**Value Investor Conference: Omaha, Nebraska – May 4th, 2012**

Dustin Hunter, SunRift Capital Partners (www.sunriftcp.com)

 *(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