

100 Baggers

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4 Risketeers

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Executive Summary



Strategy

Invest in micro-cap companies (\$50M–\$2B) that show accelerating YoY revenue growth and reasonable valuations. By combining fundamental momentum with value filters, this strategy looks to capture price expansion of early-stage businesses before the market fully recognizes the opportunity.



Performance

Back-tests show annualized returns of 18–22% over 5–20 years, significantly outperforming the S&P 500. Despite higher volatility, the strategy delivers a Sharpe ratio of 0.7, Beta of 1.1, and Alpha of 7.98.



Recommendation

The 4 Risketeers recommends investing \$30,000 in this strategy. *~6% of equity exposure, ~3% of total fund value*

Strategy Rationale

Article Title:

[A Five-factor Asset Pricing Model](#) by Fama and French (2015)

&

[100 Baggers](#) by Christopher Mayer

Key Takeaways:

- The Fama-French Five-Factor model lists size and profitability as persistent drivers of returns
- Small, underfollowed firms are more likely to be mispriced, leading to higher expected returns
- Firms with improving fundamentals (proxied by revenue growth) capture the profitability premium

Screen

Selected Screening Criteria	Matches
Security Universe	1616007
51) :: Trading Status: Active	582429
52) :: Indices: Russell Microcap Index	1292
53) :: Price 1 Day ago > 7	757
54) :: Current Price Earnings Ratio (P/E) <= 30	363
55) :: Latest Quarterly Revenue > Quarterly Revenue 1 quarter ago	203
56) :: Quarterly Revenue 1 quarter ago > Quarterly Revenue 2 quarters ago	143
57) :: Quarterly Revenue 2 quarters ago > Quarterly Revenue 3 quarters ago	80
58) :: Top 15 Sequential Rank - Higher is Better(T12M Revenue)	15

Strategy Design

Description

Systematic strategy targeting small-cap firms with improving fundamentals. Designed to capture size (SMB) and profitability (RMW) premiums as identified in academic research.

Origin

Inspired by *100 Baggers* (Mayer) which highlights long-term compounding in underfollowed companies. Grounded in Fama-French (2015) research on size and profitability factors.

Goal

Find small-cap companies in the initial stages of fundamental improvement. Capture returns by market underreaction to improving performance.

Parameters

Russell Microcap Index, Price > 7, PE < 30, Quarter over quarter revenue growth, Price > 7, Top 15, Semi-annual rebalance.

Notes on decision making.

Proven businesses: Companies should be small but proven, that is why we filter by revenue.

Incentive alignment: Insider shares, unfortunately Bloomberg does not have historic data for that.

Coffee can: The book instructs for buy and hold, the average 100 bagger takes 26 years (1962 – 2014). This is not workable within our fund, so we recommend annual rebalancing.

High ROIC and PE growth: The book prescribes investing in companies that can deploy its capital for more growth, and companies that experience valuation growth (twin engine). We chose not to screen for that as it is meant to be a general qualitative metric that changes with time erratically.

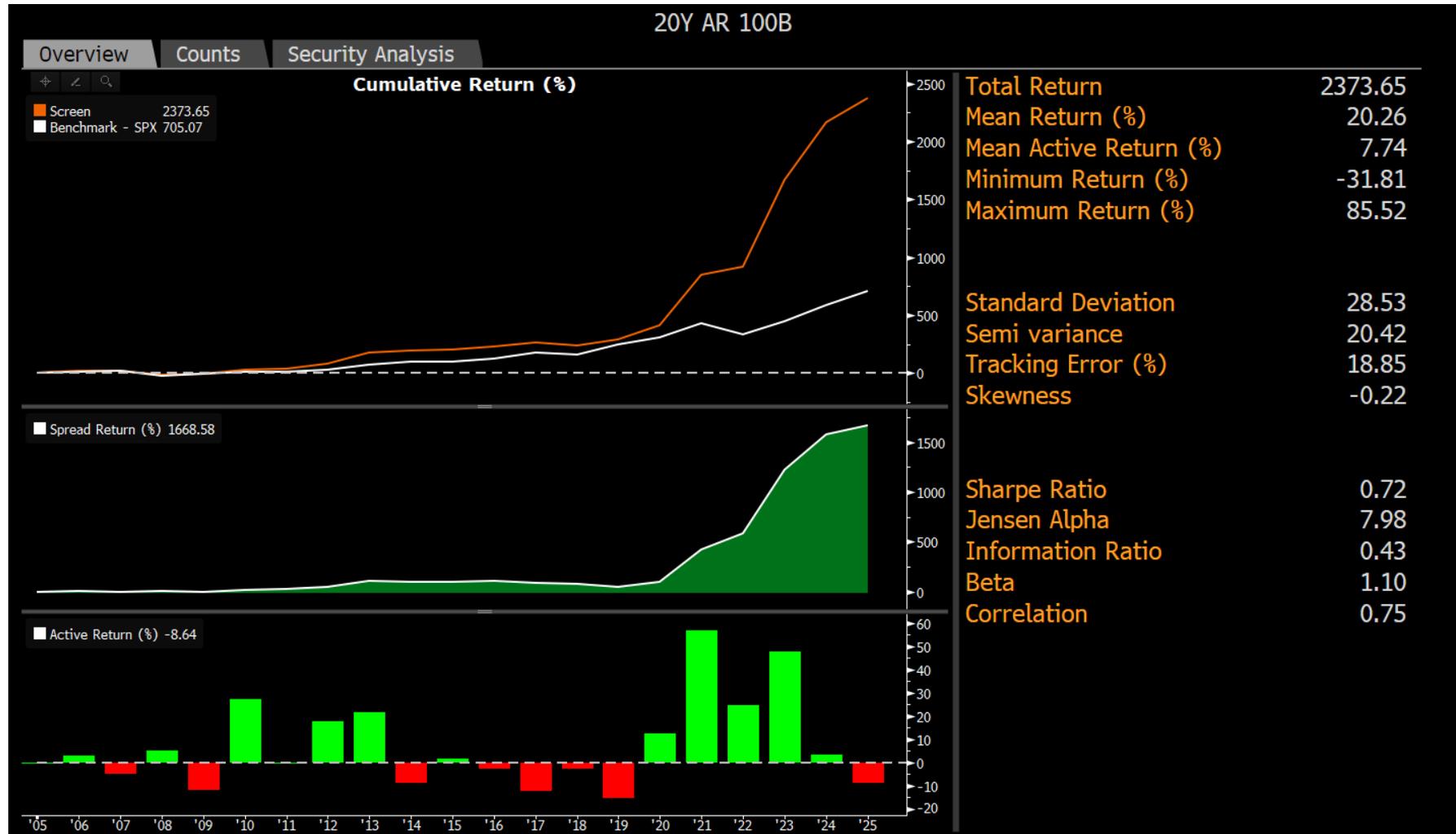
Russell Microcap: This index is not a true Microcap, "smallest 1,000 securities in the small-cap Russell 2000® Index, plus the next 1,000 smallest eligible securities by market cap." Further filtering avoids penny stocks, stocks with low liquidity, and sorts by revenue.

Linking Screening Criteria to Research

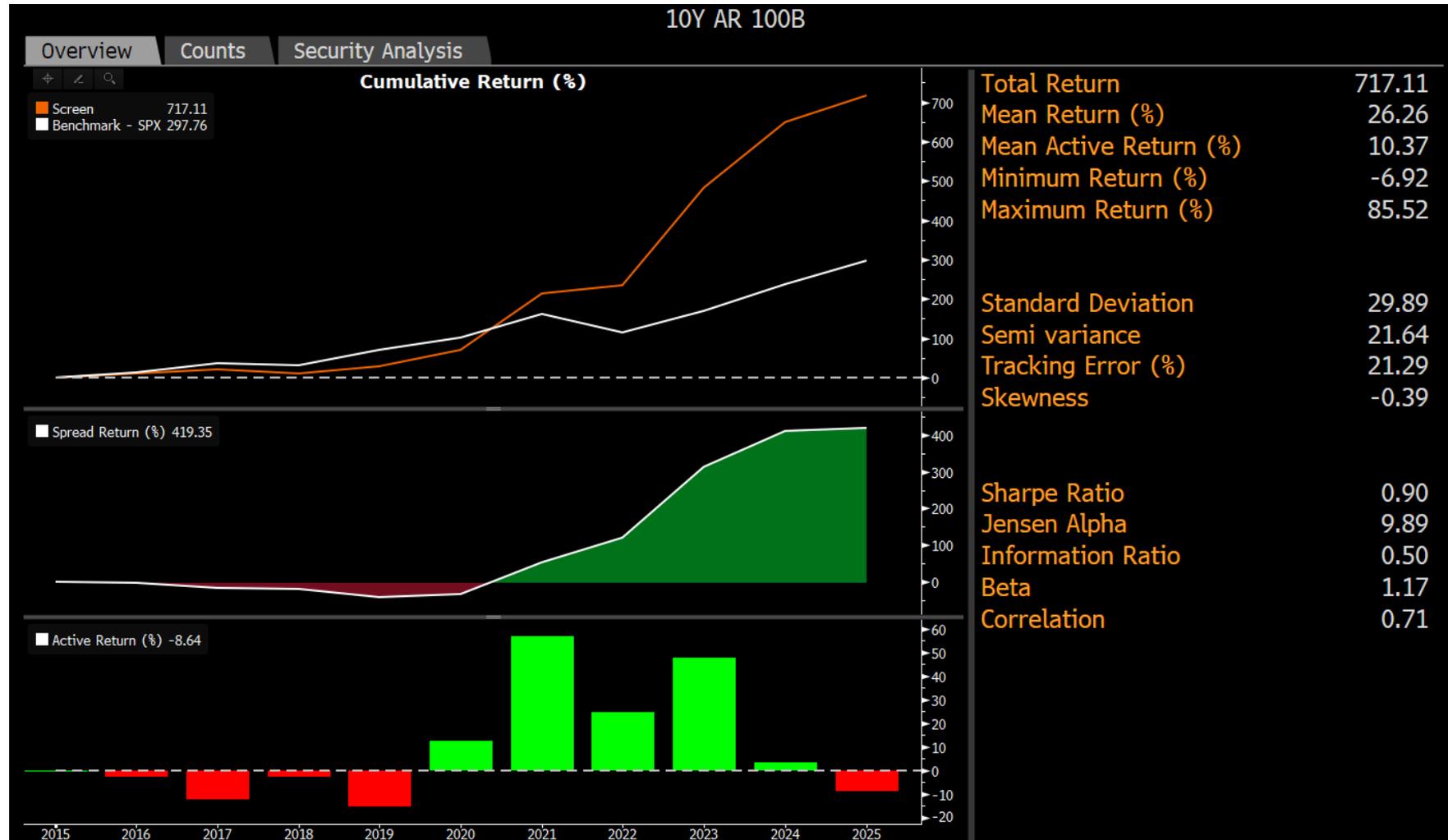
This strategy combines multiple empirically supported return drivers: size, valuation discipline, and fundamental momentum.

Criteria	Description	Justification
Universe	Russel Small/Microcap Index	Supported by Fama-French SMB factor: smaller firms have historically delivered higher expected returns, due to risk and market inefficiencies
Price	> \$7	Practical liquidity and quality filter. Extremely low-priced stocks due to microstructure noise, illiquidity, and unreliable pricing
Price-Earnings	< 30	Imposes valuation discipline consistent with value investing (Fama-French HML). Avoids overpaying for growth and improves risk-adjusted returns.
Revenue Growth	Sequential Quarterly Increases	Captures improving firm fundamentals. Supported by evidence on post-earnings announcement drift and fundamental momentum
Rank	Top 15 by Revenue	Captures early-stage momentum.
Weighting	Equal	Increases exposure to the size premium
Rebalance	Annually	Longer holding period to allow growth while limiting exposure

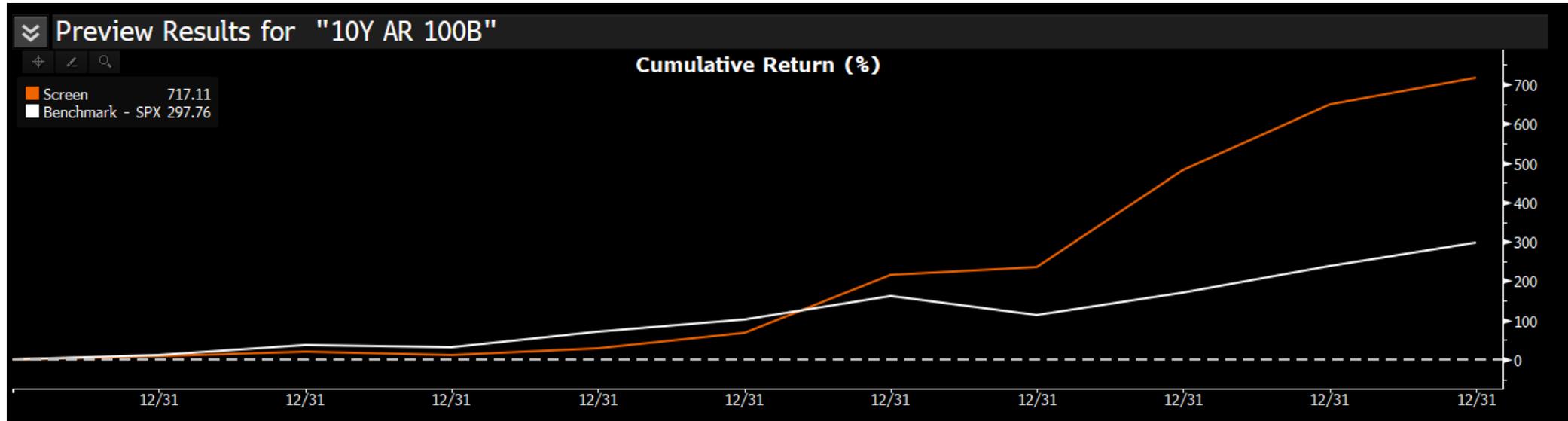
Back-testing Performance 20Y



Back-testing Performance 10Y

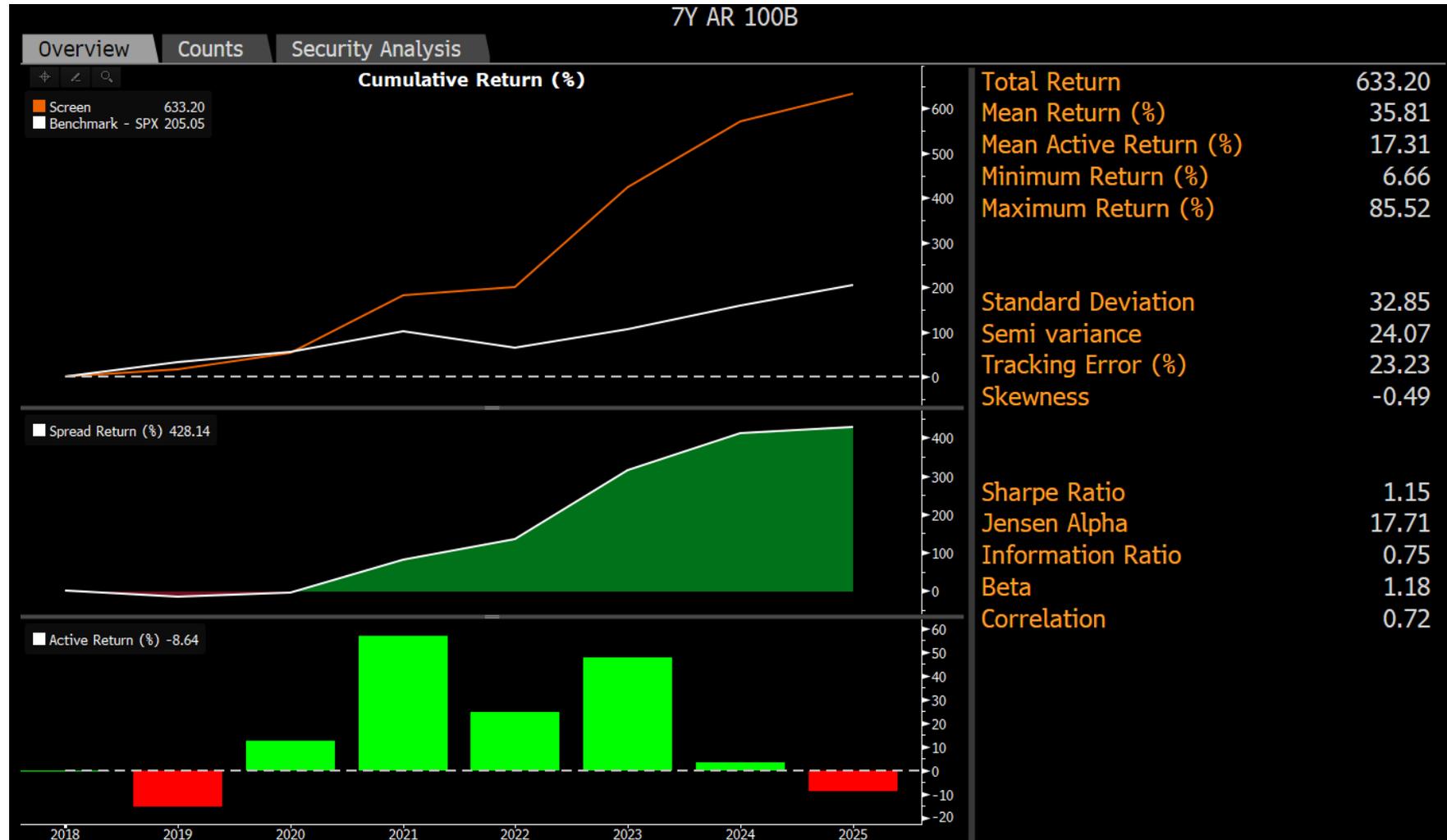


Back-testing Performance 10Y

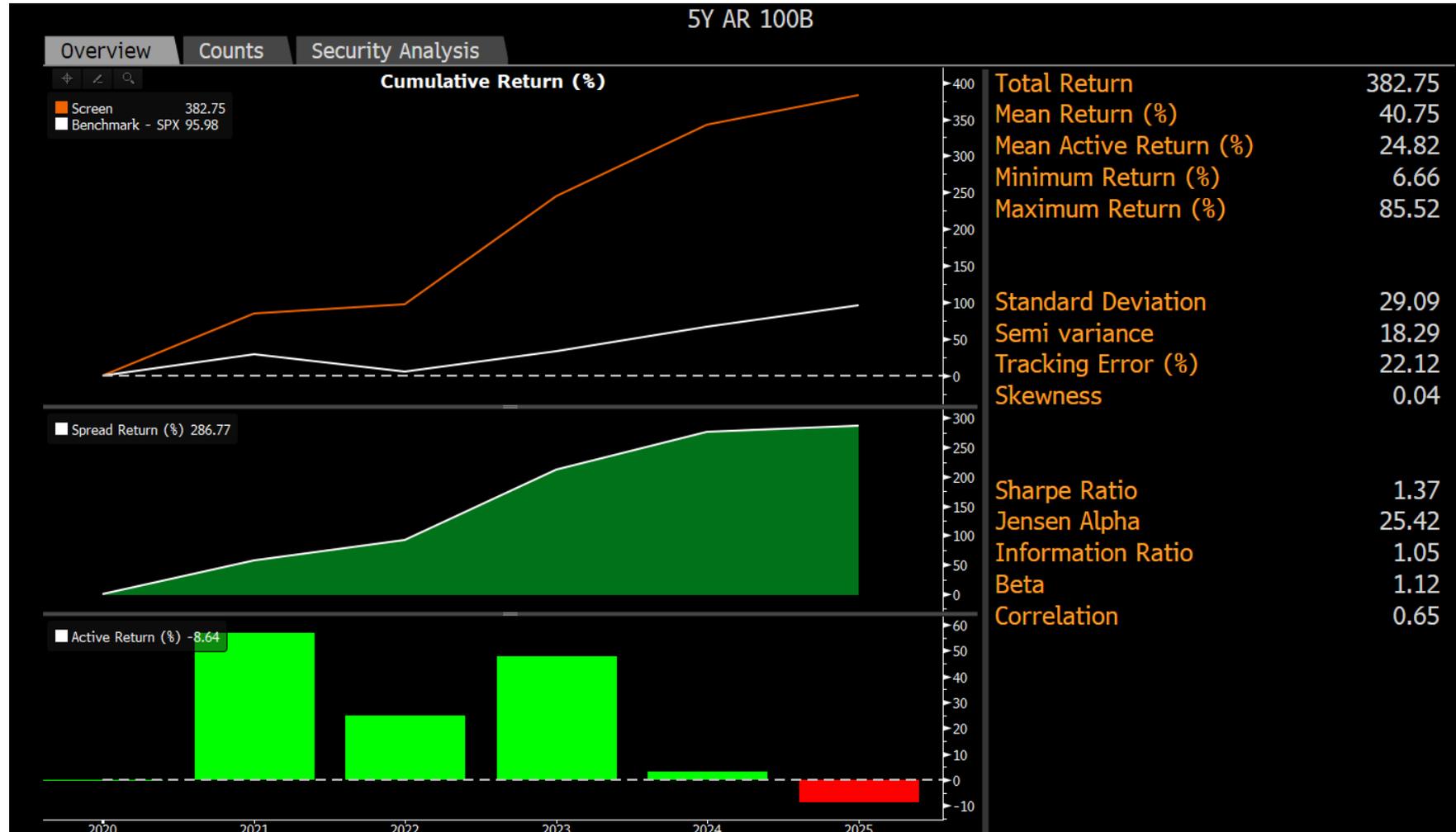


Period	Return	α^*	β^*	σ^*	Sharpe*
1yr	9.22%	-4.48	0.81	24.45%	0.35
1yr SPX	14.87%	0.00	1.00	13.71%	1.00
10yr	717.11%	9.89	1.17	29.89%	0.90
10yr SPX	297.76%	0.00	1.00	15.29%	0.72

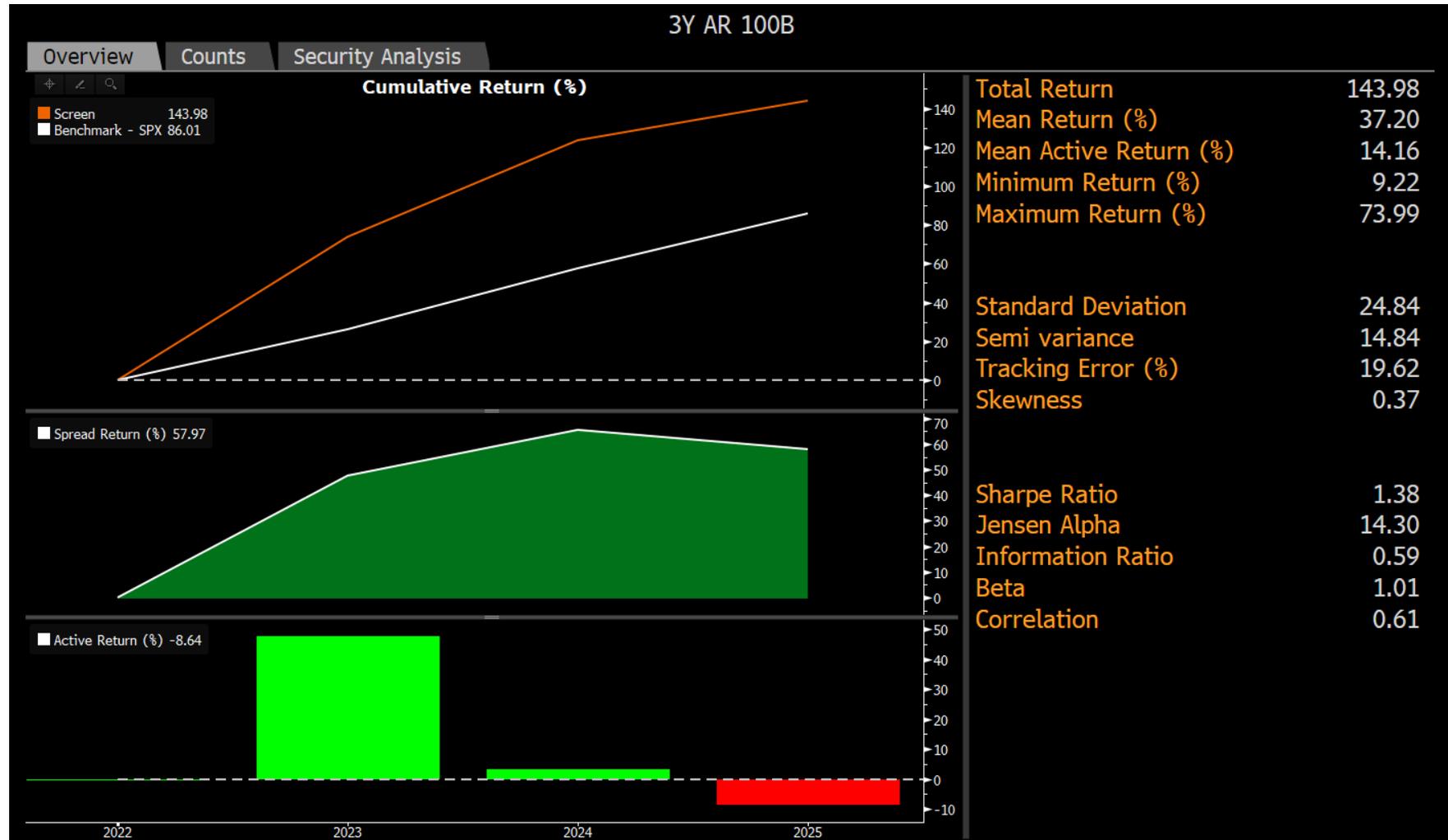
Back-testing Performance 7Y



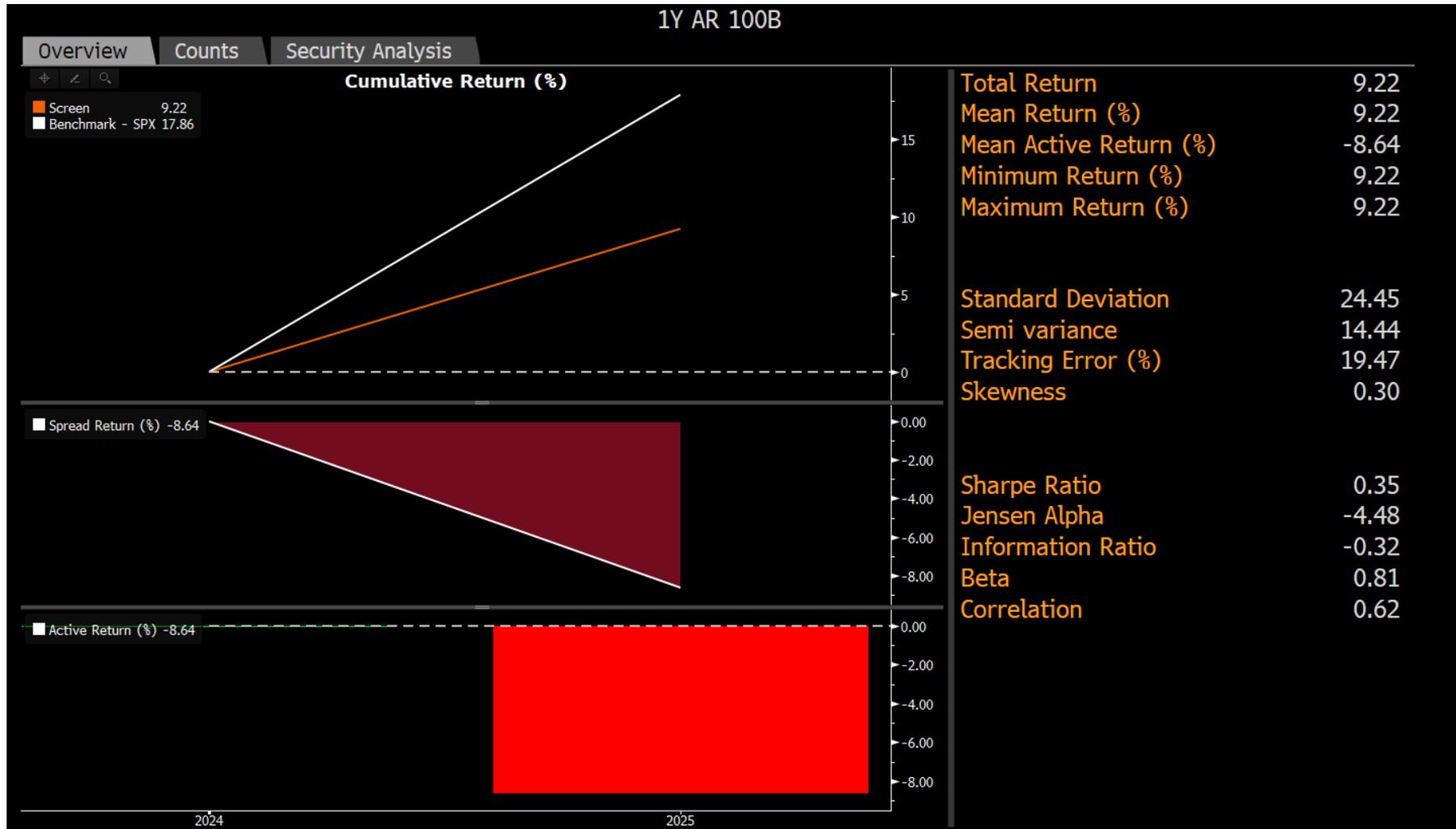
Back-testing Performance 5Y



Back-testing Performance 3Y



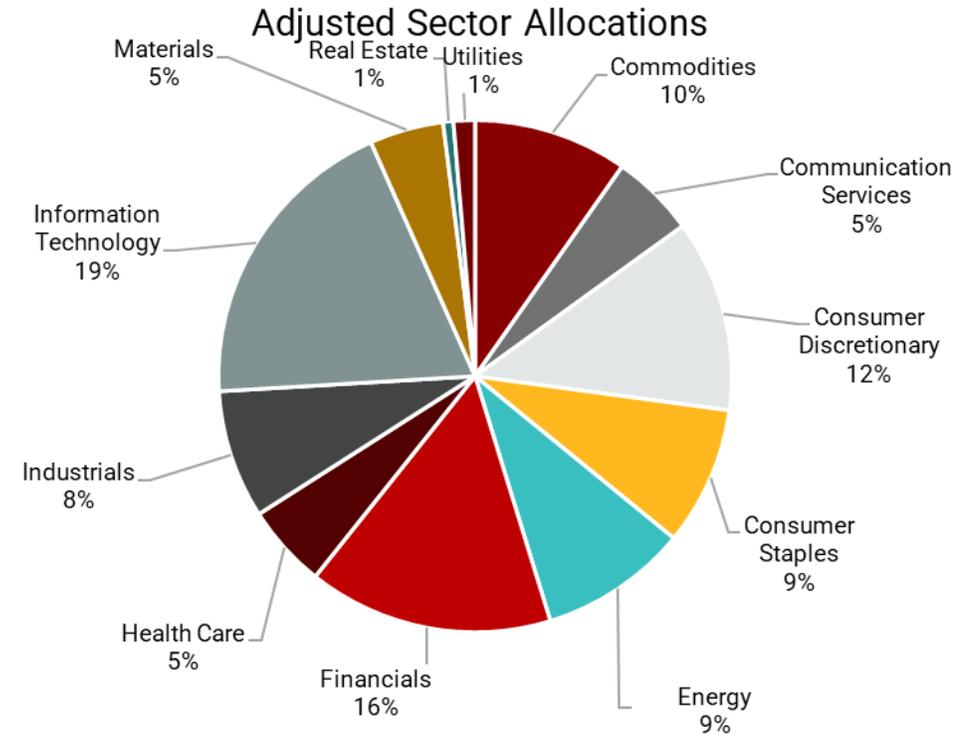
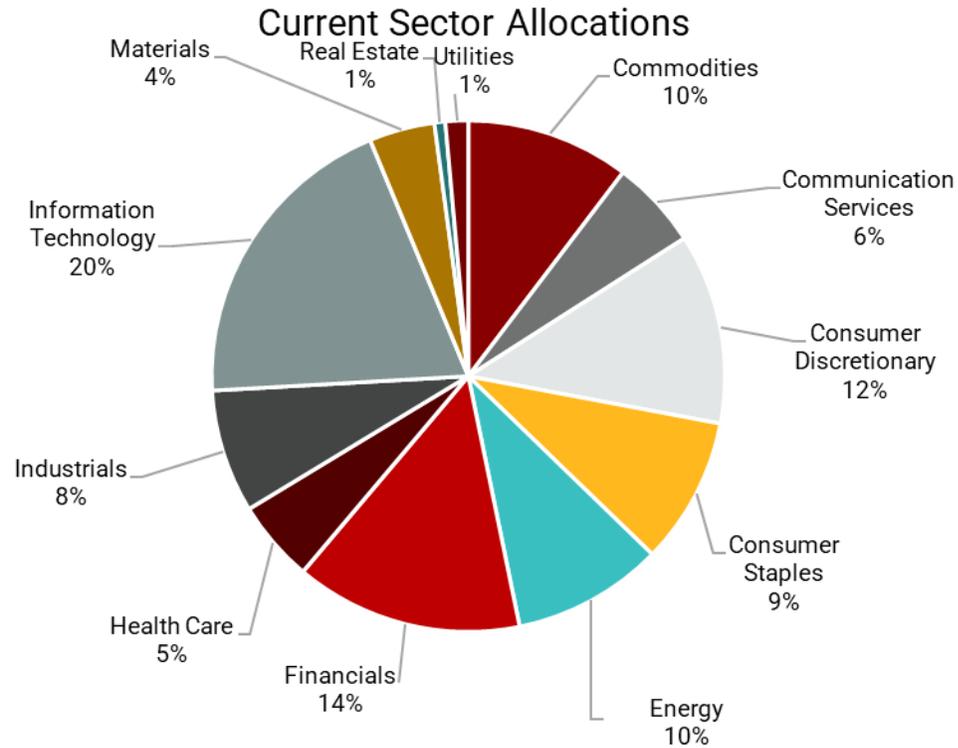
Back-testing Performance 1Y



First Cohort

Ticker	Company Name	Market Cap	GISC Sector
AVAH	Aveanna Healthcare	1.71B	Health Care
BALF	Bel Fuse Inc-A	2.11B	Information Technology
BELFB	Bel Fuse Inc-B	2.11B	Information Technology
BLBD	Blue Bird Corp	1.49B	Industrials
DCOM	Dime Community B	1.32B	Financials
FRD	Friedman Inds	145.73M	Materials
HBB	Hamilton Beach	589.39M	Consumer Discretionary
IBEX	IBEX Ltd	514.18M	Industrials
KRT	Karat Packaging	453.65M	Materials
ONIT	Onity Group Inc	369.02M	Financials
PGY	Pagaya Tech Ltd	1.68B	Financials
REX	Rex American Res	1.06B	Energy
STRT	Strattec Security	318.67M	Consumer Discretionary
UVE	Universal Insura	948.05M	Financials
VEL	Velocity Financial	807.56M	Financials

Effects on the Portfolio



Note: Sector allocations are based on equity holdings and not total fund value. Excludes cash, SPY, and bonds.

Risks

Risk Category	Specific Risks	Mitigations
Credit	Micro-cap stocks are often dependent on external financing and may have weak balance sheets or limited access to credit. Rising interest rates can increase default risk as well.	We are filtering for companies that have consecutive high revenue growth.
Liquidity	Some micro-cap stocks have low trading volume and wide bid-ask spreads, making it difficult to enter or exit positions without price impact.	Limit position size so that selling it would not require more than ~10–20% of average daily volume in one day.
Portfolio	This strategy concentrates the financial, Consumer Staple, Industrial, and energy sectors.	The amount invested only accounts for 3% of the portfolio value.

Summary & Recommendation

Strategy Merits



- **Performance**

High correlation with interest rates; the boom cycle overpowers the bust



- **Risk**

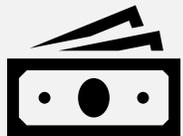
Lower liquidity, high sector concentration and dependance on credit



- **Effects on Portfolio**

Diversification

Action Plan



- **Recommendation:**

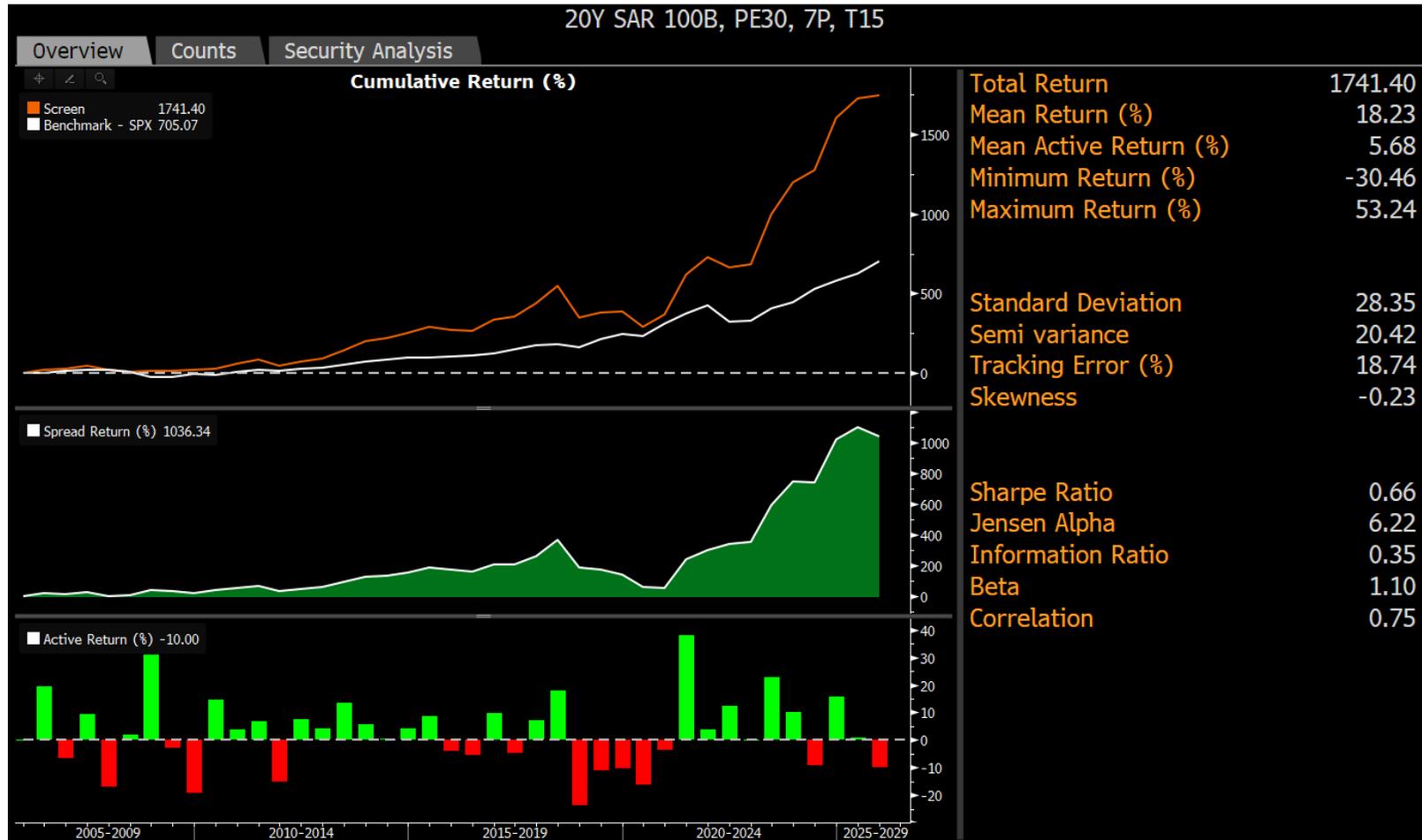
Allocate \$30k with \$2k in each stock by selling bonds

Appendix

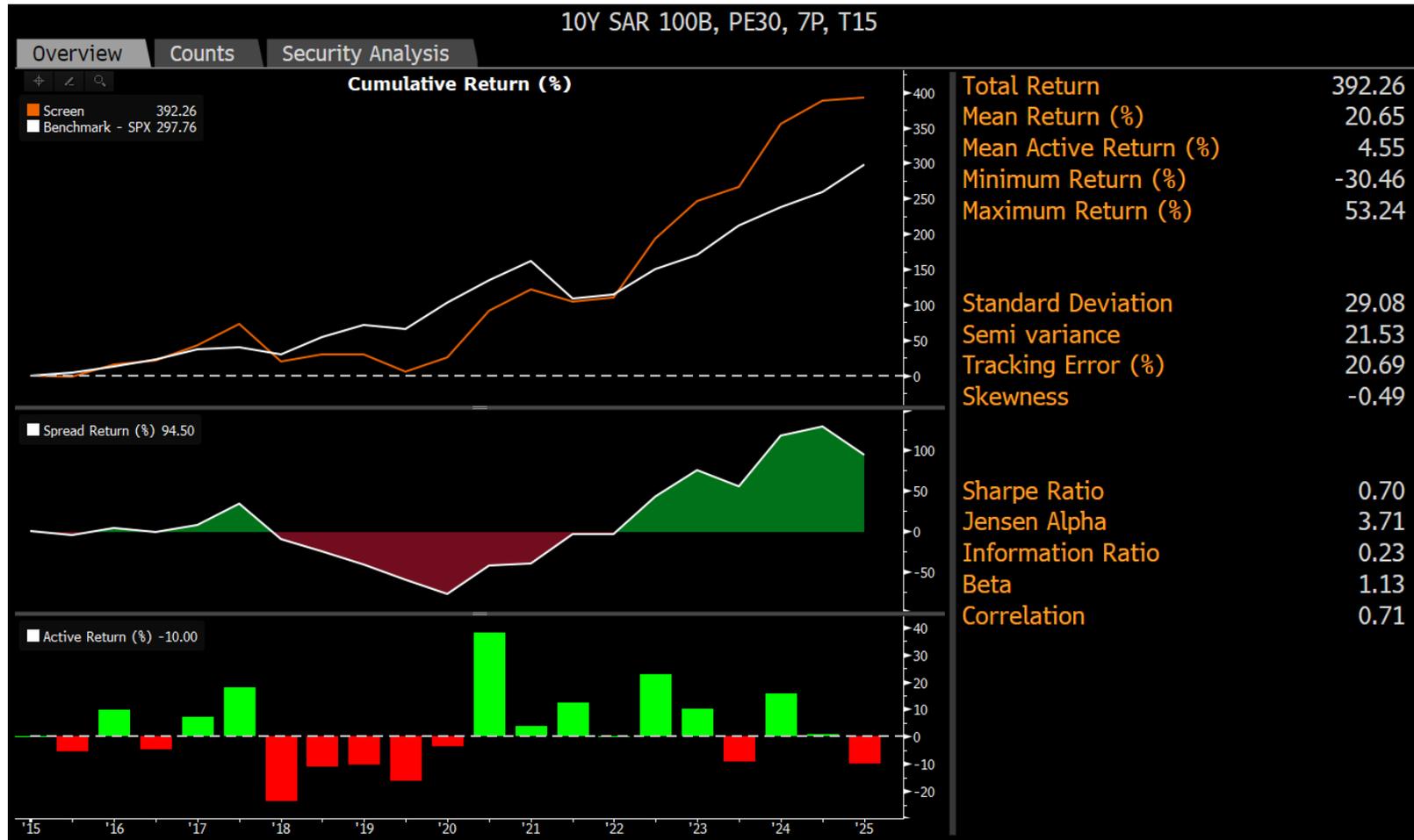
Annual – First Cohort

Overview		Counts		Security Analysis	
Securities		In		Rebalance Period	
				12/31/2025	
				Rebalance Period: 12/31/2025	
Ticker	Short Name	Market Cap	Weight	Return	In/Out
1) AVAH US	AVEANNA HEALTHCA	1.706806B	6.666667	--	Out Out
2) BELFA US	BEL FUSE INC-A	2.110397B	6.666667	--	Out Out
3) BELFB US	BEL FUSE INC-B	2.110397B	6.666667	--	Out Out
4) BLBD US	BLUE BIRD CORP	1.490603B	6.666667	--	Out Out
5) DCOM US	DIME COMMUNITY B	1.320781B	6.666667	--	Out Out
6) FRD US	FRIEDMAN INDTRY	145.728609M	6.666667	--	Out Out
7) HOV US	HOVNANIAN ENT-A	589.385381M	6.666667	--	Out Out
8) IBEX US	IBEX LTD	514.176741M	6.666667	--	In Out
9) KRT US	KARAT PACKAGING	453.645828M	6.666667	--	Out Out
10) ONIT US	ONITY GROUP INC	369.01584M	6.666667	--	Out Out
11) PGY US	PAGAYA TECHNOL-A	1.680275B	6.666667	--	Out Out
12) REX US	REX AMERICAN RES	1.064547B	6.666667	--	Out Out
13) STRT US	STRATTEC SEC	318.666534M	6.666667	--	Out Out
14) UVE US	UNIVERSAL INSURA	948.052178M	6.666667	--	Out Out
15) VEL US	VELOCITY FINANCI	807.564623M	6.666667	--	In Out

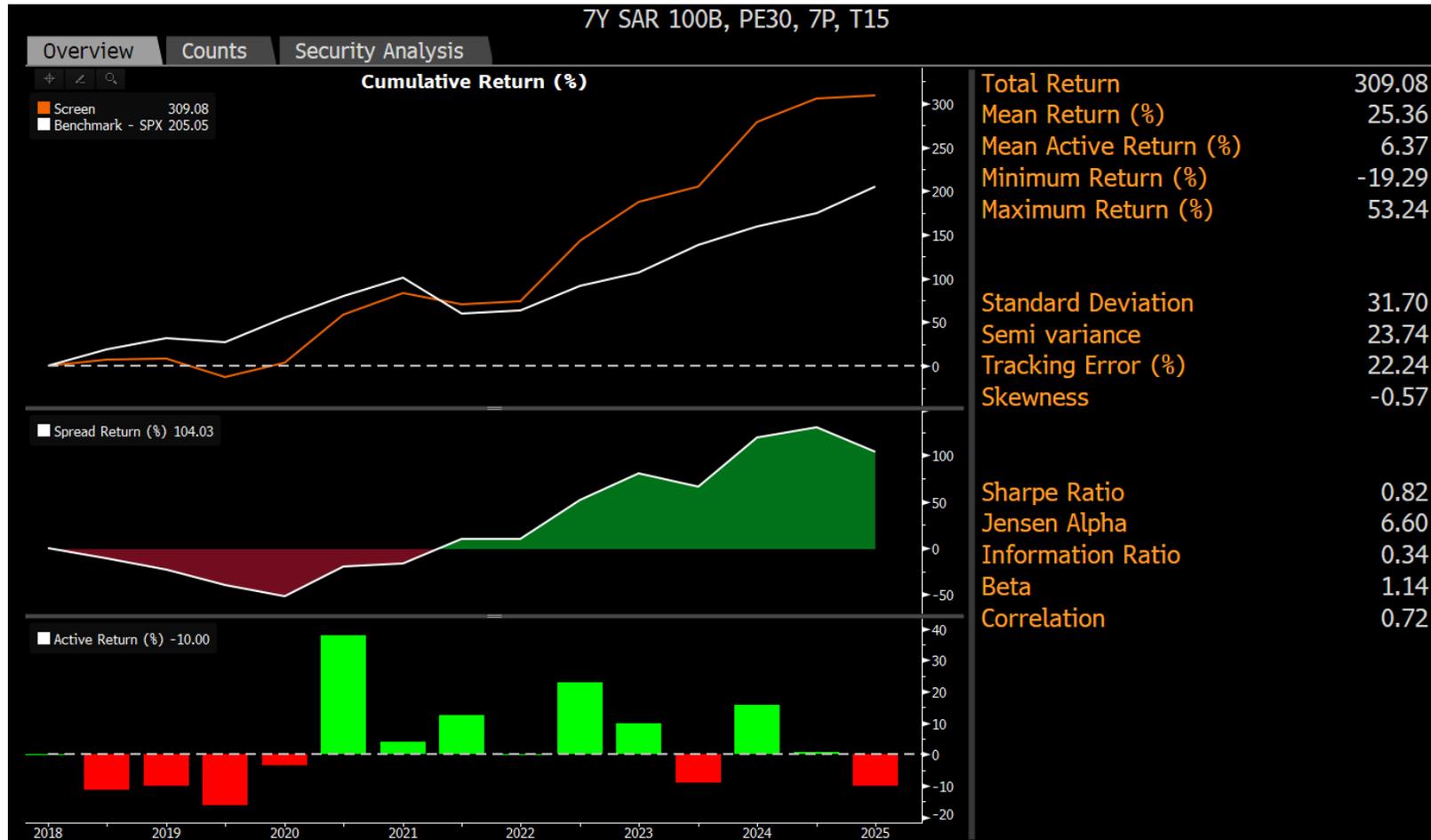
Semi-Annual – 20y



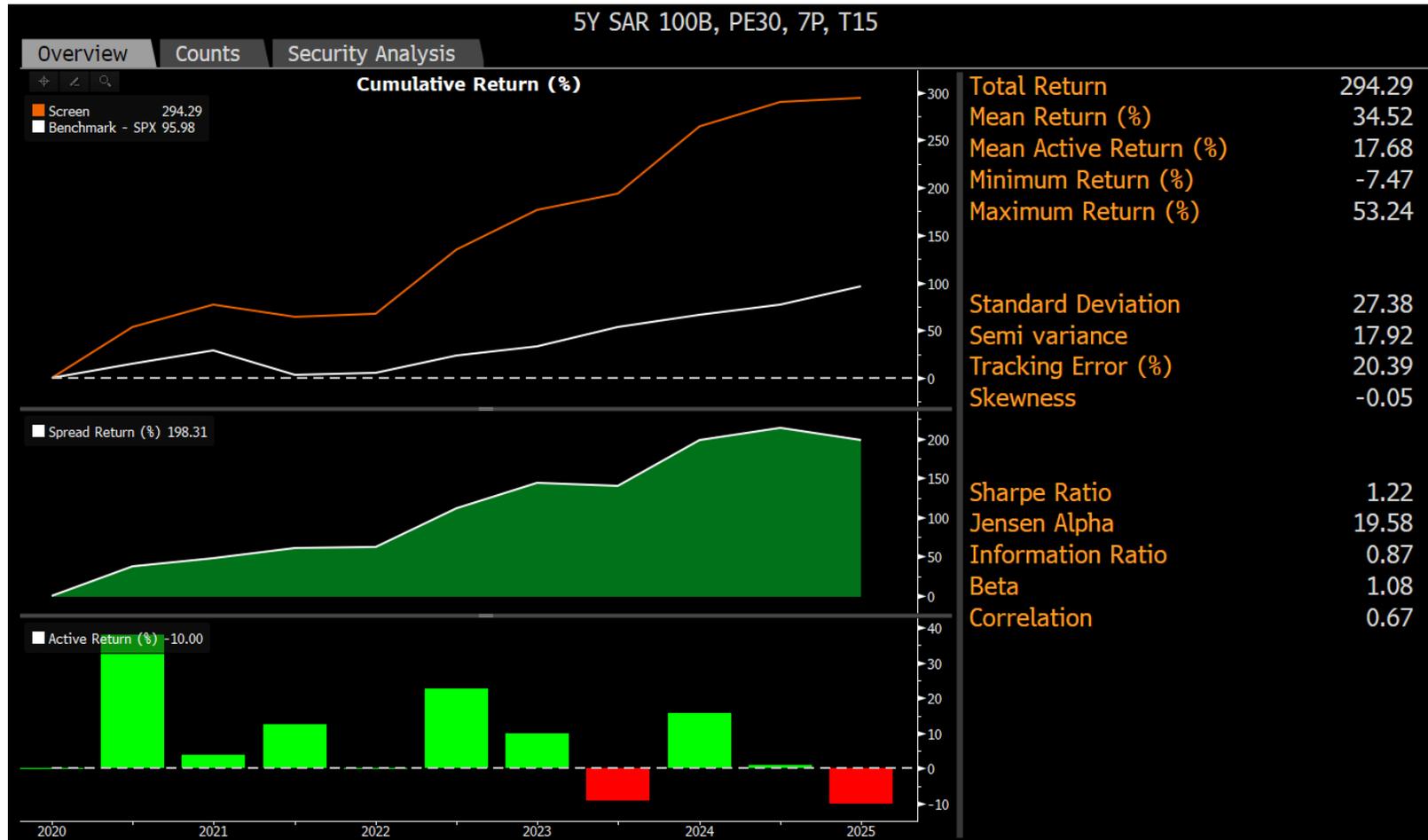
Semi-Annual – 10y



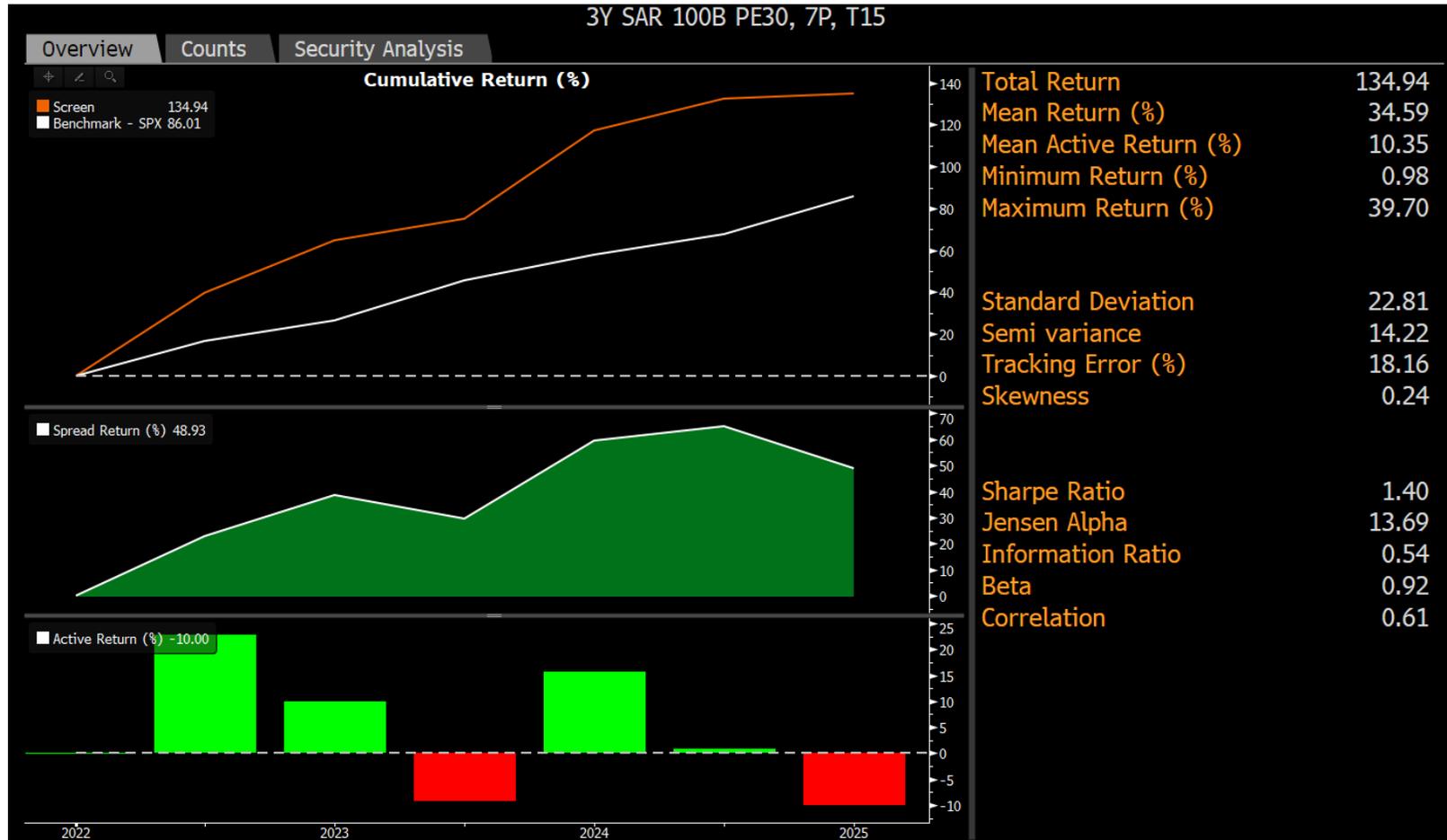
Semi-Annual – 7y



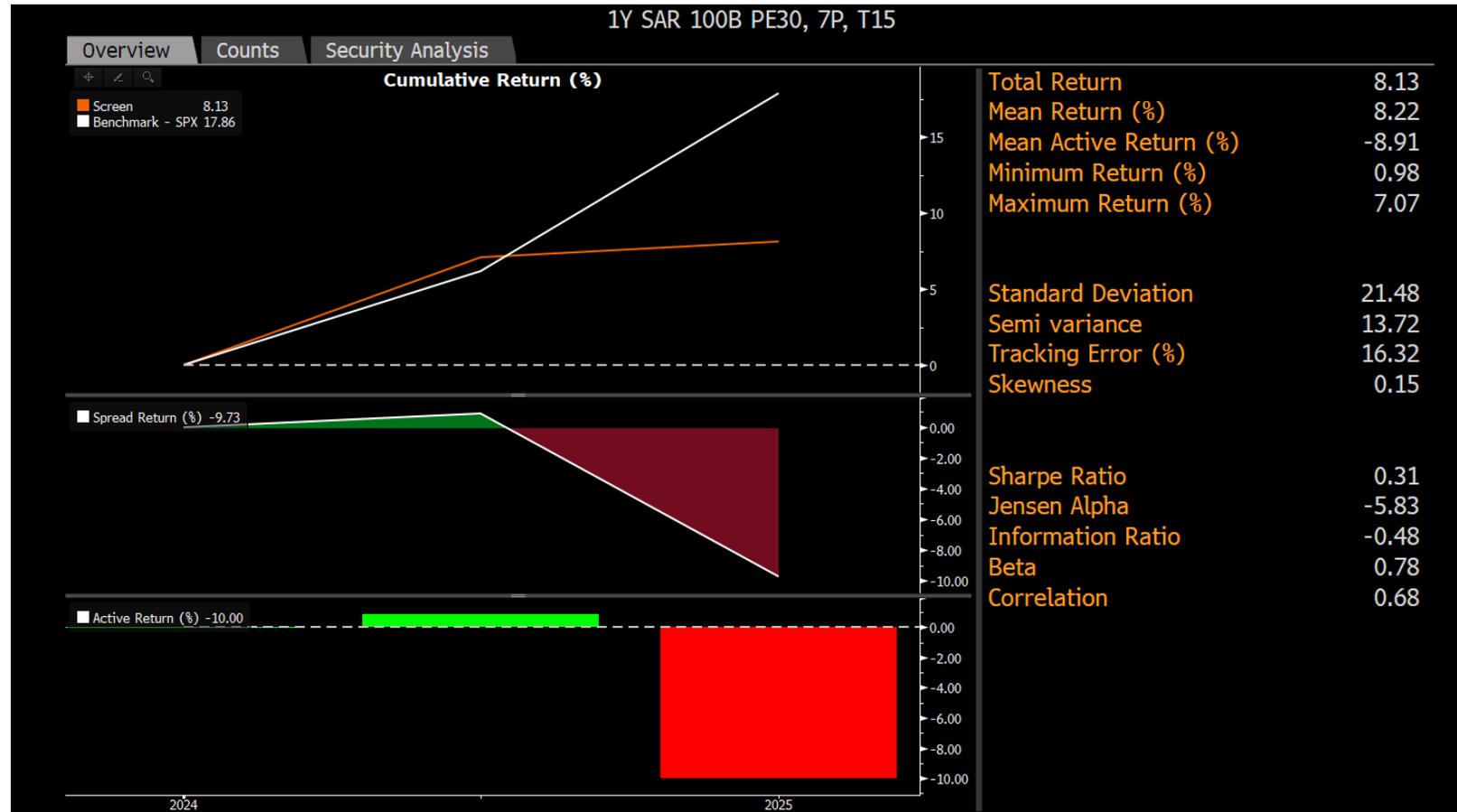
Semi-Annual – 5y



Semi-Annual – 3y



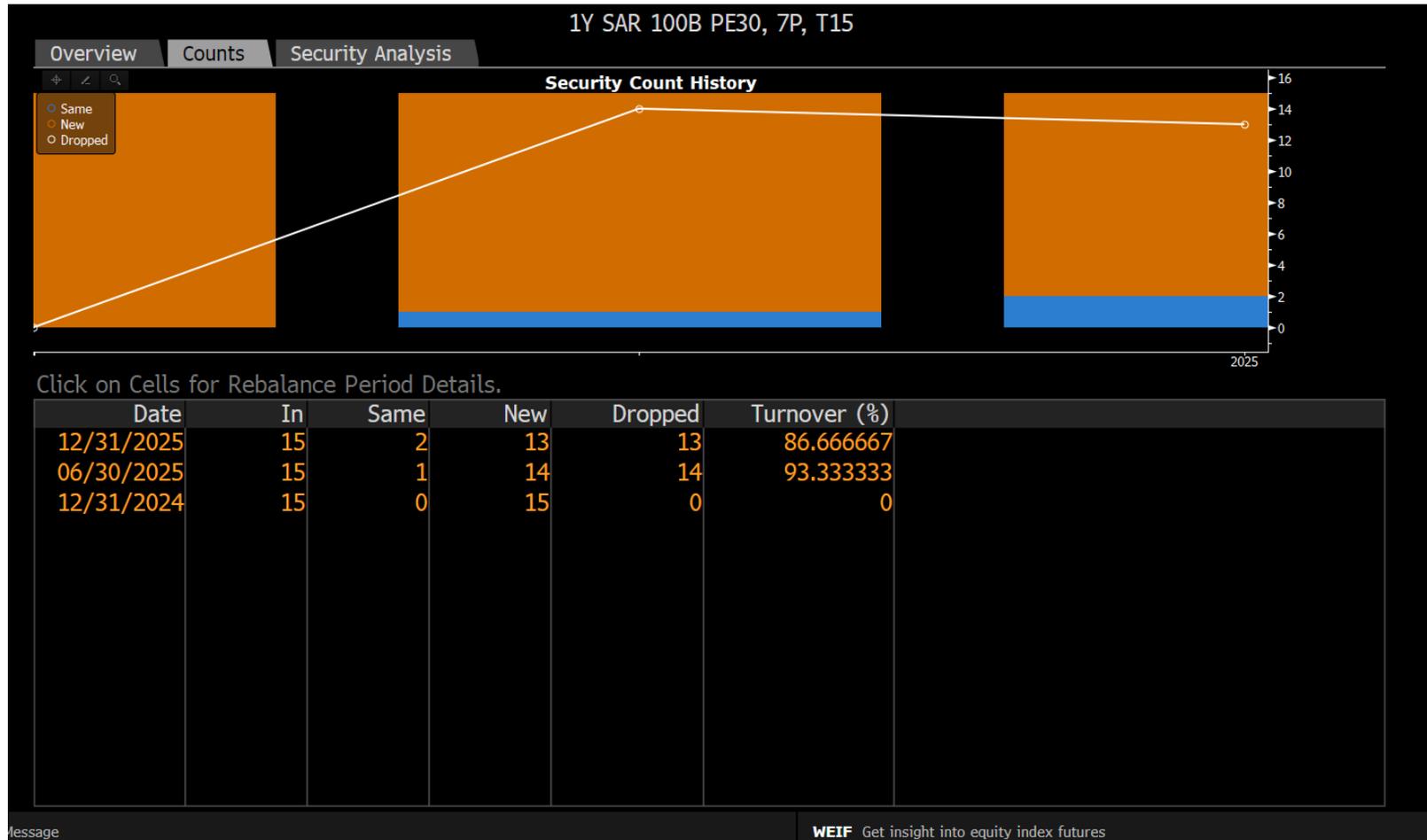
Semi-Annual – 1y



Semi-Annual – First Cohort

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				12/31/2025		
				Rebalance Period: 12/31/2025		
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5) DCOM US	DIME COMMUNITY B	1.320781B	6.666667	--	Out	Out
6) FRD US	FRIEDMAN INDTRY	145.728609M	6.666667	--	Out	Out
7) HOV US	HOVNANIAN ENT-A	589.385381M	6.666667	--	Out	Out
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15) VEL US	VELOCITY FINANCI	807.564623M	6.666667	--	In	Out

Semi-Annual – 1y Turnover



Annual – First Cohort

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Securities		In		Rebalance Period	
				12/31/2025	
				Rebalance Period: 12/31/2025	
Ticker	Short Name	Market Cap	Weight	Return	In/Out
					Previous Next
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15) VEL	US VELOCITY FINANCI	807.564623M	6.666667	--	In Out

Annual – First Cohort – Detailed

AVAH – Aveanna Healthcare

- What they do:** Provides home health care, hospice, and private-duty nursing services, primarily pediatric and adult patients.
- Sector:** Health Care
- Industry:** Health Care Providers & Services
- Daily Trading Volume:** 1,000,000

BALF / BELFB – Bel Fuse Inc

- What they do:** Manufactures electronic components such as power solutions, connectivity devices, and circuit protection products.
- Sector:** Information Technology
- Industry:** Electronic Components
- (BALF = Class A shares, BELFB = Class B shares)*
- Daily Trading Volume:** 44,000

BLBD – Blue Bird Corporation

- What they do:** Designs and manufactures school buses, including electric and alternative-fuel buses.
- Sector:** Industrials
- Industry:** Machinery / Commercial Vehicles
- Daily Trading Volume:** 470,000

Annual – First Cohort – Detailed

DCOM – Dime Community Bancshares

What they do: Regional bank offering commercial and consumer banking services.

Sector: Financials

Industry: Regional Banks

Daily Trading Volume: 300,000

FRD – Friedman Industries

What they do: Processes and distributes steel products (coil, sheet, plate).

Sector: Materials

Industry: Metals & Mining / Steel

Daily Trading Volume: 20,000

HBB – Hamilton Beach Brands Holding Company

What they do: Manufactures small kitchen appliances (blenders, coffee makers, etc.).

Sector: Consumer Discretionary

Industry: Household Appliances

Daily Trading Volume: 25,000

Annual – First Cohort – Detailed

IBEX – IBEX Limited

What they do: Provides customer engagement and business process outsourcing (BPO) services.

Sector: Industrials

Industry: Business Services

Daily Trading Volume: 111,000

KRT – Karat Packaging Inc

What they do: Manufactures and distributes disposable foodservice packaging products.

Sector: Materials

Industry: Containers & Packaging

Daily Trading Volume: 77,000

ONIT – Onity Group Inc

What they do: Mortgage servicing and origination (formerly Ocwen Financial).

Sector: Financials

Industry: Mortgage Finance

Daily Trading Volume: 70,000

Annual – First Cohort – Detailed

PGY – Pagaya Technologies Ltd

What they do: AI-driven fintech platform that underwrites and packages consumer credit.

Sector: Financials

Industry: Consumer Finance / FinTech

Daily Trading Volume: 3,00,000

REX – REX American Resources Corporation

What they do: Produces ethanol and invests in renewable energy businesses.

Sector: Energy

Industry: Renewable Fuels

Daily Trading Volume: 300,000

STRT – Strattec Security Corporation

What they do: Manufactures automotive access control products (locks, keys, ignition systems).

Sector: Consumer Discretionary

Industry: Auto Components

Daily Trading Volume: 50,000

Annual – First Cohort – Detailed

UVE – Universal Insurance Holdings

What they do: Provides residential property insurance (primarily homeowners insurance).

Sector: Financials

Industry: Insurance

Daily Trading Volume: 170,000

VEL – Velocity Financial Inc

What they do: Originates and manages investor-focused residential mortgage loans.

Sector: Financials

Industry: Mortgage Finance

Daily Trading Volume: 100,000