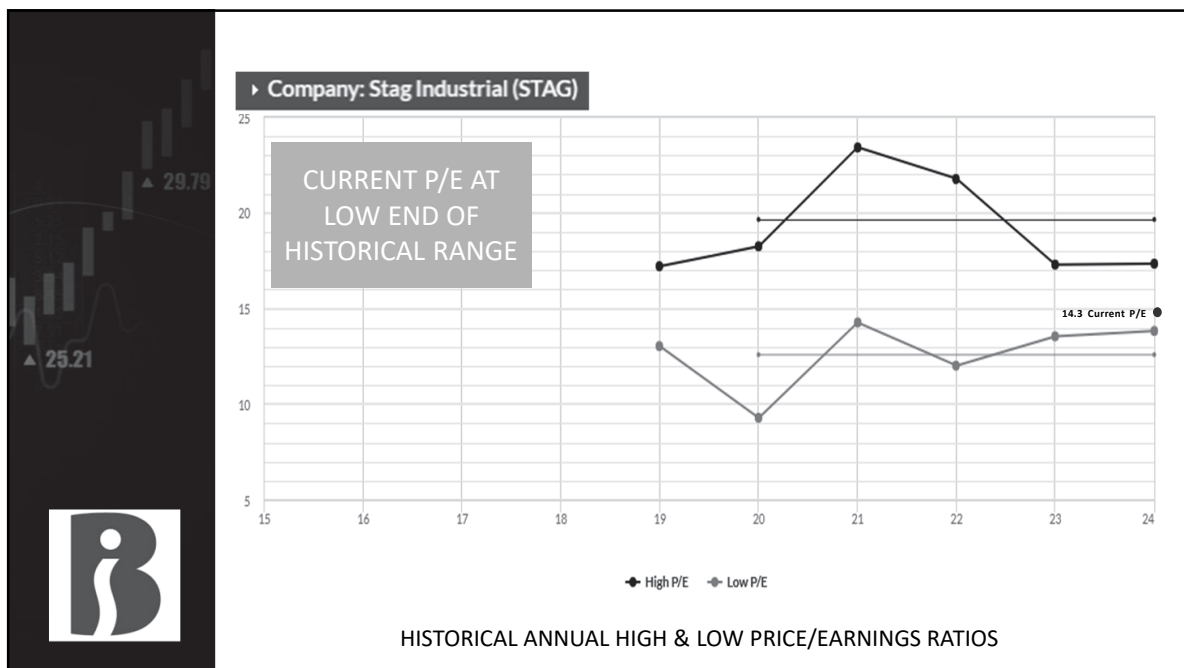
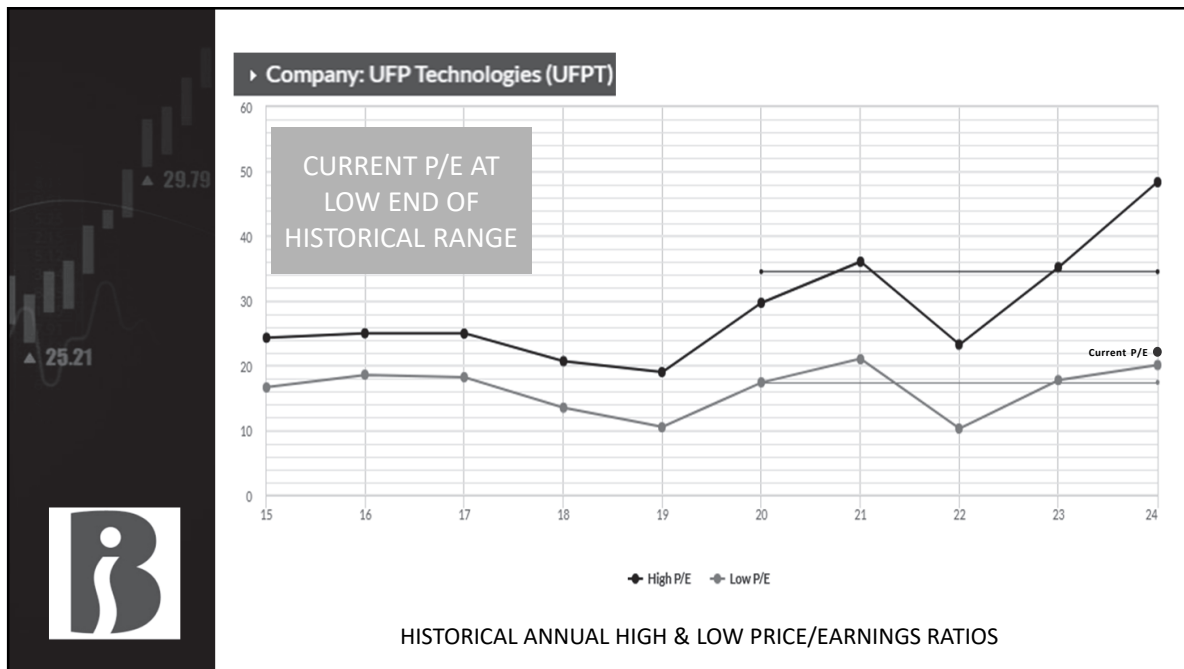
9-YEAR SALES GROWTH 15.4%

9-YEAR EPS GROWTH 18.9%



REASONABLE PRICE CRITERIA

- Remain rigid & focused when buying.
- P/E must be reasonable when compared to history & future growth expectations.
 - Avoid high-fliers with P/Es greater than 30 or 35.
- Can be contrarian—take advantage of mismatches between market's assigned value compared to estimate of long-term prospects.
- Often advantageous to focus more on value than growth.





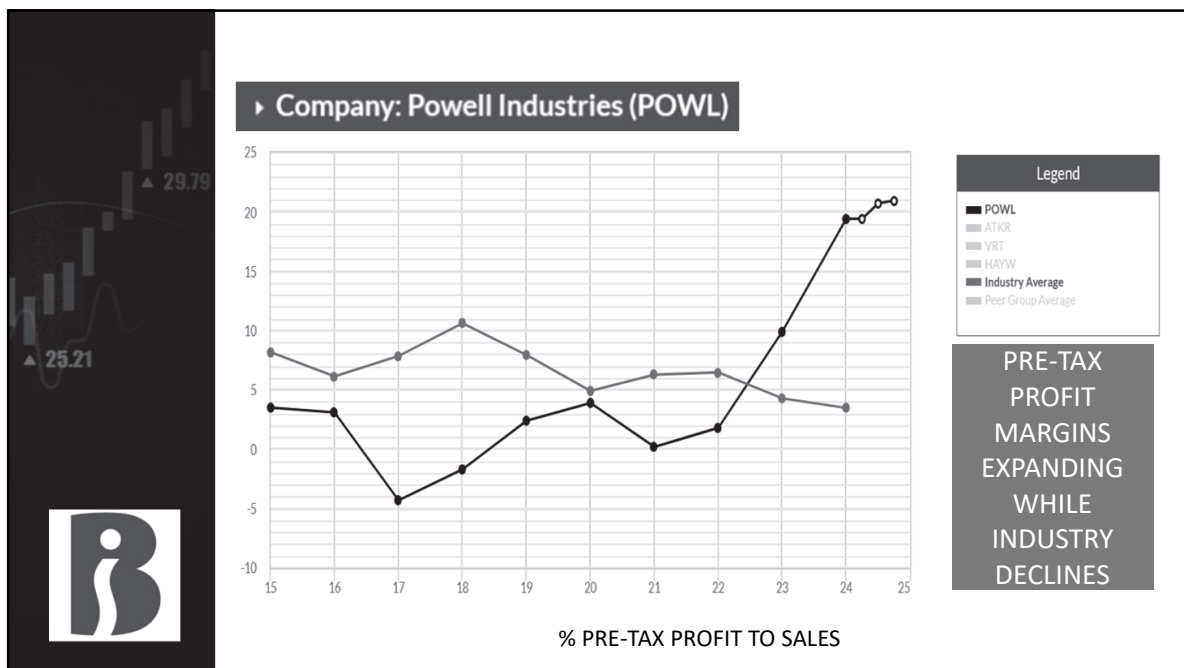
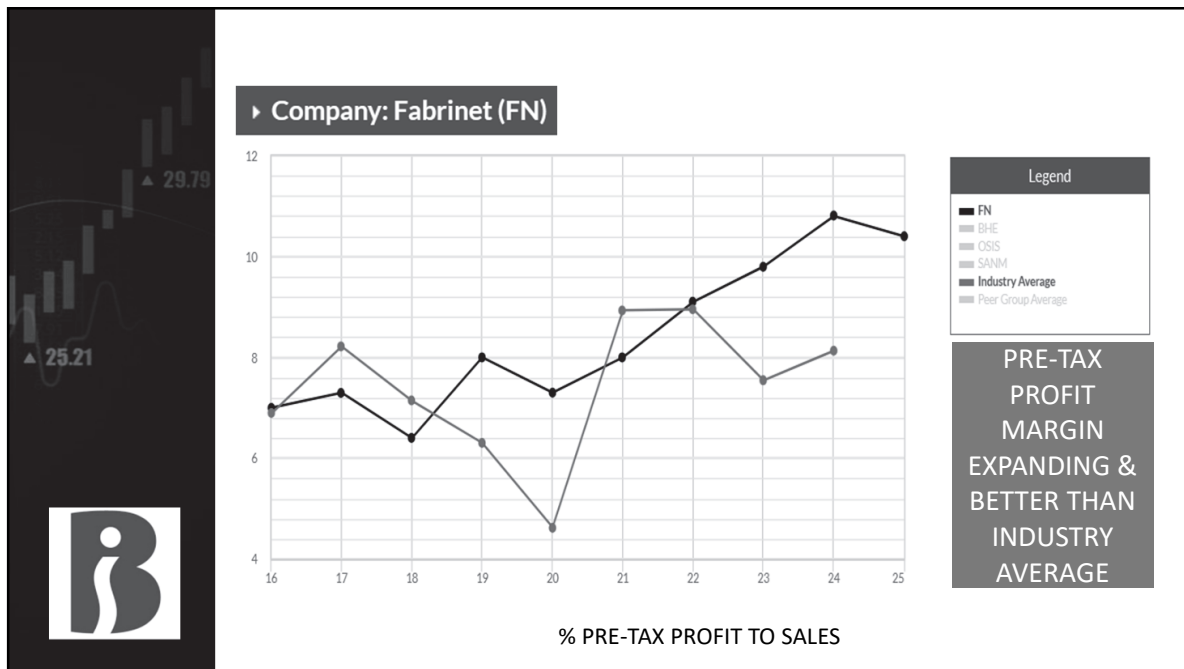
QUALITY CRITERIA

- Effective management delivers consistent growth.
- Company is not over-leveraged.
- Dividends, if paid, are well-supported by cash & earnings.
- Strong cash flow generation is always good.



MARGINS TELL THE STORY

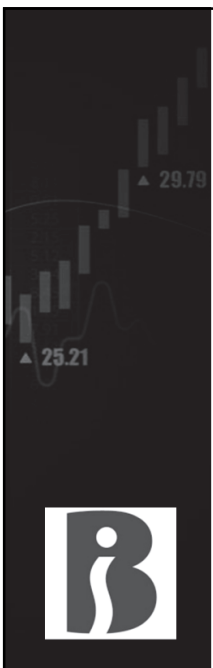
- Companies with pre-tax profit margins that are better than peers & industry averages are ideal candidates.
 - Pre-tax margin analysis removes impact of share buybacks on profitability.
- Expanding margins are ideal (though stable margins are enough to indicate that management is doing good job).
- Companies with superior margins usually excel in other areas like cost of capital; expense management; free cash flow;





TOTAL RETURN OBJECTIVES

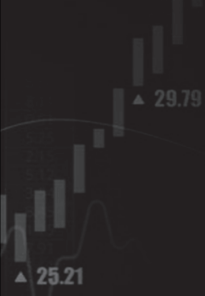
- **Capital appreciation** is expected to drive bulk of returns.
- **Dividends**, for some businesses, may contribute.
- **P/E expansion** from practice of buying when stock is historically undervalued will add third component of return.
- Altogether these should drive returns higher than market average.



WHAT WE AVOID

- Unprofitable companies.
- Companies with long-term downtrends of sales/EPS.
- Turnaround companies.
- Hyper-valued stocks.
- Penny stocks/micro-caps.

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WHEN TO BUY

- Only buy “recommendations” are each month’s featured stock.
- No “automatic” buys are intended.
 - Each stock must be evaluated by subscriber for suitability in their own portfolio.
- Possible “**Best for New Money**” buys are highlighted monthly for subscribers to consider for portfolio needs.



Focus Stock SmallC

Cavco Industries, Inc.

Hope stirs in the restless housing market. The post-Covid buying frenzy faded as soaring prices and mortgage rates froze sales. Limited inve

Now, as l Fed eyes ra ship are rel Buyers awaiting rei ability and a quest for housing-rels are poised fi We first i ing innovat October 20 former, and ber 2021. Both picl with our fir

Best for New Money

“Best for New Money” stocks are often recently-pr well-valued but may easily get lost in the excitement sequent issues. As it can take several months for co and show up in a stock’s capital appreciation, this sect to consider deploying new capital to some of the ideas

Alpine Income Trust (PINE). A compeling 7.7% yield and prospects for reasona- ble capital appreciation help Alpine edge out STAG Industrial as the REIT on our coverage with the best present total return prospects.

Catalyst Pharmaceuticals (CPRX). Last month’s SCJ recommendation is still sitting nicely in the buy zone. Last month’s pick, biotech Harmony Biosciences, also makes for an interesting comparison to Catalyst.

M-tron Industries (MFTI). This defensive contractor sees its price rocket up and then splash back down with fair frequency. Shares are opportunistically priced at present.

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AVERAGE HOLDING PERIOD

- Aim to hold each stock for **long-term** (+5 year).
- Hold** through market cycles & **never try to time market** ups or downs.
- Not all stocks will meet targeted holding period, but **laggards are pruned**.
- Oldest stock under coverage was introduced in 2014.*
- 36 of 73 open positions of 40 currently-covered stocks were initiated more than five years ago.*



WHEN TO SELL

- Sell recommendations made as warranted due to deteriorating fundamentals, concerns about future prospects, or hyper-valuations.
- Each issue features “**On Probation**” list (of companies with fundamental concerns) & “**Valuation Watch**” (for companies at excessive valuations).

Sale of Stocks

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Valuation Watch

Stocks on our “Valuation Watch” are those companies that ha sides relative to their upside potential. Our approach is to hok both market and individual stock excesses, even as they reach | valued. Stocks on Valuation Watch should be monitored with prices ref declines.

On Probation

“On Probation” companies are often mathematically i Guide, but there exists for these stocks adequate caus shares. Typically, these companies are facing uncharact ing quarters should bring more clarity that will deteri “sell.” Subscribers considering these companies should compelling but downsides could be alarming.

Icon plc (ICLR). The recent quarter’s strong results have eased—but not com pletely eliminated—our concerns about tepid revenues guidance from management for fiscal 2025. We are maintaining close tabs on the company’s profitability in the coming quarters.

LGI Homes (LGIH). It’s never a good sign when a company reduces prior guidance. The homebuilder seems to have hit a rougher spot than many others in its industry, so we’ll see if it can build back up its business from this point forward.

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GET A FREE TASTE

Receive commentary & occasional updates *free* with our *SmallCap Reflections* email:

smallcapinformer.com/get/Get-SmallCap-Reflections



Reflections

Think Investing in Small Company Stocks Is Too Hard? This Approach Can Help.

Hello %First Name%,

In the September 2025 issue of the *SmallCap Informer*, editor Doug Gerlach outlined how our investing approach shares much with the methods used by acquirers of businesses.

After the September 2025 issue was published, news was released that long-term holding Air Lease (AL) was being acquired. This was particularly timely!

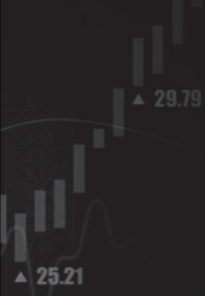
The philosophy of thinking like a buyer of businesses emphasizes a deep understanding of a company’s underlying business, its fundamentals, and its long-term prospects, rather than reacting to short-term market fluctuations or speculative trends.

The *SmallCap Informer* explicitly embraces this approach of thinking like a buyer of businesses, not an investor in stocks. Our “Quality and Growth At A Reasonable Price” (Q-GARP) methodology first and foremost. [Read more.](#)

[Subscribe Today](#)

Top Pick for September 2025

In this issue of the *SmallCap Informer*, we introduce a manufacturer of medical supplies, another healthcare company that may help boost subscribers’ defensive portfolio positioning during these uncertain times.

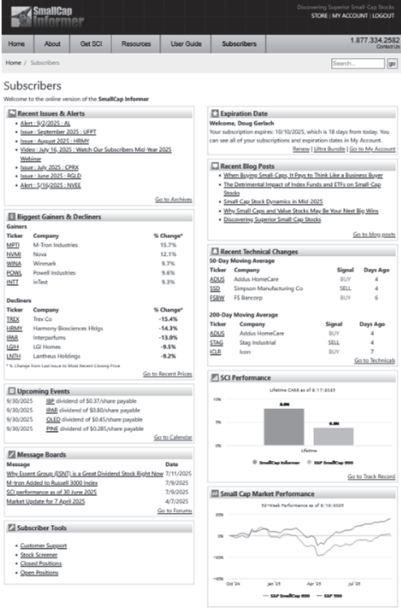


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www.smallcapinformer.com

* \$95/year. Offer expires 10/21/2025.





QUESTIONS?

WRITE ME: GERLACH@ICLUB.COM





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