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There Are No Original Ideas and Understanding Yourself

Investing successfully can be a very lonely endeavor. It generally entails having ideas that are not yet accepted or understood by the market, defending those ideas against warranted critique, and watching market prices move against you (at least in the near term). Holding steadfast to your ideas (although always looking for reasons why you are wrong) is incredibly difficult. Humans naturally want to be liked and to not go against the heard. This is why intelligence is necessary but not sufficient to be a good investor. An understanding of human psychology and your own emotions are just as important and likely more important than intelligence.

The idea of sitting in a small office in front of a computer and reading annual reports all day long sounds like a cruel form of torture to most people. But that is part of the work that is required to find and understand wonderful investment ideas. Going through an alphabetical list of companies, checking them off one by one is a grind. Thankfully, there is another step in the process of finding wonderful investments.

Of the companies that have been my most successful investments, most of them I did not discover on my own. Or I should say, the investment idea was not original. There are approximately 5,000 publicly traded companies in the United States and tens of thousands more across the globe. It would be a waste for an investor to sit there and try to learn about every single one of them. It's important to spend time going through lists of companies, especially microcap stocks since there are so few investors interested in them. But it's also important to build a network of people that can help facilitate ideas. I joined Microcapclub.com last year and found a wonderful community of investors, all looking for attractive investment opportunities in microcap stocks. Finance Twitter is also a great place to find ideas and talk to other investors. It's surprising how many successful professional investors, people managing billions of dollars, are willing to share ideas and talk on Twitter (it also has some hilarious characters. If you have any interest in markets, bitcoin, or NFTs, I highly suggest following @rampcapital and @litquidity for comic relief from your doom scrolling).

It can be harmful to one's ego to come to the realization that you will likely have very few original ideas. But long-term success in investing usually means letting go of your ego. Investing is one of the few professions where you can fail half the time and still be extremely successful (slugging percentage matters more than batting average in investing).

But you can't just blindly follow the investment picks of a famous investor. You don't know what their conviction level is, what risk the investment presents in the context of their overall portfolio, and you don't know what their time frame is. You have to do your own work otherwise you will let the stock price tell you whether you are right or wrong and not the business results.

An investment idea becomes your own when you form your own conclusions about the likelihood of success and what that success will look like in the future. You don't need commentators or the stock price to tell you whether the company had a good quarter or not, you know it from reading the financials. You also won't let a bad quarter or two scare you away (business, like life, is not linear).

Below are the companies in my portfolio and how I first came across them as potential investments

ParTechnology (PAR)

I was looking at a well known investor's portfolio and realized he had one software company that didn't have stock price chart that was up and to the right after the market began to rally after the COVID bottom

in March. After a couple hours of research, I became fascinated by the company and the turnaround story that was just getting started. This has been one of my most successful investments of my career.

Greystone Logistics (GLGI)

I found this company by going through an alphabetical list of microcap stocks. The three-sentence business description was enough for me to start diving into the company.

AudioEye (AEYE)

Found on the holdings list of another investor. This stock price had been moving up but I felt it didn't properly reflect the potential of the company. So far, I have been right. We will see if that continues.

NoCopi Technologies (NNUP)

Brought to my attention by an anonymous twitter account.

VolitionRX (VNRX)

This was brought to my attention by a fellow member of microcap club

GSI Technology (GSIT)

This was brought to my attention by a fellow member of microcap club

Onesoft Solutions (OSSIF)

This was brought to my attention by a fellow member of microcap club

To some people this may look like I just copy what other people do. But I don't believe that about myself. What I have tried to do and will continue to do, is build a network of smart individuals and we can share investment ideas with each other. The best celebrations are the ones you get to share with others.

Performance and Portfolio

Since I started investing on 7/27/2020, I have generated an overall return 22.35%. Over that same time period, the S&P 500 is up 22.64%. The Russell 2000 is up 52.51% and the Russell Microcap Index is up 67.83%. I am far from happy about my current underperformance.

<u>Company</u>	<u>Ticker</u>	<u>Weight</u>	<u>Cost Basis</u>	<u>Market Price</u>	<u>Return</u>
AudioEye	AEYE	13.36%	\$19.27	\$27.94	44.98%
Greystone Logistics	GLGI	20.54%	\$0.97	\$1.18	22.04%
PAR Technology	PAR	36.98%	\$42.13	\$65.41	55.26%
Nocopi Technology	NNUP	4.39%	\$0.16	\$0.16	-0.16%
GSI Technology	GSIT	1.30%	\$7.99	\$6.69	-16.27%
VolitionRX	VNRX	14.26%	\$3.97	\$3.78	-4.87%
Onesoft Solutions	OSSIF	9.16%	\$0.60	\$0.48	-19.91%

As a remind, a substantial portion of my investable assets are in index-based ETFs and cash as I look for investment opportunities. Below is a brief description of the three new companies in the portfolio (GSIT, OSSIF, and VNRX).

GSIT

Machine learnings (ML) and A.I. will bring are brining the next frontiers of technology to our lives. Spotify song recommendations, chat bots, and Alexa are all consumer examples of machine learning and

A.I. in our lives today. In order for these things to work correctly, they have to be fed lots of data and algorithms need to be tested to make sure they perform at a high level and can continue to improve as new data is fed into them (why do you think Google allowed you to store your photos for free?). There are other technologies like self-driving cars and facial recognition software that are even more data intensive. One of the issues facing ML and AI is modern semiconductor architecture. What I am about to present is a very basic representation of the problem. A security camera is loaded with facial recognition software. As it scans faces, it is pairing those faces with all the other faces in its data base, looking for desired matches. Electrons have to move the processing side of the semiconductor (the part that captures the faces passing by) to the memory side (where the data of all faces is stored). There is a limit to how data and move back and forth between the two compartments. Think of it like people trying to enter and exit a Manhattan subway car during rush hour. GSIT has designed a semiconductor that acts like the human brain, where memory and processing are all in the same compartment. Test results from GSIT's semiconductor show it to be far superior to its competition. GSIT is trying to sell the semiconductor's commercial uses to potential customers. This is difficult because 1) one of the moats of existing semiconductors is that their software is already used and well understood 2) GSIT is not a powerhouse in the industry like Intel, Nvidia, or Samsung.

OSSIF

OSSIF is using machine learning software to transform the way pipeline integrity management is performed. Historically, oil and natural gas pipeline operators would hire companies to send a PIG (pipeline inspection gauge) through its pipelines to look for leaks, corrosion, and other imperfections along the pipeline. The PIG would compile the data and send it to the pipeline engineers to make sense of it. The data would be 100's of megabits of loosely organized Excel data. Because the data was impossible for a human to try to organize and understand, the engineers would look for only the most obvious imperfections in the data and fix those parts of the pipeline. OSSIF has developed a ML software that runs on Microsoft's Azure cloud that not only easily shows engineers what the PIG data means, but it learns about what spots of imperfections will worsen over time and what rate. And because engineers would only look at the most obvious imperfections, they would likely miss other leaks in the pipeline. The more data that is fed into the software, the better it gets at predicting where future leaks might occur. As evidence that this software will be a game changer for the industry, one of OSSIF's first major customers, Philips 66, just reported that their pipeline systems didn't have a single leak in 2020. Even the best and safest pipeline companies have at least a few leaks every year.

VNRX

VNRX just launched its first cancer detection blood test. The blood test can be used to test for two of more common types of cancers in dogs (hemangiosarcoma and lymphoma). While the company has been developing the test for humans, it found success in detecting cancer in dogs. The company has several other products in its pipeline that use the same type of detection technology.