

**Joel Litman**

## **Finding the next Da Vinci**

The DaVinci medical robotics system is extremely intuitive.

You wouldn't have bought it if you followed GAAP accounting. It returned just 6%.

Why would anybody buy such a boring, terrible company?

Well, net earnings are wrong... You have to adjust it.

Look at Buffett and Munger. They've slammed GAAP accounting... this year and last year. Marty Whitman, too. And Seth Klarman as well.

Look at UNIFORM accounting. It shows that Intuitive is making money at 36% compounded. And it took Intuitive from 100 million to billions in valuation.

So how do you find stocks like this?

You need to find and buy when microcaps become megacaps. Nearly half of the 50 largest companies on the market today traded as microcaps...

The smallest company a \$2 billion fund can buy is a \$1.3 billion market cap company. Even small funds can't participate in this world in a meaningful way.

Uniform accounting was first pitched by investing legend Shelby Davis in 1947... and nobody cared.

But he turned \$50k in \$850 million using uniform accounting... Now the family Davis fund manages a \$100 billion fund.

Microcaps are the wild west... They are not policed by the SEC. Fraud is rampant. They simply don't have the personnel.

Look at DEF14A for insider's payroll AND it lists the auditor... It's the most important report that the SEC doesn't look at when it comes to small caps.

Equity research is taking a nosedive. Wall Street analysts jobs are down, and the people that are left are making less money.

Nearly no one is looking at microcaps.

I focus on Good Science...

Unbiased investment process:

No star analysts

Uniform accounting

Valens Credit Prim

Forensic Analysis

Earnings Call Forensics

DEF14A

Market phase cycle

Stock pick: **HLIT Harmonic**

Looks bad using GAAP. But it is a great performer through the lens of Uniform Accounting.

Supports broadcast, a melting ice cube.

But they're pivoting to the cloud... like Netflix and Peacock

And now the market is beginning to see it.