Looking Forward and Looking Back: Your 2025 Annual Review

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In This Issue

Chuck Royce's investing journey began not with a market crash or a brilliant trade, but with a simple question: *Why didn't Grandpa ever seem to work?*

As a young kid in the post-war 1940s, Chuck saw both his parents labor to maintain their middle-class lifestyle in the Washington, D.C. suburbs.

On the other hand, Chuck's grandpa had plenty of money. He spent most of his days puttering around, reading newspapers and thinking. It was a mystery.

One Thanksgiving afternoon, a young Chuck was snooping around his grandfather's stuff. He stumbled across a box full of funny-looking papers covered in company names. At first, he didn't know that the box contained the answer to the childhood mystery...

But he figured it out a few years later. As a high-school student, Chuck found a big green loose-leaf binder in his local library... and some of the names in the binder matched the names from granddad's box. The binder was the *Value Line* newsletter which, in the pre-Internet days, was the main source of information for publicly traded stocks.

Chuck realized that the mystery box was full of *stock certificates.* Grandpa had evidently loaded up on stocks during the Great Depression and was now essentially paid – via dividends – to own companies. Thus, an idea was born.

Fascinated by stocks and wanting to follow in his grandfather's financially successful footsteps, he studied economics in college, earned a Master of Business Administration, and joined the investment world in the 1960s.

While grinding it out as a young analyst at several New York investment firms, Chuck began to notice something the rest of Wall Street ignored: the market's smallest companies. These "small caps" were thinly traded, thinly covered, and often wildly mispriced – precisely the kind of inefficiency that appealed to his value-oriented mind. The more Chuck studied small caps, the more he saw opportunity where others saw risk.

So in 1972, at just 33 years old, he founded the investment firm Royce & Associates and launched the Royce Small-Cap Fund. It was the first fund in history to focus on small caps. Unfortunately, the timing could not have been worse...

The fund lost 48.5% in 1973 – its second year in existence. Chuck followed that up by losing *another* 46% in 1974. The Royce board of directors urged him to shutter the business. He was about to lose everything. But, according to biographer Stephen Weiss...

> [Chuck] summoned all of his persuasion skills and beseeched the other Directors to reconsider. He prevailed. The fund stayed in business. He had one more chance.

And that one more chance paid off handsomely. In 1975, Chuck's fund outperformed the market by 125%. This huge return drew new attention and capital – and marked the beginning of Chuck's multidecade rise to small-cap investing legend status.

At its peak 10 years ago, the firm had nearly $40 billion in assets under management ("AUM"). An investor who had put $10,000 with Chuck in 1975 – after his catastrophic start – would be sitting on around $9.5 million today. That's a compound annual growth rate of 14.7% over the past 50 years.

Nowadays, Chuck is widely considered one of the true pioneers of small-cap investing. And because of his value-based bent, he's an exemplar for *Venture Value*.

We couldn't help but think of the early years of the Royce Small-Cap Fund as we put together this year's annual review. Similar to back then, small caps have been left in the dust. Yes, our picks are generally making money... But high-flying mega-caps and large caps are currently dominating headlines and reaching record valuations.

Still, after a couple of incredibly frustrating years, I believe small caps may finally be turning a corner heading into 2026... and the stocks in our model portfolio are leading the way.

This month, we'll discuss the sustainability of these trends in relation to each holding in our model portfolio.

Through the years, we've "sliced and diced" our portfolio in various ways in our annual reviews... This year, we'll lay things out according to our relative confidence – with our highest-conviction ideas first – based on current business prospects and share price.

But before we get to our model portfolio, let's check back in with Chuck Royce and the small-cap market in general...

Taking the Small-Cap Temperature

Last year, at the age of 84, Chuck finally retired from day-to-day portfolio-management duties. He had a great career and seems to be enjoying his time unwinding with a couple of lifetimes' worth of wealth... and spending tens of millions of dollars restoring posh historical properties in Rhode Island and Connecticut.

However, it's worth noting that Royce & Associates has struggled lately. These days, it manages a more modest $11 billion, down from the 2010s peak of almost $40 billion.

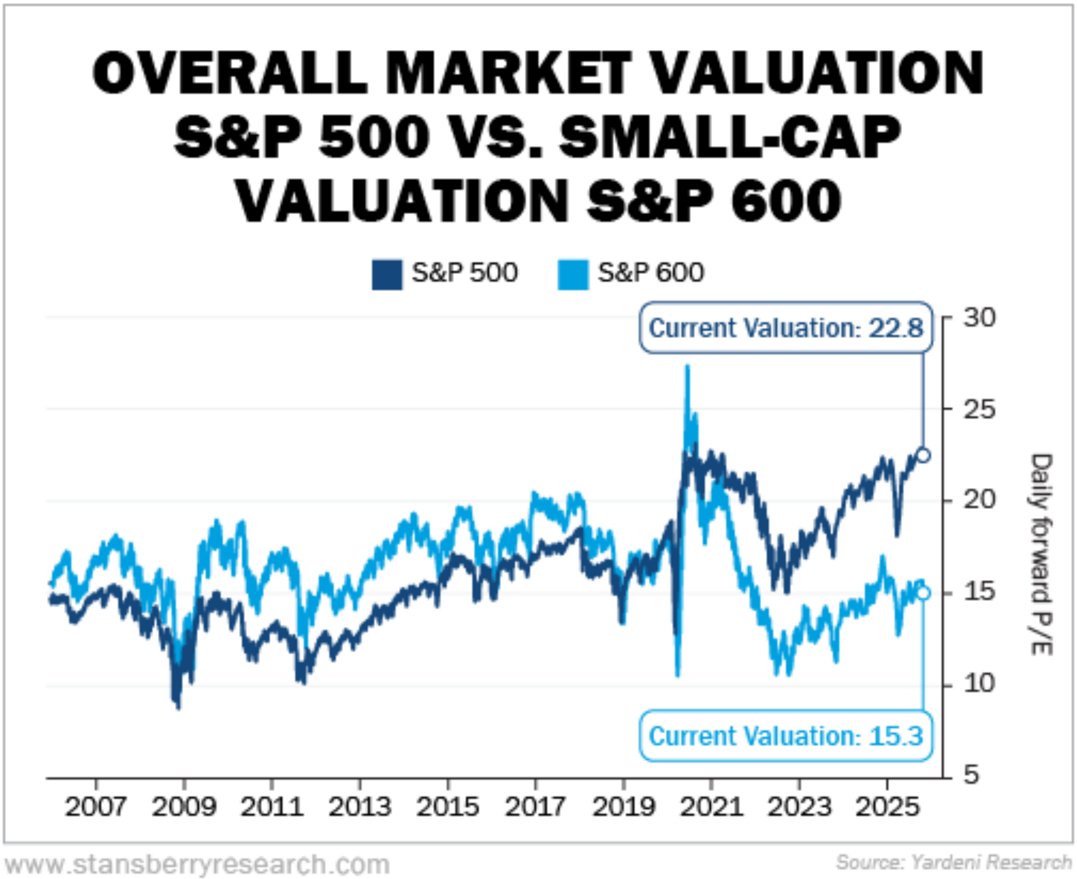
And over the past several years, the various Royce funds have only garnered annualized returns in the mid-single-digit range, including dividends. These are respectable returns but certainly not life-changing. They also meaningfully trail broader small-cap index benchmarks like the Russell 2000 Index or the Vanguard Small Cap Index, which are up a respective 7.6% and 8.9% annualized, including dividends, over the same period.

For those of us who follow small-cap value stocks for a living, the tepid Royce fund results and the related AUM drawdown aren't a huge surprise. It has been a tough time to invest in small-cap value...

As has become a sort of tradition in these annual reviews, we turn to data compiled by investment service Yardeni Research to gauge the current temperature of market valuations.

Yardeni uses the S&P 500 Index and S&P SmallCap 600 Index as proxies for large-cap and small-cap stock performance, respectively. And the forward price-to-earnings (P/E) ratio is its favored valuation metric.

We could quibble with these choices, but the conclusions will be similar no matter which indexes or metrics you use: The valuation gap between large- and small-cap stocks is as wide as ever. Take a look...



It's clear that money has been pouring out of small caps and into the biggest stocks in the market for several years now. But it's not all bad news...

As we said in last year's review...

> There is reason for optimism... After a couple years of ignoring small caps, Mr. Market is starting to pay attention again.
>
> We remain as focused as ever on finding small-cap businesses with promising prospects and strong financial profiles. No matter what happens around the world, investors who stick with companies fitting that description will do well.

Looking back at our 2024 and 2025 picks, this optimism appears to have been rewarded, with *Venture Value* recommendations up 21.1% annualized.

That handily beats our Vanguard Small Cap Index benchmark, which is up 15.2% annualized over the same period.

And looking forward, we're still optimistic that small caps can give us even better returns. As we'll cover in this issue, many stocks in our model portfolio have a lot more runway for growth. So let's get into it, starting with...

Our 'Pound the Table' Picks

In May, we called **MiMedx (Nasdaq: MDXG)** "a cash-generating, debt-free baby that Mr. Market has thrown out with the small-cap bathwater." Longtime subscribers will recall that we first recommended MiMedx back in 2018, before locking in a 116% gain in 2021.

The company sells biomaterials for skin substitutes, soft-tissue repair, tendons, ligaments and cartilage... all primarily made from human placentas. As we explained in May, the current iteration of MiMedx is superior in every way to the company we sold in 2021... yet shares were trading at the time for 22% less than our 2021 exit price.

Since then, MiMedx has delivered a couple of record-breaking quarters – proof that this "boring, cash-rich" story we bought last spring is quietly turning into one of the best compounders in small-cap medtech.

In its most recent quarterly report – released on October 29 – the company raised its full-year guidance. Management is now calling for revenue growth to be in the mid-to-high teens and earnings before interest, taxes, depreciation, and amortization ("EBITDA") margins in the mid-20s. Both of those would surpass our expectations. Free cash flow ("FCF") of $29 million in the third quarter pushed the year-to-date total to nearly $50 million... which was *our full-year target range*.

But the biggest news came last week with Medicare reform...

In May, we described an unusual government loophole that allows doctors to be paid additional Medicare dollars for using more expensive, inferior products sold by MiMedx competitors...

MiMedx has been lobbying hard to close this loophole. It learned on October 31 that the Centers for Medicare & Medicaid Services will partially close the loophole.

"This final rule is essentially what was proposed in July, and we believe it provides a large opportunity for MiMedx given our many competitive advantages," CEO Joseph Capper said on a call with Wall Street analysts. "This reform represents a major step in the right direction, and we will continue to advocate for further improvements over time."

MiMedx still meets all four of our guideposts – FCF, margins, balance sheet discipline, and focus on core franchises. Incredibly, shares are only up 7%, despite the deluge of positivity and good news.

It's time to raise our buy-up-to price to reflect a higher confidence in the company's earnings power and long-term value creation. We recommend you...

ACTION TO TAKE

Buy MiMedx (Nasdaq: MDXG) up to $8.50 per share. As of yesterday's close, shares trade at $7.48.

We'll round out the "Pound the Table" section with a brief mention of two companies we've covered in detail recently. Restaurant software provider **PAR Technology (NYSE: PAR)** and Canadian cannabis behemoth **Cronos (Nasdaq: CRON)** both released record-setting earnings last week. This duo is firing on all cylinders for each of the major metrics we track.

We discussed each of these businesses in detail in our August and October issues, respectively. We won't rehash our bullish thesis here. But know that both are within buy range and are great places for new money. PAR, in particular, is a ridiculously good setup at today's prices. If I were starting a hedge fund today, PAR would be my first buy.

Our advice remains the same...

Buy PAR Technology (NYSE: PAR) up to $59.00 per share. As of yesterday's close, shares trade at $39.15.

Buy Cronos (Nasdaq: CRON) up to $2.95 per share. As of yesterday's close, shares trade at $2.54.

Good Companies Trading for Good Prices

After more than eight years, we can almost write **SiteOne Landscape Supply (NYSE: SITE)** updates in our sleep. The landscaping conglomerate has been following CEO Doug Black's playbook since our second issue...

The company remains a serial acquirer of mom-and-pop nurseries and hardscape and landscape stores. SiteOne then transforms them into full-service branches. It's not afraid of folding weaker sites into stronger locations. That makes each location more useful to contractors while still retaining local business.

In its most recent quarter, SiteOne's net sales rose 4% to $1.26 billion, with organic daily sales up 3%. Gross margins improved to 34.7% with price adjustments making up for spotty demand. SiteOne expects full-year EBITDA to be between $405 million and $415 million.

The recent performance reminds us why we bought SiteOne in the first place. We're backing a proven operator – Black – who loves to buy good local stores at a fair price and then integrate them into the company's scalable business model.

SiteOne has outgrown the "small cap" label we look for in *Venture Value*. It sports an enterprise value of between $6 billion and $7 billion. At this size, we're not looking at a quick double or triple... but we're happy to keep a "Buy" label on this solid, safe recommendation.

Buy SiteOne Landscape Supply (NYSE: SITE) up to $165 per share. As of yesterday's close, shares trade at $126.41.

You're also not going to triple your money any time soon with hot-dog king **Nathan's Famous (Nasdaq: NATH)**. As we explained in detail just three months ago, we're largely betting on Nathan's being sold to its largest customer, Smithfield Foods (SFD). As we said at the time...

> If there is a deal, we're looking at 30% to 60% upside, possibly by the end of [2025].
>
> If there's no deal, we're still getting a ridiculously profitable business trading at a fair price and throwing off a steady 2% dividend.

No Smithfield deal has materialized. But last week, Nathan's board announced a $2.50-per-share special dividend... so its yield is going to be even higher than we thought.

This may not be a long-term holding. But for now, the setup is promising... *for the right price*.

Buy Nathan's Famous (Nasdaq: NATH) up to $106.00 per share. As of yesterday's close, shares trade at $99.42.

Our July recommendation, **Ituran Location and Control (Nasdaq: ITRN)**, helps insurance companies recover stolen vehicles. The company releases earnings next week, so you can expect a full update next month. In the meantime, shares are still in buy range, and we have no reason to adjust our current guidance.

Buy Ituran Location and Control (Nasdaq: ITRN) up to $41 per share. As of yesterday's close, shares trade at $38.08.

Waiting and Watching for Our Price

Speaking of insurance, **Hagerty (NYSE: HGTY)**, the little insurance company specializing in collectible cars, continues to impress. On a November 4 call, CEO McKeel Hagerty raised the company's 2025 outlook midpoints to $173 million in earnings and $1.37 billion in revenues.

When we recommended the company, it didn't generate *any* earnings. And its most recent full-year revenue (2022) was only $787 million. This new revenue midpoint represents a 75% jump since then.

These increased numbers reflect its impressive growth initiatives. Hagerty built a new online marketplace and bought collectible-car auction houses. (See our January 2023 issue for more details on these transformative moves.)

But what we're *really* excited about is Hagerty's State Farm partnership. After nearly three years, the pairing is *finally* ramping up. Under this plan, 525,000 collectible cars currently covered by State Farm are converting to Hagerty's "Classic Plus" program. A quick check on State Farm's website reveals the program is currently live in 27 states.

Given the belated uptick in State Farm policies, the 75% revenue growth, and the flip to profitability, **we're going to raise our Hagerty buy price for the first time since 2023**. Shares are still currently out of price range, but if they dip...

ACTION TO TAKE

Buy Hagerty (NYSE: HGTY) up to $12.00 per share. As of yesterday's close, shares trade at $13.73.

We dedicated a great deal of last month's issue to **TETRA Technologies (NYSE: TTI)** and its transformation from a pure-play drilling services company to a drilling services company that owns a diversified collection of high-growth mineral plays.

In that issue, we raised our buy price to $6.25 a share. The company released impressive earnings on October 30, and the stock exploded out of buy range. Shares are up 33% since we last published.

Given our recent update, we won't dwell on TETRA. Suffice it to say, the recent earnings confirmed that all four growth initiatives are progressing well. Keep your eye on the shares... If they dip back into range, be ready to pounce.

Buy TETRA Technologies (NYSE: TTI) up to $6.25 per share. As of yesterday's close, shares trade at $7.61.

I've recommended **Natural Resource Partners (NYSE: NRP)** three times in three different Stansberry Research publications.

When the dust settles, I fully expect my *Venture Value* recommendation to be the best of the bunch. And that's saying something. NRP handed *Stansberry's Credit Opportunities* subscribers a 100% gain.

NRP is a commodity royalty company whose primary business is owning land that other companies mine. It really just has to walk out to the mailbox and collect royalty checks. After accumulating $1.5 billion in debt by buying up land, the company has spent the past decade gradually working down its debt balance.

The company should fully pay off its debt by the summer of 2026. At that point, management is committed to sending all excess cash to its owners – effectively doubling the already rich income stream.

As we've covered before, now is a tough time to be in the commodity business. Coal and soda ash producers (key products for NRP) face stiff headwinds.

But remember, NRP doesn't operate mines... It simply collects checks from those who *do* mine the land. Here's how NRP President Craig Nunez laid out the situation last year (emphasis added)...

> The good news that I think would be important to note here for us is that despite the fact that this is a very negative time in terms of the collective sentiment of all three... of our key commodities, it's actually a pretty robust time for the business outlook for our common equity simply because of the fact that we are coming to the end of eliminating our obligations, at which time there will be a lot of free cash that's freed up for common equity.
>
> So it's sort of a tale of two cities. **It's a bad time for the business outlook... But it's certainly the best outlook from the standpoint of an equity holder that we've had in the almost 10 years that I've been at NRP**.

Since saying those words, NRP retired an additional $130 million of debt and now has only $70 million remaining. Once the debt hits zero, management will aim the cash-flow hose directly at its equity owners (that's us). As for timing, this could happen as soon as August 2026, but it may push into the fourth quarter.

If you bought NRP when we recommended it a little more than a year ago, you've already received $5 per unit. You'll receive another $0.75 next week. We look forward to the day when these distributions approach $10 annually.

Given the industry headwinds, we're not going to raise our buy price. If you already own NRP, sit back and enjoy getting paid. If you don't already own it, keep your eyes on the unit price and be ready to pounce if shares dip into range.

(NRP is a Master Limited Partnership. As such, its equity is called "units," and its dividends are "distributions.")

Buy Natural Resource Partners (NYSE: NRP) up to $96.50 per unit. As of yesterday's close, shares trade at $105.10.

In our March issue, we introduced you to **Forum Energy Technologies**

(NYSE: FET), which designs and sells products primarily for oil and gas drillers. In April, we put Forum and the rest of our Energy Crisis Hedges on hold due to the upheaval in energy production of OPEC nations.

Within one month, the oil cartel unexpectedly increased production, putting downward pressure on U.S. oil prices, which hurts domestic drilling demand.

We decided to hold "until we know more about the OPEC production plans and the price of [oil] settles back up above $65." Neither has happened. Shares remain on hold, but we're glad we didn't sell Forum.

This recommendation hinges on Forum using its huge cash flows to buy back shares. As we explained in March:

> If the company can generate enough FCF to buy back tens of millions of dollars' worth of shares, it will be almost mathematically impossible for shares to stay below $25.

Since writing those words, the following three quarters of reported FCF were $7 million, $15 million, and $22 million... and management expects another $26 million to $36 million of FCF in the fourth quarter.

Management used a lot of this cash to buy back around a million shares... And as expected, shares soared as high as $32 before settling around $29 today.

If you own shares, continue to hold them. We're unlikely to sell until "shares pop back up toward a double-digit multiple"...

Today, they trade around 6.2 times earnings on an enterprise-value basis. So there should be more upside to come.

Continue to HOLD your shares of Forum Energy Technologies (NYSE: FET).

We recommended events-marketplace operator **Eventbrite (NYSE: EB)** back in April in an issue titled "The Cheapest Stock We've Ever Recommended."

After a strategic pricing mistake in 2023, Eventbrite turned into a fantastic turnaround opportunity for a historically profitable business. That's when we decided to buy. Thus far, the turnaround has been going great.

Revenue looks like it will come in a little lower than we anticipated, but our selling guidepost allows us some leeway:

> If revenue comes in at less than $300 million, it will mean the damage from the 2023 pricing gaffe must have been deeper than we realized. We would consider selling in that case, unless FCF is surprisingly strong.

We're now modeling revenue to come in at around $295 million. But after a huge second quarter and a decent third quarter, Eventbrite's FCF has indeed been "surprisingly strong."

We had hoped for $10 million to $15 million in 2025 FCF, and it looks like we may be getting twice that. So we're going to give Eventbrite a pass for the slightly lower revenue numbers.

Shares are currently out of buy range. If they drop back into range, feel free to...

Buy Eventbrite (NYSE: EB) up to $2.30 per share. As of yesterday's close, shares trade at $2.87.

We recommended contract drugmaker **Lifecore Biomedical (Nasdaq: LFCR)** just two months ago. The company released earnings last Thursday, and everything is going as well as we had hoped.

Until yesterday, we had Lifecore in the "Pound the Table" section, but a 24% price surge in the last four trading sessions has pushed shares out of buy range. Our advice remains the same. Keep your eye on the share price, and if it drops back into range...

Buy Lifecore Biomedical (Nasdaq: LFCR) up to $7.75 per share. As of yesterday's close, shares trade at $8.22.

Israeli security firm **Cellebrite (Nasdaq: CLBT)** and Canadian energy and infrastructure technology company **Mattr (TSX: MATR)** both released earnings last night. Our team is diligently sifting through the data, and you can expect detailed updates in next month's issue. As we go to press this morning, CLBT shares are up 23% and MATR shares are down by roughly the same. With moves this big, you can be sure we're reviewing both releases carefully. Stay tuned.

In the meantime, on initial review, Cellebrite continues to grow revenues at around 18% and generate mountains of cash flows. I anticipate we will raise the buy price for Cellebrite next month. But for now, our advice remains the same...

Buy Cellebrite (Nasdaq: CLBT) up to $15.50 per share. As of yesterday's close, shares trade at $15.97.

Mattr, on the other hand, has been hit hard by new tariffs – particularly a Canadian copper tariff that President Donald Trump introduced this quarter that directly impacts the company's Shawflex and AmerCable business units. While Mattr managed to increase revenue and remain profitable, we're going to take our time analyzing the unusual situation. Don't put new money to work here until we've completed that analysis.

ACTION TO TAKE

HOLD Mattr (TSX: MATR).

Time for Some Pruning

We prefer to keep our model portfolio between 15 and 20 holdings. That's a small enough number that we can track developments, but a large enough number to ensure adequate diversification.

Looking ahead to 2026, we want to target the lower end of that range to make sure we have room in the portfolio for some exciting setups we're eyeing. So we're going to close out this year's update with some pruning. We'll be cashing in a couple of winners, covering a position that stopped out, and cutting a loser loose.

We provided an update on **Garrett Motion (Nasdaq: GTX)** this past June. Shares of the engine-parts maker are up 64% since then. They are currently well out of buy range.

Management recently raised full-year guidance for earnings and FCF. Garrett's profits continue to flow back to shareholders – with the company repurchasing $84 million of stock in the third quarter alone and announcing a 33% dividend increase.

Management also prepaid $50 million of debt, keeping leverage around 2 times earnings. The leadership also reiterated its plan to **return roughly 75% of adjusted FCF to shareholders over time**.

But none of these positive developments were really "news" to us... They were baked into our mid-term models. The company is simply hitting these milestones more quickly than we had hoped. This leaves us in an interesting position...

With execution running ahead of plan and the balance sheet shedding debt faster than we expected, we're in a position where this stock is already trading near our 2026 targets of $18 to $20.50 per share.

With this position up 100% in 17 months and shares already more than 95% of the way to our 2026 target, this is a classic "look in to lock in" moment. Things are going great... but we're going to lock in gains and free up capital for other opportunities. Congrats to those who scored a quick win here.

We recommend you...

ACTION TO TAKE

Sell Garrett Motion (Nasdaq: GTX) for more than $17.00 per share. As of yesterday's close, shares trade at $17.13.

On the other end of the spectrum, we've got **Synchronoss Technologies (Nasdaq: SNCR)**. Recall that Synchronoss is a small Software as a Service ("SaaS") company that sells white-label cloud solutions that help millions of smartphone users securely store their photos.

We recommended the company this past August on the back of three clear guideposts: steady revenue growth from rising cloud subscribers, continued profitability and cash generation, and capital discipline.

Since our recommendation, Synchronoss' operational and financial performance has been stable but uninspiring. Revenue has hovered near $42 million per quarter, and subscriber growth has been sluggish.

While quarterly choppiness is to be expected, we expect rolling-four-quarter periods to show modest growth and meaningful profits.

In last week's earnings release, management lowered full-year guidance for revenue, earnings, and FCF. The revised revenue range of $169 million to $172 million implies a full-year ***decline*** from 2024 levels – a clear failure of our first and most important guidepost.

Management also disclosed that subscriber counts grew only 1% year over year in the quarter. Our expectations were for mid-single-digit growth. If revenue were growing, we'd probably let anemic subscriber growth slide... But the combination of these two guidepost disappointments is too much to ignore.

Synchronoss is still a decent business. It remains solidly profitable, its recurring revenue remains greater than 90%, and its management touts a healthy pipeline – including two large deals expected to be completed over the next 12 months.

But it is a troubling sign that Synchronoss struggles to hit the modest growth targets we laid out. (Recent history shows that the company can take longer than expected to put a new customer on the books.)

Given the two new large customers allegedly waiting in the wings, some might view the current share price as an attractive entry point or opportunity. That might be true. But we lay out selling guideposts for cases just like this...

Our guideposts provide quantitative metrics to evaluate company performance. That's critical since we rarely use stop losses. This discipline prevents us from becoming emotionally tied to a losing position or reliant on predictions made by management teams that tend to miss targets.

Selling a profitable business near valuation lows isn't easy... and that's exactly what's happening here.

But Synchronoss isn't meeting expectations. We're not going to wait around for a second act that may not materialize when we can deploy our capital more confidently elsewhere.

We'll keep an eye on progress at Synchronoss. We may add it back to the portfolio later should execution improve. But, for now, we're cutting our losses.

Note that shares of Synchronoss are thinly traded. **You have no reason to rush for the exits**. **Please set limit orders and take your time getting out**.

ACTION TO TAKE

Sell Synchronoss Technologies (Nasdaq: SNCR) for more than $5.00 per share. As of yesterday's close, shares trade at $5.35.

While we rarely use stop losses, theater advertising firm **National CineMedia (Nasdaq: NCMI)** was one of the exceptions.

On Friday, November 7, National CineMedia tripped our $4.00 stop loss, and we removed it from our model portfolio on Monday, November 10. NCMI has actually navigated well through difficult times as Americans decide whether or not to watch movies in large rooms full of strangers.

Will we ever go back to theaters? We're five years past the throes of the pandemic lockdown. So far, America's collective response to that question has been: "Meh... I'm not sure yet."

Initiatives, like serving targeted programmatic ads, helped NCMI increase revenue despite these headwinds. But when we set stop losses, we stick to them.

If you have not already done so, **we recommend you honor the stop loss and sell your shares**. We will no longer be tracking NCMI in our model portfolio.

We'll close with **NewLake Capital Partners (OTC: NLCP)**, a real estate investment trust that writes long-term leases to dispensaries and marijuana-growing facilities.

We recommended this "picks and shovels" cannabis play in December 2023, with an eye toward what seemed like imminent legalization – or "rescheduling" – of cannabis here in the United States.

We held this stock with four performance guideposts. We would sell if:

1. Tenants continued to default on rent obligations,

2. Tenants demanded concessions to renew leases,

3. The balance sheet weakened, or

4. Cannabis legislation stagnated into 2025 or beyond.

NewLake's balance sheet remains best-in-class. Its debt represents just 1.6% of total assets. It has $106 million in liquidity and no maturities until 2027. But it has breached the other three guideposts.

We first flagged trouble with tenant Ayr Wellness in our September issue. As of last week's earnings update, we now know that NewLake has burned through the entirety of Ayr's security deposit. That's roughly $900,000 between the third and fourth quarters. It expects the lost rent to hit its first-quarter 2026 results.

Management is ready to rent the sites, but there's no telling when new operators will move in.

Tenant relationships have also become more complicated. The company's recent lease amendments with C3 Industries and its relocation deal with Curaleaf are smart. But they show operators need to negotiate special workouts to keep leases viable.

We view these recent developments as symptoms of a larger problem. Cannabis legislation has stagnated. (See last month's issue for an overview on this legal dynamic.)

It's the end of 2025, and the Drug Enforcement Administration has yet to reschedule marijuana. Cannabis stocks enjoy a brief pop any time Trump mentions rescheduling. But there's no concrete path forward.

We continue to believe rescheduling is a matter of time. We may revisit the cannabis sector in 2026. But NewLake has shown us just how tough it is to own real estate in this legally gray industry. We're not going to hold our breath.

With only 11 tenants, NewLake's customer concentration leaves little room for error. Each new vacancy eats into an otherwise pristine balance sheet.

Given these pressures, we're closing our position. Our shares are up 6% – a modest win. We'll take the gain, pocket the dividends, and redeploy the capital into better opportunities.

For those still seeking cannabis exposure, consider the "Pound the Table" recommendation Cronos, a moneymaking cannabis operator with no U.S. regulatory exposure. But for now...

ACTION TO TAKE

Sell NewLake Capital Partners (OTC: NLCP) above $12.50. As of yesterday's close, shares trade at $12.91.

Wrapping Up

It has been an interesting few years for small caps and microcaps. Capital is fleeing to larger (and likely less safe) pastures. But promising results from the recommendations we've made over the past couple of years have us optimistic.

Small caps are making a turnaround.

And even if the turnaround slips up, history (and Chuck Royce) tells us it's *always* a good time to load up on little companies with profitable business models, strong balance sheets, and good prospects. We already have a couple of promising leads for next year. We can't wait to tell you all about them.

As we head into 2026, know that we'll be right here... showing you our favorite small-cap and microcap opportunities. And we'd like to thank you again for allowing us to do just that.

Good investing,

Bryan Beach

with John Robertson and Tyler Jarman

November 13, 2025

VENTURE VALUE PORTFOLIO

PRICES AS OF NOVEMBER 12, 2025

	Ref. Price	Ref. Date	Recent Price	Dividends	Return	Buy Advice
Tier 1^						
SiteOne Landscape Supply (NYSE: SITE)	$45.50	3/20/17	$126.41	$0.00	178%	Buy up to $165.00
*Sold half of SiteOne**	*$45.50*	*3/20/17*	*$92.06*		*102%*	
Combined SiteOne Position					***140%***	
Nathan's Famous (Nasdaq: NATH)	$103.10	8/13/25	$99.42	$0.50	-3%	Buy up to $106.00
Tier 2^						
PAR Technology (NYSE: PAR)	$25.63	5/20/19	$39.15	$0.00	53%	Buy up to $59.00
TETRA Technologies (NYSE: TTI)	$4.05	1/16/24	$7.61	$0.00	88%	Buy up to $6.25
Garrett Motion (Nasdaq: GTX)	$8.67	6/12/24	$17.13	$0.18	100%	**Sell above $17.00**
Mattr (TSX: MATR)	C$11.57	2/12/25	C$10.30	C$0.00	-11%	**HOLD**
MiMedx (Nasdaq: MDXG)	$6.98	5/7/25	$7.48	$0.00	7%	**Buy up to $8.50**
Ituran Location and Control (Nasdaq: ITRN)	$39.30	7/9/25	$38.08	$0.50	-2%	Buy up to $41.00
Lifecore Biomedical (Nasdaq: LFCR)	$7.01	9/10/25	$8.22	$0.00	17%	Buy up to $7.75
Tier 3^						
NewLake Capital Partners (OTC: NLCP)	$15.32	12/19/23	$12.91	$3.39	6%	**Sell above $12.50**
Natural Resource Partners (NYSE: NRP)	$94.78	7/10/24	$105.10	$4.96	16%	Buy up to $96.50

Synchronoss Technologies (Nasdaq: SNCR)	$9.75	8/7/24	$5.35	$0.00	-45%	**Sell above $5.00**
Forum Energy Technologies (NYSE: FET)	$17.56	3/12/25	$29.05	$0.00	65%	HOLD
Eventbrite (NYSE: EB)	$2.02	4/9/25	$2.87	$0.00	42%	Buy up to $2.30
National CineMedia (Nasdaq: NCMI)	$5.34	6/11/25	$3.90	$0.06	-26%	**STOPPED OUT 11/7**
Cronos (Nasdaq: CRON)	$2.68	10/8/25	$2.54	$0.00	-5%	Buy up to $2.95
SPAC Scrap Heap^						
Cellebrite (Nasdaq: CLBT)	$4.46	6/14/22	$15.97	$0.00	258%	Buy up to $15.50
Hagerty (NYSE: HGTY)	$9.17	1/17/23	$13.73	$0.00	50%	**Buy up to $12.00**

Note: All dividends received while holding this position in the model portfolio.

^ Tiers represent our risk categories. Tier 1 is lowest risk, Tier 3 is highest risk. SPAC Scrap Heap stocks are all considered Tier 3 risks.

* Portfolio reflects advice to sell partial positions of each of these positions as a way to hedge gains.

This *Venture Value* portfolio is not intended to represent the exact prices at which you could get in or out of a stock. Rather, it represents the value of our insights at the time our material is published.