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*(These notes are to the best of my recollection and trusty ink pen. Discrepancies are due to my error in understanding & transcribing.)*

**Brian Bares, Bares Capital Management – The Small Cap Advantage**

*Brian is an author and the founder & portfolio manager at Bares.*

Bares leans more toward the Munger approach and focusses on the small/micro-cap space

* Small Caps
  + Better compounders
  + Persistently outperform larger cap stocks
  + More good ideas
  + Less market efficiency in prices
  + Less or No analyst coverage
  + 3k-4k companies smaller than those falling in the Russell 2000
* Most mangers typically start with a screen
  + Bares leery of ‘rear view mirror’ aspect
  + Screen leads more to ‘just cheap’
  + Bares uses a ‘Moats & Management’ search
    1. First search for 40 ‘best’ companies in small/micro space
    2. Then get into the valuation of this group
    3. Pare down to the ‘best’ 10 options
  + *Long Term price is approximately the long term growth in business value per share*
* Moat +Management=Quantitative
  + Find before other managers
  + Find before the results are in the 10-K
  + 8 analysts are constantly on the road
  + Intentionally stay small
  + Note: over 80% of market risk is diversified away in first 8 stocks (assuming they are un-correlated)
* Ex. Stratasys, Inc. (SSYS)
  + Manufacture 3-D printers
  + Nascent industry & growing quickly
  + ‘Razor Blade’ model
  + Came from #2 position (Former #1, 3-D Systems dropped the ball) now has +41% mkt share
  + The management invested the technology
  + Deal with HP for branding of printers
  + Important part of Moat – also have established distribution network
* Q&A
  + Turnover?
    - Around 30% - less worry for them as they manage institutional money
  + Is it different in the post – financial crisis?
    - Some companies have had a level of trouble, but many they invest in have no debt
  + Experience with takeovers of companies you are in?
    - ½ dozen or so (not always a good deal)
  + Mistakes you’ve made?
    - In the sales area – part of the story that is not working/growing
  + Value vs. Growth?
    - * No distinction - linked