Micro-Cap Investing Is Not As Efficient As Large-Cap Investing

A practical guide to profiting from stocks that fly undetected by Wall Street’s radar. It’s unlikely that an investor could gain an information advantage over the legions of professional analysts that study large companies such as Microsoft or General Electric. However, it is probable that an investor can learn a great deal about a micro cap company that would usually go unnoticed by most Wall Street analysts. The Micro Cap Investor thoroughly explains the characteristics of the micro cap sector, and shows readers how to discover and exploit the information advantage embedded in these stocks. Richard Imperiale (Milwaukee, WI) is founder and President of the Uniplan Companies, a Milwaukee, Wisconsin—based investment advisory holding company. Uniplan specializes in providing clients with consistently superior risk-adjusted returns managing equity, REIT, and micro cap specialty portfolios.

My Personal Review:
A lot of information in this book can be applied to companies of all sizes. What is special about micro-cap companies is that they are not followed closely by big institutions because they are simply too small. If a financial institution has a $1 billion under management, analyzing a micro-cap company would be a waste of time. These institutions need to invest in bigger companies. Because of this, small companies are not followed closely by analysts and therefore, the market is more inefficient, allowing investors to profit from mispriced securities.

The author provides different sources of information for analyzing these companies. They include: the company, competitors, customers, suppliers, trade associations, industry professionals, legal documents, and employees. Investors can use these sources and gain information advantage over other market participants. Even Warren Buffett once said that if he had less money, the universe of companies that he could invest in would be wider, meaning that it would include smaller companies. This book does a pretty good job arguing that micro-cap investing can generate above-average returns.
- Mariusz Skonieczny, author of Why Are We So Clueless about the Stock Market? Learn how to invest your money, how to pick stocks, and how to make money in the stock market

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