

THE MIKE ALKIN SHOW

TALKING STOCKS OVER A BEER



Announcer: Free and clear of the chatter from Wall Street, you're listening to "Talking Stocks Over a Beer," hosted by hedge fund veteran and newsletter writer Mike Alkin, who helps ordinary investors level the playing field against the pros by bringing you market insights and interviews with corporate executives and institutional investors. Mike sifts through all the noise of mainstream financial media and Wall Street to help you focus on what really matters in the markets.

And now, here is your host, Mike Alkin.

Mike Alkin: And happy new year. It's January 7th, 2019. I said 2019. I got the date right.

Welcome. Hope you all had a lovely holiday season. I haven't been here for the last couple of weeks. Took some time off, recharged the batteries, spent a lot of time with family, with my wife and kids and other relatives. And, so, it was a very enjoyable few weeks.

I love talking to you guys. I love sharing thoughts with you. Love the feedback that I get. But, every once in a while, you just gotta shut it down and spend times with your loved ones, and the kids are off from school, and ... So, was focusing on them for a while, and it was a ... really enjoyed it. Yeah.

And when I'm off, I mean, I'm not off. There's not a day that goes by that I am not spending the majority of my daylight hours reading, working, doing something. But I just break it up a little bit when I have the holiday time with the family.

So, I didn't fall off any ladders the last few weeks. That was good. Those who are listening for the first time may not know it, but I took a tumble off a ladder while I was hanging some Christmas lights, so I've sworn off ladders, and I have sworn off hanging my own Christmas lights. Right? It's time to allocate that task to someone else. So, we're gonna go out and pay people to do that.

So, I know I'm back in the flow, because I take the kids to school every day, so my days are ... I get up about 4:30 in the morning,

somewhere between 4:30 and 5:00, but I try to make it 4:30. If it's 5:00, it's because the night before, there was a late-night hockey game I was up watching, or a good football game, where I just got to sleep a little bit later than usual. But a good five, six hours, and I'm good to go.

And, so, I get up. I'm up 4:30, 5:00. I'll answer emails, read, get caught up on the day, and then I'll get a quick workout in, or, if I'm too swamped with stuff, if there's a lot of stuff going on, I'll push that off 'til later in the day. And then, I make it a point ... Every day, I take the kids to school. And I have one middle school, one high school. And the ride to school is ... It's a boy and a girl, my daughter and son, so there's bickering, but, normally, good conversation.

But there's something that happens when I see the school approaching. Because there are two separate schools. Each time it happens, I know the school zone is there, and I slow down, I do my 20 miles an hour less. But then, you know you're going into the line, the school line. It's a "Saturday Night Live" skit, the school line. It never ceases to amaze me how utterly clueless so many people are. And inconsiderate. Right? It's like a conveyor belt. Pull up, drop off Johnny, open the door, drop off Johnny or Mary, they leave. They're 16, 17, 15 years old, whatever age they are. If they're in middle school, they're 12, 13. And then, you go.

You don't open the door and watch Johnny walk all the way up into the steps, and keep waving, or sit there and then look at a text. Oh, and then, you respond. Then you forgot you're in the school line. So, now, everything's getting backed up, and it gets backed up, and it keeps going. And then, you gently tap on the horn, right? Because you don't wanna give the "hey, dipshit" honk. You wanna give the "excuse me, you might've lost your mind for a second" tap on the horn. And that might not work, and you gotta sit on it again. Then, they give you the look, like, "How dare you?"

So, I know I'm back in the flow when, at about 7:35, my blood pressure starts to get going from the school line. It happens every day. Every day. There's something that takes place in that school line where I just pull out of the parking lot, both of them, and say, "You've gotta be kidding me."

Okay. I got past the school line issue.

Anyway. So, for those of you who wanna fast-forward, we're probably a few minutes into this, because ... I don't know how

many people are sports fans, but this is my platform, so ...

I took a lot of heat earlier in the year, because I was getting a little fired up about my New York Islanders. And all my Canadian friends who listen and write in and say, "Oh, you're out of your mind. It's the first week of the season. They're gonna suck. They got Tavares," or, "Tavares got rid of them," I should say ...

Now, I'm not saying the Islanders are gonna go win the Stanley Cup. I'm not saying that they're going to even make the playoffs, although, right now, they're sitting in seventh position. But this team is hitting its stride. It's nine and one in its last 10 games. They're winning the games that they should be winning, but aren't playing well sometimes. They're playing teams with bad records. But the NHL is so brutal. It's so hard. You know how it is. Sometimes, you're playing a team, they're traveling ... It's a midweek game, and you're playing a team that's got a bad record, and they could go and easily ... any team could go in and lose four/one, three/nothing. But those are the games the Islanders always lose. And the good teams win those games. All right, once in a while, they'll lose. Like, last night, Pittsburgh lost to Chicago at home, four/two, and stuff happens.

But, normally, it's when you need that win, you've got momentum going ... That's the game the Islanders lose. Or the game when the Islanders are ahead by four/two with four minutes to go, and they lose five/four in overtime. Right? They gave up two goals in the last few minutes.

They're winning the games they should be winning this year, even when they're not playing well. They are winning those close games that, normally, they'd give up the lead.

So, as a guy who, at my age, is still ... The New York Islanders, just ... they're in my fabric. And it's been decades now where they've done nothing. I can't live off that "hey, we won four cups in the '80s" thing anymore. But they're back. It's exciting watching hockey. I watch it, anyway. I watch the NHL at work, and, even when the Islanders suck, I'm still watching hockey. But it's nice to have that back.

So, excited about that. We've got the NFL playoffs this weekend. Got [inaudible 00:07:34] in Chicago. Chicago playing the Eagles. I have a lot of friends who are Eagles fans. I kinda like the Bears. I'm not a Bears fan. I'm still holding out, right? Because I've given up on the Jets. But I just love football. I love watching it. But the

Bears, great history there. Chicago fans are great fans.

And, God, it goes down to the final kick last night, right? Five seconds left on the clock. 43-yard field goal. And Cody Parkey, field goal kicker for the Bears, he has to make a 43 yard. Now, this year, he's hit a lot of uprights. Right? So that it bounced off the uprights. I think it's happened five times to him this year. But he's got it together the last portion of the year. And, so, if the field goal goes through, Bears advance, Eagles go home. If it doesn't, it's the other way.

And snap, hold, kick, good ... Wait. Peterson called the timeout. Head coach of the Eagles. Kick didn't count. So, now he has to re-kick it, has time to think. He called timeout to freeze him. Snap, hold, everything's good, kick. He hits the upright, bounces down and hits the crossbar. No good. I mean, I don't care if you're an Eagle ... You gotta have compassion for the guy. I mean, it's a tough job, being a field goal kicker. But an exciting way to end the game.

Then, tonight, we got Alabama/Clemson. My house is divided. I think Alabama wins. My son wants Clemson. So, we're gonna see how that comes off. But exciting night, right? National championship. Playing in San Francisco, though. I mean ... Sorry. I don't think of college football hotbed. I read, actually, that ticket prices are nowhere near as strong as they normally are for a college championship game. Some say it's fatigue, because Clemson and Alabama are in there all the time, and who cares? But I think it's geography. I just don't think it's a colle- ... Now, obviously, you have Stanford and Berkeley, two very good football programs. But I just don't think it's a Dallas, or an Atlanta, or a New Orleans, where you tend to get the bigger, more fired-up crowds for college football.

So, my NFL prediction ... I should go back, by the way. So, I think the Pats go out when they play the Chargers this week. Sorry, Tommy Brady fans. I'm a huge Tommy Brady admirer, even though I'm a Jets fan. I mean, the guy's ... Again, I think Drew Brees is the greatest of all time, the GOAT. I think Tommy Brady's right there. And I have huge respect for him. But I think there's something magical about the Chargers. I mean, these guys have gone in ... really tough road wins. Pittsburgh and Kansas City. I mean, [inaudible 00:10:32] Baltimore. I mean, they're playing well, good, solid, really well balanced. And I think it's their year. So, I'm predicting a New Orleans/San Die- ... San Diego. They moved to L.A. New Orleans/L.A. Chargers Super bowl. And we'll see how that comes out.

Aside from that, what else going on? Oh, yeah, about three, four weeks ago ... I mentioned earlier, I'll try to get a workout in. So, my workouts will be ... I don't know. I've got a gym in the house, so I'll do some ... I'll lift a little bit, I'll ride spin bike. We have an elliptical. I'll do a little bit of that. But nothing crazy. I'm well past my 20s, where it would matter to me a lot in the gym, but I try and get the heart rate going, get a sweat going.

But I was ... I don't know what I was reading ... But I used to know them as squat thrusts, and now they're called burpees. Actually, burpees. But, you remember when we were kids, you'd do a squat thrust, right? Squat down, push your legs out, bring it back in, and then stand up. Well, now, the burpee is squat down, push your legs out, push your legs in, but, when you're down and you're parallel to the ground, you're doing a pushup, and then, on the way up, you're jumping. Right? So, that's a full burpee.

Oh, I know what it was. I was watching YouTube. And I think his name's Joe DeSantis. He was the founder of the Spartan Race. Something caught my eye. I don't know. I gotta make sure. Let me check while we're looking, here. Is it Joe DeSantis? Spartan founder. I'll Google that while we're talking. But it was re- ... Joe De Sana. Joe De Sana, the founder of the Spartan Race, which has just taken off all over the world. And what caught my eye was, he's a Queens guy, and I saw him doing a TED Talk and a couple other talks and interviews, and I really liked him. He was a Queens guy, and he told some funny stories. He's Italian. He made a lot of references to food to the crowd that he was talking to, and you could tell they didn't know what he was talking about. Like, he talked about where he came from, where ... The town he grew up in, Queens, was like a mafioso town, and how food was everything. And he talked about [inaudible 00:12:47] ... which, in the rest of the country, they call it manicotti. But, in Italian way, you'd say [inaudible 00:12:55]. And I grew up in an Italian household. Ricotta cheese ... We don't call it ricotta. It's called "ricotta." And, so, he made those references, and nobody laughed. Nobody understood what he was talking about. So, I felt for him for a second.

But great story. He had a pool cleaning business, and then he tells some funny stories about that, and he eventually wound up on Wall Street, and then he eventually moved to a small town, I think it was up in Vermont, and he started buying business. But he was always active. And he started to participate in these outdoor races. And he bought a mountain, and he bought a farm, and he turned it into this obstacle course racing called the Spartan Races.

And, somewhere along the way, he did a TED Talk on the burpee. And I've always known that burpees are good. When I've worked out with trainers, and stuff, they have you do burpees. But, after you do, like, 20 of them, you're like, oh, this sucks, and you move on to something else. Well, yah know, you click on one thing while you're reading YouTube, it stumbles onto something else, and I hear Navy Seals, and the burpee's the only exercise you need ...

So, I said, yah know what, I'm gonna do this. And it's more of a high-impact, hit-type training. Right? So, it's less time, high impact, really gets your heart rate going, but it also does strength training. And I laugh, right? Because I have this gym at the house. I got all sorts of equipment. You don't need anything. I mean, when you really think about it, you can do pushups, sit-ups, you could do mountain climbers, you could do air squats.

But, anyway. So, I said, I'm gonna incorporate this. And been about two, two and a half ... So, it was before the new year's resolution, right? But I started incorporating burpees into my daily routine. And everything I've read, like [inaudible 00:14:41], it just shreds you. So, about two weeks ago ... It's called the 100 Burpee Challenge. 100 burpees a day. And people wind up doing them for years, every day, never missing a day. And my goal ... I said, okay, I'll do 100 burpees. Well, I knew on burpee number 16, on day one, that I was gonna be happy to get to burpee 25. Right? You're just using parts of your body you don't normally use. It's everyday type things. Squatting, and planks, and ... God, I mean, it's just great.

So, I did the burpees. I banged out, like, 70 my first day. And then, it was just no mas. I was gonna throw up. And, so, I said, okay, I feel good. The cooldown was ridiculous. I was sweating for an hour and a half, it felt like. It was probably less than that. But my heart was going. It felt great. I kinda got a little bit of a workout high. And I said, all right, I don't know if I can do 70 every ... I gotta work into the 100. So, I started a routine where it was a set of 10, rest for 10 seconds, a set of nine, rest for 10 seconds, and work backwards. And I said, all right, I'm gonna do that. And I've been doing that. And then, now, I'm incorporating, like, a set of 12, a set of 10, and then this ... And then, it was of 14 and a set of 12.

So, I'm really working up to it. And the first three, four days, I literally couldn't move. I wanted to cry. It brought out ... That lactic acid found parts of my body that I forgot existed, if I ever knew they existed. It hurt to cough. It hurt to laugh. But I did it every day. Because, when I set my mind to something, I do have pretty good willpower. It's just getting there. And I said, I'm

gonna do it, because I'm not happy with ... Even though I do the workouts, they're half-assed workouts that I do, normally. And I can feel it in my waistline.

And, like I said earlier, last year in the podcast, when the spring comes, I let it go. But I said, let me get ahead of this. And I have 20, 25 pounds to lose. Just, I do. Just because I let myself go a little bit. But, even though I could still shoot a hoop, I still play hockey, I skate ... And I'll talk about that in a second. But it's just extra weight.

So, about a month or two ago, I stopped drinking beer, just because I thought, I don't need the extra couple hundred calories every now and then. What's the point? Now, I don't miss it, right? So, I'm totally fine without it. And my show's "Talking Stocks Over a Beer." Maybe we'll change it to "Talking Stocks Over a Diet Coke."

But I have to tell you, after just doing this for a few weeks now, it's a marked, noticeable difference in my clothes. And I'll add something else. I stopped doing the other stuff. It's the only thing I do now. It's less than 20 minutes. And I can't even begin to say the difference that I have noticed from doing these burpees. And I'm not at 100 yet. My wind ... I noticed, playing hockey the other day ... I played Friday night. And I had been off for a while, so you always feel it when you come back. And, if you haven't played hockey ... those who are playing hockey will know what I'm talking about, but your legs and your ... It's good. When you're really shot and you haven't played ... Now, we played two straight hours. We had open hockey. So, it was two hours, no rests. We had seven guys on each side and two goalies. So, we had four on four on the ice, and had three guys on the bench. But everyone's 40 and 50, 55 years old. So, two straight hours.

Now, when you take a normal shift, 45 seconds to a minute, you come off, you get three other lines that go out. So, you get a good rest. Not this. This was nonstop. And the good thing about it is, you don't know if you're gonna throw up or your legs are gonna fall off. Right? So, the burn in your legs is so bad, yet you're so winded, you wanna throw up. So, you can't really recognize which one you're gonna do, so you forget about them both, and you just suck it up, and you just do it.

But I actually noticed it was a big difference with the burpees. So, for whatever that's worth ... If anyone wants to give them a try, I highly recommend them. Actually, go to your doctor first and check out whatever you need to check out.

Anyway, while I was off, I had a lot of time to think about ... And, by the way, thank you, on Twitter. I'll put notes first. A lot of people saying, "Hey, where's the podcast? I miss it," and so on. I appreciate that. Thank you. But I mentioned family time.

But it also gave me a lot of time to think about it. Because this was the first year I ever did a podcast, first year I ever ... well, a year and a half, now, I've ever ... A year and a half ago first time I ever spoke publicly about anything. I did a Real Vision TV presentation on [uranium 00:19:48], got asked to speak at a natural resource conference, and one thing led to another, and had interviews on uranium, and so on and so forth.

And then, I write the newsletter with Frank Curzio's shop. Which is focused on, really, short selling. Occasionally, I'll throw in a deep value long idea, not uranium, that only goes to the benefit of those who are Sachem Cove Partners in the firm I own. But in the newsletter, it's mainly short ideas.

So, this past year, in my evolution of finding new and interesting things to do, the media portion, podcast, writing a newsletter, it's been a great learning experience. Because I never had exposure to it. On the newsletter side, every month you come out a new idea. You update your subscribers when you have something interesting to say. And same thing with podcasts. It's every week, do the podcast.

And what I realized ... And I knew this. Because, when I'm investing, when I run my business now, my fund, and for all my career, where I was in the hedge fund business, ideas don't work on a timeline. They don't come up and say, "Oh, you have a deadline, and let's get a good investment idea." That's not how it works in the real world. The way it works in the real world is, ideas present themselves sometimes frequently, sometimes infrequently. And what I learned a lot as an investor is the best thing to do oftentimes is nothing. When the market is melting down, if you are well positioned, if you've thought about it, if you're happy with your positions, if you understand the valuation, the worst thing that I could ever do is sit in front of my screen and try and outsmart what the market is thinking or doing. It ain't gonna work. That's what preparation is for. That's what preparing is for.

And you're gonna take it on the chin sometimes. There's nothing you can do. Sometimes, you're just gonna get pounded. And you sit there, and you deal with it. But you have a longer-term [inaudible

00:22:05]. But you don't be reactionary. You plan.

And, so, when I was thinking about the podcast, I was thinking, with the newsletter ... And I told my newsletter subscribers in my December newsletter to them. I said, "Listen, this year, here's what to expect. And, in some months, I'm just gonna educate. We're not gonna have an idea." And, with the podcast, I was really thinking about it, because I enjoy the ... I do this for one reason. Right? This isn't a paid podcast, right? I don't have sponsors. I pay to do the podcast. Pay the production costs, pay the distribution costs, and all that stuff. So, I do this because I enjoy teaching. I always, as a partner in a fund, as all those years, and as a guy who has a fund now and has people who are under me and work with me, I ... I don't mean "under" in a negative connotation, but ... I've always educated how to be a better analyst. Here's the things to look for. And let's do it together. Here, listen to me do a call with a CEO. And, over time, they pick it up, just like people did to me 20-something years ago. I was very fortunate, right?

So, I did that, and when I decided to do the podcast, it was to do it for regular investors. Not for institutional investors at all. If institutional investors listen to this, that's great. They're not going to learn a tremendous amount, because they practice a lot of what I do. I don't have the market cornered on investment framework or investment philosophy, or analytical rigor. I do this for ordinary investors, because, those who know my story ... I grew up lower income. Didn't know what a stock was until in my 20s. And, without sparing you the boring details, stumbled into the hedge fund industry. And don't have academic pedigree. I have a undergraduate degree in accounting. And I went to go get a master's in journalism that I didn't finish.

But one thing led to another, and here I am after 20-plus years. And one of the things you realize is, I can analyze a cashflow statement, balance sheet, income statement in a business, I think, as well as anyone. And I don't say that to be pompous. I say that because that's what I've learned over the years. But analyzing stuff and making investment decisions are always different things.

So, what I decided I wanted to do, and I realized a couple years ago ... I was reading a bunch of newsletters that I thought were just dogshit. I thought they were horrible, so many of them. The promotions, and, "Get in on the ground floor," and, "You could do this, and you can do that," and this and that ... I thought, God, that's awful. And I read the work, and I thought, oh, that sucks, too. And I would listen to podcasts, and some of the podcasts were

really good. I liked some of the financial podcasts. But some of them were, like, institutional investors talking to institutional investors, and interviewing institutional investors, and speaking in jargon, in a language that a lot of people might not understand. I mean, there were some podcasts I listened to that I think are really good, and I have a pretty good framework. And, whether it's [inaudible 00:25:29], or currencies, or equities, or merging markets, or global macro ... That's what I've done for a lot of years. But I have to stop and say, "What did he just say?" And I'm thinking, there's no way that an ordinary retail investor at home, trying to manage his own money, is understanding this.

So, I said, all right, I'm gonna start this podcast and do it for the layperson who is really interested. Because, what the secret is? There's no secret in investing. Right? When they market my newsletter, the words that I go bananas on if I ever see is "secret." "The secret to." Because there's no secrets. It's a process. It's hard. Not hard, it's hard work. It's being dedicated to a process.

So, when I thought, I said, let me start this, and let me try and educate people. Because, when I'm on Twitter, especially, which I hadn't been for ... It says I joined in '09, but I never used it. So, probably '17, 2017, I started paying attention. And I start reading it, and, really, when you realize that the playing field is not level, right? People are buying and selling the same company, but you got one who's an institutional, professional investor, and the other that is a retail investor. Now, the institutional investor's performance may not be better, but that's a different kettle of fish. That's because of the internal issues that money managers face from pressure from outside investors, and have to perform. But the actual analytical difference is just night and day. And not only the analytical difference, but knowing what to do look for and what matters. The art of investing.

So, that's the genesis of the podcast. Let me go on and start a podcast that I could relay some of my learnings over the years, and many from many mistakes. I've had my head handed to me over the years on some investments, on some theses. So, you learn. And that's how you learn. Failure is a wonderful teacher. And, over the years, you try and fail less. But, as an investor, you're always going to fail at some degree. It's just, you try and fail less, and you try and build up that bank of memories and failures, and build on those to try to avoid them in the future.

So, as I've been doing it ... I wasn't really sure, because I have no media background. I'm rambling here, right, when you listen to

me. But I am a pure introvert. I could spend time with myself all day long, just reading and being fine, and seeing my wife and kids, and I'm good to go. A couple of close buddies, there we are. I'm set. Give me a ball game and we're good to go. I don't seek out, ever. I'm not a social butterfly. I don't need to go out, no need to be around people, don't need to be the life of the party, don't need to be the center of attention. That's not my thing.

And, so, as I thought about it, let me do that, but I had to figure out, what's the podcast about? I can't just say, okay, today, let's talk about a balance sheet. Let's think about a balance sheet. And here's how we calculate accounts receivable, and here's the day's sales outstanding, and here's what we're looking for. Right? That's kinda ...

So, I thought, okay, let me ... When I first started the podcast, I'll bring out some interesting guests, hopefully. Some macro thinkers, some fixed income people, just to expose people to different parts of it, of the investment world. And I didn't wanna talk about what stocks to buy, what stocks to avoid. I didn't wanna get it into a market update session, which, what's the FED going to do? Currencies, and all these short-term predictions. I wanted to, over time, through the interviews of people, start to think about things they might not have thought about, both the analytical side of investing and the art of investing. And if, sometimes, I don't have guests on, and I just talk about things ... And, for a year now, I've been talking about being cautious on the market. Not bombastically, like some people we see out there. But I laid out my rationale, starting back in February, why I thought the market was at risk, and not to go one way or the other, not to make huge bets one way or the other, but I talked about taking risk off the table and knowing what you own, and understanding the valuation of what you own so that you're prepared, so that, when the market hits the skids like it did in December, in a big way ... It's too late then. You're reacting. I wanna help try and prepare, and what to look for.

So, as I think about the podcast, it, too, doesn't work on deadlines. Right? I love educating. I love talking. But, sometimes, I have nothing to say. I mean, that's the reality of it. Right? There are many days or weeks where I don't add anything to the equation. I don't watch CNBC or Bloomberg. I used to have it on at my office. I have my TV in my office here. I'm looking at it, but it's off. And I realized, when you're working on deadlines in this business ... When I watch CNBC or Bloomberg, I can't tell you how many times I see people on those shows going ... And I'm like, are you

freaking kidding me? You had to fill airtime? Because you have to fill airtime. And it just leads to nonsense and noise, white noise. It's just ... It's just background noise. And I don't wanna be background noise.

So, when I was thinking about taking a few weeks off for the holidays, I thought, yeah, what? The market's doing what it's doing. I've already said my thing. Now, what am I gonna say, "Go do this, go do that"? And we're gonna have some of that in the future. There're gonna be some weeks where I don't do a podcast. I mean, I'm gonna do them regularly, but there might be a week or two where it doesn't come out, because I don't have much to say. It might not be ... I line up my guests ... Because my guests ...

A lot of my buddies are fund managers, hedge fund managers. Now, you see, a lot of them don't wanna be public. They don't wanna share their thoughts. They like to lay below the radar screen. And I don't wanna bring on people that I've just met, or I haven't had a chance to really vet. Most of my guests, not all, but most of them, I've had conversations with. Some are my really good friends, but others who I've known maybe in the past year, I've had conversations with. Other, I've been introduced to them from somebody I trust, and all of that, right?

But the last thing I wanna do is use this podcast as a platform that people come on and pitch themselves, pitch their stories, pitch their investment thesis. A lot of times, people talk their books. Right? What do you like? When you give a professional investor an opportunity to say, "What do you like?", he's promoting his portfolio.

So, on certain weeks, when I don't have who I think is a good, vetted guest, we'll turn into an educational session. And, as I thought about it, where I want this to go ... I don't wanna turn it into growth or value. I am a value investor. I'm a deep value investor. I'm a contrarian investor. When I look at my podcast downloads, I think it's over a quarter million now ...

The only thing any of you care about that I say is uranium. It is uranium nuclear power. When I talk about uranium and nuclear power, the downloads are significantly greater than when I talk about anything else. Right? Because it seems that that's what you guys tune in for.

So, I get some feedback. I get nice feedback in emails, in very lovely emails, or direct messages, and really nice, thoughtful stuff.

And a couple of guys, ... Earlier on, I get a lot of guys who ... a few guys, not a lot, a few guys who'd say some shitty stuff, but that's okay. But, for the most part, very, very helpful, and I like criticism, so I like constructive criticism. If you come at me with, "Hey, dickhead, here's what you should be doing," you're gonna get a nice response back, just like that. But, for the most part, very nice. But it clearly is ... people tune in much more for uranium nuclear power.

As this podcast evolves ... I thought, rather reporting what's going on in the news every day, the financial ... You don't need me for that. You could get that in a million places, right? And I don't comment on what's happening today. If I have something to say about positioning or how I think you should be thinking about stuff, we'll talk about that. But I thought, use nuclear power, for example, and uranium. Right? So, if you think about it, when you think about long or shorts, or any industry you're looking at, you wanna find what the thesis is. Is a company industry doing something groundbreaking? I am a value investor, right? So, I'm looking at things that are blowing up. But you may be a growth investor, and you're looking ... is an attractive, is a growing market. Or, in my case, the industries I'm attracted to, or if they've been hammered and left for dead.

I said, and once you identify them, what, then, you do is a financial analysis, and you try and sort the fundamentals. Right? What's the cause and effect? What's obvious? What's going to happen that directly causes the fundamentals to improve or weaken?

So, if we use nuclear power and uranium, for example, it's supply and demand, right? That's obvious. Right? So, as an analyst, what do you look at? You look at the inputs that effects apply. In the case of uranium, it's primary supply stuff, out of the ground. It's secondary supply stuff above the ground. It's inventories. It's cost to produce a pound of uranium, cost to build a new mine. Where the money's gonna come from to do that. The ability to fund it. Right? All that stuff. Now, replace the word "uranium" with any deeply cyclical business, and there you go.

The demand side. It's growth in nuclear power around the world. What's the case for nuclear power, the bull mark ... What's the bull case, the bear case? What are competing sources? What are the economics and reliability of those competing sources? What's the cost to build nuclear power? What's the cost to build a competitive power? What's the utilization rates? Right? So on and so forth. You just keep going, and going, and going.

That's all first order thinking. It's necessary to do the work, but it's the obvious, right? And we have to focus on the obvious. But what goes into a lot of my thinking, my investing framework that I have found over the years, which shapes what I do with that information, what even draws me the information, and what shapes how I invest in it, what companies I own in something ... What do I avoid? Are there geographies to favor or stay away from? Right? What are the outcomes? What are the obvious ones? What are the potential wild cards? The probability of those wild cards occurring? What needs to happen for them to occur? What would the outcome be for the ecosystem if something like that did happen? So much of what frames my view of the world, the investing world, is the study of geopolitics. It plays a major role in my investing framework. Right?

So, if we think about ... If history explains the past with an eye on the present, geopolitics explains the present with an eye on the future. Think about that. Right? You need to understand the history of where something was and where that could lead to. But now, the geopolitical landscape. And, if you've listened to the podcast, Steve [Kumar 00:38:30] and I have had some talks on this when he's on, because he's a good geopolitical thinker. It explains where we are today, but helps us understand the implications of that, and where we could be in the future. And that could help shape how you're investing. Right? That's your second order thinking. That's the next level of thinking.

So, in my case, in nuclear power and uranium mining, it's a lot of work to figure out the obvious. Because it's not so obvious, especially in uranium, where the information's not available. But supply/demand's a lot of work. But then, I gotta figure out, okay, so, now what? Are there undervalued securities? What's the catalyst to get them going? And then, what's the ultimate catalyst to realize the real value of these things? Just more and more investors coming into the space? Yeah, that's gonna help. That certainly could get the stocks a lot higher. But what's the endgame?

In the case of nuclear power, for me, having read for years and years and years a lot of geopolitical stuff, and understanding what's going on in most regions of the world ... not in the most minute detail, but understanding the framework and the drivers ... Right? It was pretty obvious to me that the Chinese and the Russians are using nuclear power as a geopolitical tool. And I've said this before, right? They help finance reactors in those countries, these emerging market countries that wanna modernize,

and they want scalable, reliable power. It's carbon free. Solve a pollution problem. Get people who might not have been on the grid onto the grid.

And, other instances? Well, the United States and the West has let their fuel cycle implode, right? They've just fallen asleep at the switch. So, the Russians' energy plays such a great role in balance of power. And the Russians and the Chinese have figured that out, and they use the nuclear fuel cycle as a way to acquire power. And the Chinese and the Russians will go to these emerging market countries and lend them money to build reactors, go build the reactors. They'll then sell them the uranium. They'll sell them the conversion, the enrichment, the fabrication. They'll help them operate it in really long-time contracts. It's called a vertical integration. You see it, a lot of businesses vertically integrate. But they use it as a geopolitical weapon. Right?

So, that really helped frame my work. And what's the next level of thinking, there? Well, the Russians don't have a lot of uranium at home. They have some, but not a lot. They have JVs in Kazakhstan, the number-one producer. And one can argue that the Kazakhs march to the Russians' drum. Excuse me. They may. But they, themselves, do not own a lot of uranium. So, as the price of uranium goes ... And if you think about Russia's foothold on natural gas, and think about how the U.S. has overtaken the Russians from an export standpoint, with all the shale and fracking here in the U.S., right now, the nuclear is a pretty good tool for them to exert some more leverage over countries. Think about what natural gas in Europe, right? And the impact that they can have on natural gas in Europe. Excuse me.

So, when I think about it, I say, okay, well, if they don't have it, where are they gonna get it? Where can they go buy it? Right? If the cycle really turns like I think it can, they're gonna go on and buy assets. Where can they buy it? They can't buy it in the U.S. They tried that. Been there, done that. That didn't work out. Well, it did work out for them, but that ain't gonna happen again. Are they gonna go to Canada? The Canadians gonna let them go buy a majority stake in a company? Probably not. How about Australia?

So, you start to go, well, where else? Well, there's parts of Africa, right? There's Niger and Namibia. There's other parts, a little bit in central South America. So, how do you think about companies in that space, in those geographies? There's some out there who say, don't go anywhere near an AK-47, and it may or may not be true. Jurisdiction matters. Risk matters. But I think you have to

think about it as to valuations. That comes into play. What are you paying for the risk you're taking?

Same for the Chinese. Where are they gonna go buy? Can they come into the U.S. and go buy a uranium mine? Probably not. Now, they are up in Canada. They own 20% of one of the companies up there. They gonna own a majority stake? Not sure. Now, that doesn't mean ... It's just one geography, and it's one interesting thing, but it helps you understand how to start to frame your thought process. Right? I own Canadian companies, U.S. companies, Australian companies, and also a few African companies. Right? And, again, I'm not gonna get into the portfolio. But you start to understand what it does.

But studying geopolitics, it's gonna help you identify opportunities, threats, and derive a second order thinking beyond all of those initial observations, the first order thinking stuff. Right? So, when you study the world of geopolitics ... Think current events, right? Substitute the term. You're trying to identify those things that will last forever, those certainties, those things that have a long life, and those things that have a brief duration. Those are kind of the three buckets. Right?

And then, geopolitics does this through the lens of geography and power. Right? Said another way, I guess. By having an inquiring mind on geopolitical issues, you're not only trying to describe what happened, what's happening, but predict what will happen. Right? And it requires a knowledge of history. Now, I understand, many of you may not have that knowledge. You might not want it. But it really helps. Read. There's no substitute for it. Watch videos. YouTube's great. All right? So, it does require knowledge of history and current events, but, when you start to acquire that, start to connect the dots, right?

I mentioned forecasting. I say "forecasting" or "predicting." And some of you may think, well, I'm not a great predictor of outcomes, what do I know? Just stop for a second and think about it. You might be better than you think you are, because you do it every day. It's kinda, we're wired that way. It's built into who we are. Right? Every time we do something, there's some sort of an expected outcome. Right? And that outcome comes from some amount of information that we have, some knowledge that's cause and effect type knowledge. I go into my car every morning, I turn the ignition on, I expect that engine to start. Now, I don't understand most aspects of why that occurs, but, in general, I can fairly accurately predict that it will. Right? So, my assumption that

the engine's going to start comes from a pretty certain amount of knowledge that I have of how things are supposed to work. Right?

Now, think about the hundreds of decisions you make on a daily basis, based on this premise. Now, sometimes, there's an unexpected outcome and unintended consequences, right? I get in the car, I turn the key, and it didn't start. So, I can't get to where I need to be on time. That happens. But, for these everyday things, based on experience and history, there's a high degree of predictability and certainty in daily life predictions. And, if you think about how we are programmed to make or rely on forecasts, it's just part of our fabric. Right? We choose our spouse based on trying to predict if he or she is going to lead us to a happy life. Can we start a family? Or not start a family, but have a nice, content, and happy life together?

When we do business forecasting or predicting ... If you're a small business owner, you forecast so you know how much of something you have to make, or who you're going to sell it to. Forecasting. Predicting. Right? The general public is exposed to. We forecast elections. We forecast weather. And it goes on and on. Predicting is part of life.

Now, some things are much easier to predict, right? The sun's gonna rise in the morning and it's gonna set at night. Now, so far, the world is betting a thousand on that, I think. It is, certainly, in my lifetime. It kinda reminds me of the old George Carlin skit, may he rest in peace. The comedian George Carlin. "Tonight's weather is dark with scattered light by morning." Right? Now, a lot of our daily life routine stuff has become relatively easy to predict, right? We hope it stays that way with the sun setting and rising.

The hard part in understanding the geopolitical landscape is predicting human nature, because that's really tricky. Right? As humans, we have choices that we can make as individuals. And the predictors of those predictions are also human. And where it gets tricky is because they're subject to their own biases, their prejudices, and that shapes their view of how others are gonna behave. Right? And it's social forecasting. And the way they do it, the way these professional forecasters do it, is, rather than trying to predict what any individual's going to do, they try to generate a statistical model that consists of a lot of individuals, right? It's because, what are they trying to do? They're trying to pick out patterns of behavior. Economics, war, they share in common the fact that they try to predict the direction of a lot of individual

actors interacting with nature, interacting with technology.

But, over time, in observing predictors, some things have become pretty obvious to me, I would say. First, good forecasting has to begin by noting the obvious, right? I mentioned earlier, first order thinking. You have to go through that. But the other thing I've noticed over the years, because Wall Street's, again, predictions and forecasts and really smart people making them ... Smart people tend to look down their nose at the obvious. My observation is, they bypass it too fast. And, instead, they jump way ahead and get right to the difficult stuff. And it's the stuff they think regular folks don't know how to look for, or will miss it if they see it.

And then, what happens is that forecasting becomes theoretical. And a lot of the times, it's not grounded in real-world stuff. Right? So, when you're forecasting, what do we really know? The sun is gonna rise and set. We know we're born. We know we're gonna die. And, in most places, we're gonna pay taxes. So, we know from our birth to in our late teens, hopefully, if you're fortunate enough to be into a good family, but even if you're not, you need it ... We need to be nurtured. Right? We form families. I guess, in human nature, I suppose ... Going back to the history of time, it was easier to steal than make something. Right? You got the strong and the weak. They battle it out. [inaudible 00:51:01], right? Look at history. People have stolen. They've enslaved. They've killed people. So, to combat that, communities evolved to protect all these small families. Some hunt, some grow food, some make things to defend the community.

And then, the question became, who do you ally with to grow the community? Who do you start families with? Right? In traditional society, you kinda knew who you were, and, in turn, you knew who you'd be for the rest of your life. And then, in the last several hundred years, in a post-revolutionary society, you might know who you were, but it didn't necessarily determine who you'd become. If you were lucky enough, you had choice. Right?

So, traditional society, it was infinitely more constrained, but very natural. You love your parents. You love your home. It's a lot easier to love things than not. You love your nation. It's kinda led to, like, this nationalism. This obligation to the community to which you were born. Right? It's like this impulse to really feel pride. You're starting to see it now in many countries. And then, place. Place is really important when you're thinking about geopolitics. Right? If you go back, you think about it, where do you live? There's always fear of the other nation, your neighbor, the person who lives next

door to you that's not the same as you. In history of countries. Two communities that are living side by side. Right? You don't know the intention. No one can know, really, what the other country's thinking. And, if you miscalculate, history would show, it could lead to disastrous results. Right?

So, how do you view the world? Because your place defines your enemies, defines your fears, your actions. You could be a great statesman born in some tiny country, it doesn't matter to the rest of the world. You're gonna have less impact on the world than some dipshit politician born in the U.S. It matters for that little community, but, in the landscape of the world ... excuse me ... if you're an isolated country where resources and options are limited, versus, say, the U.S., where it's this huge country, you have access to the world ... Right? So, place determines the life of the lower class and the upper cla- ... It matters. It imposes capabilities, imposes vulnerabilities.

Think about Poland for a second. Poland's sandwiched between two much larger countries. You got Germany on one side, Russia, the other. It has no natural defensive position. No rivers, mountains, deserts. Throughout its history, it's either been extremely aggressive, because it's had to push back its frontiers ... but that's rare, given its resources ... or a victim, which it usually was. Right? Being occupied.

Go a little deeper. Place determines your economic life. Right? The Germans were heavily dependent on the French for iron ore to fuel its economy. The Japanese were heavily dependent on the U.S. for steel and oil to run its industries. And the Germans and the Japanese couldn't control American behavior. France and the U.S. tried to use German and Japanese dependence to control their behavior. The Russians try and use natural gas to control the behavior of the Europeans. Right? So, the Germans and Japanese, they were terrified that they would be strangled. They didn't know the intentions of the others. Could they stake their futures on continued good will of countries that they may or may not have disagreements with? Right? Had French steel been located 100 miles to the east, or Japan had oil and minerals close at hand, under its control, who knows how ...

So, put yourself in that mind, right? Now, I'm flipping the sides. Now, I come at it from an American perspective and think, okay, we went to war with Germany and Japan, and we beat them. And I was taught one way, and the history lessons of one way, but I have to think about what the other side is thinking. How are they

thinking about things? It's so easy to think about it from our own world, from our own place. Right? If I was talking to a rancher in South Dakota, which I was a few weeks ago, staying at his ranch ... Brilliant guy. Smart guy. Funny guy. Well-traveled. He grew up in a tiny South Dakota town. His life experiences are vastly different from mine. Not one is better than the other. We're vastly different than someone who grew up in a more urban setting. What's important to them, what's important to him, what makes him fearful and makes him comfortable, are different than what make me fearful and comfortable. So, it happens within your own borders, right?

So, it's not just the other country you have to think about. Always think about your place and how it impacts people's thinking, and what they're worried about. So, it's something I think you really have to think about. If you think about geopolitics, they teach us how to identify and assess what must be done and what can't be done. Right? And some of these ... It's like a balance, trying to strike that balance, right? It's a compulsion, what must be done, and a constraint, what can't be done. And these compulsions, they can be there for decades. But only in certain circumstances do they induce an action. But it's important to think about that. Put that in your framework, in how people are thinking about it. And we're gonna talk a lot about that this year. We're gonna talk about the geopolitics, and how to think about it, how to start using it in a framework, and if I bring it into today.

What's going to happen in 2019? What's front and center? The U.S. and China with tariff sanctions. Right? Regulatory buffers sitting around all these emerging technologies. Is the U.S. gonna escalate the strategic offensive against China using those tools? Is China gonna become more assertive in the South China Sea? We've got [inaudible 00:58:14] arm control pacts. Is there gonna be an accelerated arms race against the U.S., with the U.S., Russia, China? It's a very edgy geopolitical climate. But it creates strategic opportunities for some, and makes others more vulnerable. Right? So, you need to think about how that plays into your investing framework. Think about natural resources and what countries are strong and weak in them, what's growing, and who's breaking apart from the pack to exert their influence in a certain industry. And do they own that resource? Do they have to go buy it? From whom would they buy it? Right?

So, as I think about this year, we're gonna talk about increased yield political risks for businesses. So, what's gonna happen? The U.S. is sitting there and talking about national security threats.

So, who did they lean on to help? Europe, Japan, Australia, Canada, South Korea, right? What's the impact of that? Does it affect research and trade in certain areas? Think about artificial intelligence, 5G network roll-outs that are supposed to begin in 2019. China's trying like heck to catch up in really important areas to them, aerospace, really high-end semiconductors. But, when they do that, what happens? It increases cyber threats when they really get the semiconductor business down. How does the U.S. respond to that? What companies could be affected by that? What's the volatility of trade in the global economy? Is the U.S. gonna have a showdown with the WTO, forcing countries into a [inaudible 01:00:28] track to resolve trade differences? What happens in Italy? And Brexit? Talked about nationalism before. You've got a really defined populist Italian government. It's going to pose a huge threat, or could pose a huge threat to the Euro zone in 2019. As concerns grow over the country's rising debt levels. The banking sector, which is really fragile. Their financial markets, you've got dangerously widespread in bond yields.

And you're thinking, "Who cares?", right? Maybe you're thinking that. Well, if something happens and it doesn't fall the right way, it could lead to a contagion. I'm not saying it will, but it could. But if you're thinking about it and you're taking all of these different buckets, and thinking about, is the world gonna be risk on or risk off? How does that one help me position myself? It's gonna go on in Brexit. Who the hell knows? Right?

Markets like certainty. What's gonna happen in Iran? Secondary sanctions in place. The U.S. is pushing ahead to isolate Iran regionally, weaken the country. All that does is increase friction between Iran and Washington. Right? So, you gotta ask yourself, what's the likelihood of anything constructive happening? Right? And then, what is the impact of that in the rest of the Middle East?

Global energy. The Saudis, the Russians, they gonna manage, carefully, oil output to prevent a price plunge? As we've already seen, it can hammer. There's some production growth potential in Iraq and Libya. Some easing of export capacity. Stuff to think about.

A lot of disruptive things taking place in the Americas. Right? Think about with Venezuela and the Russians. The Venezuelans are allowing the Russians to put some long-range strategic bombers there. Are they gonna have a permanent base? Venezuelan law says they can't, but, not so long ago, they sent a multi-billion-dollar agreement on some stuff. How would the U.S. feel if Russia had a

strategic military base in Venezuela, not too far?

So, there's a lot of trends that are taking place, a lot of geopolitical things that, again, you may not think really matter at any given time. But, when you start putting them all together, it starts to help frame how you should think about risk on, risk off. How you should think about investment opportunities that you could take advantage of, or where you might be exposed to that could have negative ramifications for you.

This podcast isn't about telling you what to buy or what to own. It's about trying to educate you to give yourself the tools to do that. And, hopefully, we're gonna do more of that. I'll do more of that.

What you're gonna see less of this year ... and I know I get a lot of requests, uranium company CEOs. I talk to them all. Almost all of them, not all of them. But I talk to the ones I want to. I don't wanna use the podcast and the platform for guys to come on and pitch their companies. I don't wanna have to say, "I own this," "I don't own that," because I may own it, I may not own it at any given time. We're gonna do less of that. I will share with you my general uranium insights, my thoughts, from time to time. I am going to spend much more time talking about nuclear power, the other renewables, wind, solar, the status of them, the misconceptions of them, the falsehoods, how to correctly frame it on all of them, nuclear, wind, solar. We're gonna talk about transmission, the electrical grid. We're gonna talk about utilization rates. You're gonna see a lot of that on the podcast, right?

So, the geopolitical stuff, we'll have a little segment on that. I'll remind you from time to time of the important things taking place. We'll spend a lot of time talking about energy and renewables, and how I think about that world. Because it helps my nuclear power framework. Gonna still have some guests on, some of my friends who are fund managers, some newsletter writers that I think are good, and I don't think there are many of them. There are a handful, and they've been on here. And I'll have a few more, and a few more that haven't been on that I'll try and get on. But I don't think there are many. So, we'll keep that limited. Maybe a few podcast hosts.

Today, we were going to have part two of the interview with my buddy [Art Hyde 01:06:20], who, like me, runs a uranium-focused investment vehicle with his partner, Adam Rodman. But, last

night, Art told me he has the flu, and he's knocked down in bed. So, we'll have Art on next week.

But I just wanted to give you an overview of kinda how I'm thinking about the world, and the framework that I use, and why I think geopolitics are important. I'll talk to you about some of the stuff that I'm reading that I think is interesting. I read a lot of ... My iPad's my best friend. To maybe get you pointed in the right direction. There's a few things that I'm reading now that I think are interesting. There is a book by Professor Stephen F. Cohen, who is a former professor emeritus at Princeton and NYU. He's known as a Russian expert. I listen to him almost weekly. He's on almost weekly on "The John Bachelor Show." The radio host in New York that I've been listening to since 2001, and I don't think I've missed a day since. I listen to, if not live, the podcasts. But Professor Cohen wrote a book called "War with Russia: From Putin and Ukraine to Trump and Russia gate."

Now, many call Professor Cohen a Russia apologist. I've been listening to him for years, and he brings fascinating insight into Russia, having lived there, having studied it. He's a Russian expert. And I hate the word "expert," but that's what he's done his whole life, his adult life. And he brings a very interesting perspective to U.S./Russia relations, and Russia's role in the world. So, I'm reading that.

I'm reading "Money: How the Destruction of the Dollar Threatens the Global Economy - and What We Can Do About It," written by Steve Forbes. I won't get into a monetary discussion here, and money and gold, but I find it a fascinating read.

Book a read a while ago that I think's pretty interesting, it's called "Preston Tucker and His Battle to Build the Car of Tomorrow." Remember the Tucker automobile? There's a movie made about it. If you're a ... follow any of the Tesla story, give that a read. See what you think.

There's always Danielle DiMartino's book, "Fed Up: An Insider's Take on Why the Fed is Bad for America." Always found that interesting. Now, that, I read, the Tucker book, I read, but the other two, I'm reading right now. So, I think they're good. Give you a little perspective. Cohen's book is very interesting, and so is Forbes' book.

And, as I read more stuff, I'll share with you what I'm reading. I've always got two or three books going, it seems, and, depending on

what mood I'm in, I'm reading something.

Y'know, one book ... I don't know if I've ever mentioned this. When I started at Zweig-Dimenna back in, I don't know, '99, I think it was, '98, it was run by Marty Zweig and Joe Dimenna, one of the most successful hedge funds of our time. And Marty Zweig was one of the world-famous economists. He called the '87 crash. He was always on Louis Rukeyser's "Week." Really interesting guy. Very thoughtful. He passed away a few years ago, unfortunately. But, when we started there, we had to read a book, it was required reading, from Marty, called "Reminiscences of a Stock Operator." It's been around forever. It's a good book. I'd recommend reading that.

So, anyway, that's about all from me for now. Just wanted to give you a little bit of a view of what to look for. There may be some weeks where I have nothing to say. So, rather than fill the airwaves with nothingness and noise, you might not hear from me. For the most part, you will. But, on occasion, if I don't have anything to say, I'm not gonna force anything to say. I do this to help educate you and share my insights, whatever they may be. I certainly don't have all the answers. I get it wrong just like anyone else. I try and reduce the frequency I do that. But, hopefully, I can share a little bit of what I learned along the way.

So, I just wanted to let you know that I am the co-founder and chief investment officer at Sachem Cove Partners LLC. And, due to industry regulations, I don't discuss any of Sachem Cove's funds on this podcast. And all the opinion expressed by the podcast participants are solely their own opinions and do not necessarily reflect the opinion of Sachem Cove or its affiliates. And this podcast is for information purposes only, and it should not be relied upon as the basis for investment decisions. Clients and/or affiliates of Sachem Cove Partners may maintain positions in securities discussed on this podcast.

I look forward to 2019. Hope you had a happy holiday season, and a healthy and happy 2019. Thanks for listening.

Announcer:

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