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The world is flattening. Information ricochets around the globe in nanoseconds. Sophisticated investment algorithms are increasingly replacing human analysis, instinct and temperament. Indeed, the world has changed. The internet has commoditized information and gaining an “information edge” is harder today compared to yesteryear. Charles Ellis, onetime chair of Yale’s storied investment committee, now says active managers once had an edge but not anymore. According to Ellis, “Today, everyone knows everything at the same time.”

RAM has long recognized the near herculean challenge in adding investment value in selecting securities in highly liquid markets. Thus, we have pursued value most often in small, if not tiny, companies that are “out of favor, overlooked, or misunderstood.” In fact, our top five holdings are all micro-caps. Investors ought to demand that their active managers specify the source of their investment edge (justifying an active management fee).

We’ve always emphasized a concentrated portfolio where our investment edge is the result of gaining superior information on small securities resulting from relentless shoe leather work supported by a rich ecosystem of industry contacts. Our top ten holdings comprise over 40% of our portfolio. Secondly, we believe we possess a behavioral edge resulting from temperamental strength expressed by our ability to consistently go against the crowd.

We would add another important overall factor — keeping assets under management small. The investment industry, like all industries, wants to grow. We want to limit our growth. We believe growth in assets under management diminishes investment returns of active management. Short of bear market pricing, it is increasingly clear to us that maintaining a modest asset base (\$250–\$300 million maximum versus the current \$100 million) is critical in order for us to add value to our clients’ portfolios.

We are committed to adding value to our clients or graciously stepping off the stage if we determine that “everyone knows everything at the same time” and that it’s true for all markets and hence adding value is a mirage. We have sound reason to believe that an information edge is still possible, and coupled with temperamental strength, can sum to value creation. In our “Investment Philosophy” piece written several years ago we provided the following description of the source of our investment edge:

“While math and accounting skills are important, they can only go so far in developing the narrative of an investment opportunity. A large appetite for detective work, in our view, is necessary to gain an investment edge. Roumell Asset Management is at its best when finding small, undiscovered opportunities before investor crowds arrive. Detective work is particularly valuable in getting to the bottom of these undiscovered ideas. At its most elemental level, an investment is a play wherein the investor shows up in the middle act rather than the first. The investment story may be the potential

monetization of hidden assets or an increase in future earnings power vis-à-vis market share gains, margin expansion, or secular trends. The analyst needs to ask: what is the nature of the challenge faced by these actors and what are the odds that their methods of engagement will result in a favorable resolution to the specific struggle embedded in this story? In summing up a business's prospects, what do customers, competitors, and others circling the story really think of the enterprise and its leaders? To answer all these questions, we believe you cannot just sit in your office and read about a company and its numbers. Therefore, our research process is relentless and includes regular travel to see management teams, assets, customers, and competitors first hand."

Recent travels underscore our conviction that scuttlebutt (investigative journalism) provides real value to our investors.

Dundee Corporation, a small (roughly \$70 million capitalization) Canadian company discussed later in this letter, is now one of RAM's top holdings. Dundee has no active sell-side coverage, is deeply out of favor, once boasted a \$1 billion plus market cap, is difficult to understand and consequently uniquely situated to be a source of investment value creation, in our opinion. In early June, I traveled to Toronto to attend the company's annual shareholder meeting. I was one of two investors from outside of Toronto who attended the meeting. Afterwards, I joined management and the company's board for a wonderful salmon dinner sourced from the company's AgriMarine Holdings, Inc. subsidiary.

In addition to spending quality time with Jonathan Goodman, CEO, and Robert Sellars, CFO, I met key management team members overseeing some of the company's most important investments. Richard McIntyre, COO, is heading up the company's Vancouver Parq Casino investment. Richard seems exceptionally well-suited, both professionally and temperamentally, to renegotiate Parq's debt and also to oversee the monetization of Dundee's Blue Goose investment. He is joined by seasoned veteran L. Geoffrey Morphy, Vice President, Corporate Development. Dundee is described in greater detail below. What I can attest to is that there are some very competent management members, led by a new, albeit legacy controlling family member, CEO in Jonathan Goodman.

Spending three days in Vancouver this month visiting the Dundee's Parq Casino and Hotel was one of the nicer company visits in memory. Vancouver, rated by Mercer as being the number one North American city to live in, and fifth in the world, is a wonderful city. The Parq property is a Class A asset with first rate amenities. It strategically sits next to the Rogers Arena, home of the Vancouver Canucks as well as a venue for some of the biggest concerts in the city. Parq is now the largest convention venue in Western Canada. Joe Burnini, Parq's President and on-site operator, provided me a detailed walkthrough of the property. I spoke with many of Parq's line workers which gave me a good sense of their view of the property, what's working and what needs further attention.

While in the upper Northwest I also visited top holding Marchex (MCHX), located in Seattle. I met with the company's chief software engineer and believe we continue to own a unique company well positioned to capitalize on providing call analytics to companies wanting to dramatically increase the measurement of their call generating marketing efforts. Marchex is making big inroads into the auto industry given the large network of dealerships still

reliant on traditional phone calls. The call volume on MCHX's call-analytics platform is steadily increasing, bolstered by the company's A.I. capabilities. The company remains exceptionally well-capitalized and is committed to investing in its R&D while remaining free cash-flow breakeven. However, MCHX could certainly move to less desirable office space (now overlooking the Puget Sound from central downtown) and save a few bucks.

Does sitting down with management and chatting up employees add value to the investment process? We firmly believe that it does if one has the people skills and the interviewing acumen to accomplish the task at hand — to gain a deep understanding of the company's dynamics and handicapping the probability that management/board can successfully execute on its stated goals. In our Investment Philosophy piece, we noted:

“Interestingly, little has been written about an investor's interviewing skills as a tool for unearthing the truth. The FBI has virtually made a science of the interviewing process with such techniques as first asking a number of questions with known answers to help establish the credibility of the interviewee. For investors like ourselves, once contact has been established with management, an industry source, a competitor, or another player, questions emerge through imagination, creativity and time — all with the goal of getting to the bottom of the story.

Of equal importance to interviewing skills is the analyst's ability to create lasting relationships within various industries. These relationships can provide unique insights and perspectives that can be invaluable in piecing together an investment mosaic. For many years, we have cultivated strong personal contacts that help us in numerous ways: finding new ideas, discussing internally generated ideas, and knowing when to stay away from others.”

It is also a core belief that behavioral edge is a critical component of our “secret sauce.” We do not hesitate to average down after a security's price has gone against us if we determine the presence of compelling value. We're disciplined in selling when we believe an adequate margin of safety is no longer present despite the security gaining in popularity in the investment community. We're not easily “thrown off.” Kenny Rogers was on to something when he sang *The Gambler*:

*You got to know when to hold 'em, know when to fold 'em,
Know when to walk away and know when to run.
You never count your money when you're sittin' at the table.
There'll be time enough for countin' when the dealin's done.*

Perhaps the best line in *The Gambler* is this one: ‘Cause ev'ry hand's a winner and ev'ry hand's a loser. Those are wise words. Some of RAM's biggest winners began as losers, but after reducing our average cost they became big winners. Whether the investment outcome is a winner or loser will often be determined by a single human attribute— temperament.

We will continue to get out of the office and kick the tires of our investments. We will remain steadfast in our guiding principles and we will not overreact to market and/or security movements.

We are assisted in our efforts this summer by Edwin Kye. Edwin will be a senior at Cornell University in the fall and is one of the best summer interns we've ever been afforded. Among other projects, Edwin conducted research on Destination XL, including visiting several stores, that was woven into a very thoughtful, data-rich analysis of this RAM holding. He also conducted extensive social media research tracking guest surveys for the Parq Vancouver, an asset of another one of our holdings, Dundee Corp.

Disclosure: The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for advisory clients, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. The top three securities purchased in the quarter are based on the largest absolute dollar purchases made in the quarter. Roumell Asset Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Roumell Asset Management, LLC has been independently verified for the periods January 1, 1999 through December 31, 2017. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation. The Balanced Composite has been examined for the periods January 1, 1999 through December 31, 2017. The verification and performance examination reports are available upon request. Roumell Asset Management, LLC is an independent registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Past performance is not indicative of future results. The U.S. dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. From 2010 to 2013, for certain of these accounts, net returns have been reduced by a performance-based fee of 20% of profits, paid annually in the first quarter. Net returns are reduced by all fees and transaction costs incurred. Wrap fee accounts pay a fee based on a percentage of assets under management. Other than brokerage commissions, this fee includes investment management, portfolio monitoring, consulting services, and in some cases, custodial services. Prior to and post 2006, there were no wrap fee accounts in the composite. For the year ended December 31, 2006, wrap fee accounts made up less than 1% of the composite. Wrap fee schedules are provided by independent wrap sponsors and are available upon request from the respective wrap sponsor. Returns include the effect of foreign currency exchange rates. Exchange rate source utilized by the portfolios within the composite may vary. Composite performance is presented net of foreign withholding taxes. Withholding taxes may vary according to the investor's domicile. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite for the entire year. Dispersion calculations are greater as a result of managing accounts on a client relationship basis. Securities are bought based on the combined value of all portfolios of a client relationship and then allocated to one account within a client relationship. Therefore, accounts within a client relationship will hold different securities. The result is greater dispersion amongst accounts. The 3-year annualized ex-post standard deviation of the composite and/or benchmark is not presented for the period prior to December 31, 2012, because 36 monthly returns are not available. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The investment management fee schedule for the composite is as follows: for Direct Portfolio Management Services: 1.30% on the first \$1,000,000, and 1.00% on assets over \$1,000,000; for Sub-Adviser Services: determined by adviser; for Wrap Fee Services: determined by sponsor. Actual investment advisory fees incurred by clients may vary.