



- **Chapter 9** explores equity stubs and breaks them into two groups: Public market private equity deals, and distressed situations. Given our experience in both, this chapter is very much worth a read. It also mentions the importance of position sizing with equity stubs because your payoff can be so high. That said, a lot of times your probability of being correct is less than 50% and there is the real possibility for permanent impairment of capital. Therefore, make a smaller bet sizes.

One of my key takeaways from Chapters 7, 8 and 9 was that these were definitely parts of the market where you can get an analytical edge. Analytical edges that can deliver alpha are more likely to occur in market niches where there is a large dispersion of returns. Clearly small cap, special sits and equity stubs fit into this category.

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*September 7, 2017*



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