

## Audio file

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## Transcript

Okay. Hey, good afternoon, everyone. Welcome to Chapter 4 business categories. We we had touched on this topic in the introductory class, and it's it's a very, very important topic and a very important chapter. because you must know what you own and you must know how to analyze that stock in that category well, because each category has different rules and different valuations and different multiples. So it's very crucial that you understand the company and you understand the industry and what are the main characteristics. There's a lot of information on this spreadsheet with the different categories and the different types of companies. And we'll try to keep it like a, you know, like a major overview with some examples. And as soon as we finish one category, please feel free to ask questions. You know, this is an interactive class, so I want you to get the most out of it. At the moment, we are A lot of focus is on the tech fast growers. So basically there are 7 categories that I try to use. One is the tech fast growers. Second are the stalwarts. And you can see the companies as we go by. Then there are some which are a combination of the tech fast grower and the stalwart. Apple, Meta, Alphabet are falling in that category. The other fast growers are basically companies like Dutch Brothers, Wingstop, Shake Shack, and Chipotle used to be fast growers. And I've just put them there as examples of how fast restaurant chains used to grow and do well for share. Chipotle and Wingstop, for example, have done extremely well for shareholders. There was a time when even Domino's used to do that. Cyclical are your typical Ford, Zillow, Wells Fargo. Micron is a cyclical that's broken through. Ford is a cyclical that did horribly, and I'll show you guys why. The turnarounds are also extremely, extremely difficult because most companies don't come out of a slump easily. Rolls-Royce is the one that's working and it's we've gotten at the right time. Bed, Bath and Beyond was a turnaround that didn't materialize. And I got out with a stop loss. Slow growers are companies like all utilities. Verizon Communications is an example. Constellation Brands is another example. Then this is another category which has a little bit of a combination of a cyclical and a stalwart and a little bit of a slow grower as well. And I put Boston Scientific and UPS in there. And these are companies that I like. Boston and I have bought as well, and UPS was something I felt was a great buy in the high eighties or something. So let's look a little deeper into the tech fast growers. And why don't

I walk you through a chart of Apple so we get a nice idea of what I'm talking about. So the iPod came out in 2001. And if you see Apple sales were like 5 billion at that time. The iPhone came out in 2007 and you see what it did to the company. Look at that. 24 billion goes all the way to 233 billion in a short eight, nine years. And look at this graph. It's like a rocket. Now this is, you don't, you will get maybe five or two or three apples in, in, in our investing lives. It's, it's very, very, difficult to have like a 10 year, 12 year, 15 year growth of a single company. And for those who did well getting into Apple, you could have made like a 38% return year after year, or at least, you know, over that timeframe, but obviously may not have gotten at the right time at the lowest price. But you see, this is the capacity of a fast grower when you have the compounding like that. Sales grew 31% in this phase. Profits grew 76%. These are annual numbers. These are not totals. The EPS grew 64% each year. Now, with a company like Apple, which is like a, you know, which did so well because it sort of introduced a new category, we didn't have the kind of mobile phones that we had prior to the iPhone coming out. You had the Palm Pilot and then you had the BlackBerry, but it did not open up the category the way the iPhone did. So with a good thing and I want to show you this also because even in its stalwart phase where the growth is only 8% now, okay, look at this. Profits are going at nine, but the earnings are going at 15. What happens here is that even now you're still getting a decent increase in price. At 273, probably you're not going to get that much, but if you had bought it in the middle somewhere, you would have still made a decent amount.

So Bhavishwa, I had a question around this. I sometimes wonder when it's a good thing to reinvest a dividend versus not just keeping the cash. In this instance, it looks like, yeah, if they are giving dividend, it would be a good thing to reinvest. But how do you make that determination?

Well, also, it's a bit of a personal choice. A lot of institutions like the dividends because then they can pass it on to the shareholders. If you're a mutual fund and you want to distribute the dividend to your shareholders. So you'll probably take it and not reinvest it. For an individual net worth who doesn't need the dividends, I would suggest better to reinvest. Yeah.

To reinvest in the same stock or.

You could do it in the index. The index also compounds. So like for example, the S&P 500 over 100 year history grew 6.5%. With the dividends reinvested, it grew to 9, 9.5%. So for that, the compounding definitely works. Yeah. It doesn't have to be in the same stock.

So, but if it was just Apple and I'm say investing in Apple, there is no compounding really happening, right? Because it's my just stock that's the growing in price.

What happens is you're when you're reinvesting your capital for that, you know, one or 2% is also compounding. So over the longer, sorry, yeah.

That's true. If you are reinvesting in the same company, say you're getting a dividend of like, I'm just assuming, say, \$10 and you're putting it back in that company, then it's compounding. But in case if I'm not compounding, if I'm not putting that dividend back into the same company.

Then it's not, it's not.

There's no compounding happening, right?

Yeah, but these numbers are without the compounding. This is just the share price by itself. I didn't include the compounding.

Okay. All right.

Yeah. So that's one thing. So The I, it would have changed a little bit more for sure, but these are, these are pure without the dividends. Yeah. Okay. So let's look at, so we have Apple as one of the better examples of a fast grower. Let's look at a fast grower where we are having a bit of trouble. Like let's look at let's just go through this in a little bit more detail so you get an idea of some of the fundamentals and the principles of what we need. So when we talk about 15 to 20 years growth, now, a lot of these are not happening. You're not going to see many companies growing for 15 years. And especially the ones that we identified as fast growers, some of them are getting hurt because of AI coming in, competing with them, like AppLovin, is a company that is growing very fast. It's growing at 30 to 40% a year. But all of a sudden yesterday, Google released a product which could do what AppLovin does with the AI. AppLovin fell about some 15% yesterday. A lot of the software companies are also facing these troubles. So what used to grow at 27, 28, 30% Now you're suddenly seeing a difference of 20 and 22%. Obviously, nobody's going to pay that kind of multiple. So the valuations, you have to be very, very careful because the premium will drop very fast when the growth slows down. So when you're chasing a fast grower, you're willing to pay a high multiple because you'll make it up, you know, because the stock is growing so fast. But when you see a decline, then you see an inflection, this will hurt the stock, not just because the growth has slowed down. People are willing to pay less for it. So this is a big risk we have to be careful about. So there are two risks. One is the business and competition risk, which is always there. The second is the multiple risk where you don't want to pay to higher price evaluation risk. Yeah. So I try to at least have some parameters where I try not to exceed what I want to pay. A price earning growth ratio, I don't want to pay more than two and a half, say a maximum of three. A price of price to sales ratio, I try to keep it down to 0.25. So have some margin of safety when the price falls.

You also, when you are trying to buy fast growers, one very, very important thing is do not buy one. try to buy, try to buy 8 to 10 or maybe 5 to 7 and you are not going to get, you may get, if you buy just one stock, say about Duolingo at 250 or 275 and did not buy something that moved up like a Reddit, you would have been stuck in Duolingo, which has fallen because the growth has stalled. Reddit, on the other hand, went up because the growth is still pretty, pretty good. So In these, there is also a sense of keeping some stop losses and you need to have some hedges and very often you have to take profits. I mean, there are so many examples, Credo, Nebius, where the difference is like 120 to 210 or even a Nebius which is 70 to 140. So in fast growers, especially this is where we, most of us are at this stage. Profit taking and stop losses become very, very important. Any questions on this before we go to stalwarts? Well, I think we can go to stalwarts. Okay. A stalwart is a company that is very strong with branding, Procter and Gamble, Apple, Coke, Moody's, American Express. It's also another compounding machine. Because the competitive advantages of these companies are so strong. You have like a branding, which ensures that you can get a premium for your products. Very strong pricing power. You hardly need any capital to expand your business. Your cash flow is reliable. It's a recession proof company. Valuation is always going to be a premium. And look at this example of Apple again. Now it's in a stalwart stage. You're still getting a price earning ratio of about 30 and a peg of three. See American Express, for example. This is like a like a very good example of a stalwart. What are the sales growth? Nothing. 5, 6, 7%. Profits are going by 12%. But What are people willing to pay? They're willing to pay a price earning growth of 1.6, which is pretty good. And you're getting a 10% cumulative return on your stock price and a dividend yield of 1. So a lot of people who don't want the fluctuation of a stock bouncing around 8% in a day will just say that, fine, you know, I'm happy with my Amex. Well, I'm getting 11% a year. Why should I mess around with something that I can't keep track of or I don't want the risk simply. So they would rather go for an Amex or even a Procter & Gamble, which is though not done as well as Amex. So I took that as another example. Procter & Gamble sales were a little, you know, little volatile. They went down, then they went back up. So the growth is nothing, but you know, it's Procter & Gamble. It's It's it's the best defensive to own without too much of fluctuation. Same thing with American Express. At least it has decent years of goods sales growth. Okay. Rewards are medium. Naturally, you're not going to get too much. The business risk is low. Amex is not going to go out of business tomorrow. Procter and Gamble sales are going to continue. The valuation risk is higher because see, Here, if you want to buy a stock which is going to give you 10, 11% a year, you cannot overpay for that because the moment you overpay, you even tend to lose that 10, 11%. So you have to be extremely patient when you're buying these companies. Okay? And again, you have to be a little careful, say like companies like Nestle, Colgate, the others have not done as well, Amex has done a little better. So you have to choose well. That's what a stalwart looks

like. And to me, at least 2026, after three years of crazy returns in the stock market, I would like to put some money in these companies. I bought Apple. I bought IBM, which is not really a stalwart, but it's also a decent defensive. So this is something I will be looking at actively in 2026. These guys are probably the best sweet spots to be in right now. So even in the portfolio, I have the maximum number in these companies. Alphabet is one of them. Meta, you saw the results were amazing. Now Meta is a company which is doing what, 200 and something billion in sales a year. And quarterly results, I think it was on Thursday, they expect to grow their profit and earning and revenue about 30% in Q2, which is you don't want, you hardly expect that from a company of that size. So most of these guys should continue to do well. Naturally, they will attract a high premium. Nobody's, they're never going to be cheap. whatever happens. So this is another problem. If if you suddenly see. if you see a quarterly inflection, if if, say, meta grew 30% year over year in Q. One, and then the next quarter, suddenly it says, Okay, with we're gonna grow only 22%. You're gonna see a 15% drop in the stock price right away. That's that's almost like a given. So you have to be careful here. This tends to be volatile when the growth suddenly slows down. The rewards are pretty high for this also. And risks are low in terms of business. Except now you're seeing a lot of pressure is like came on Microsoft, for example, because Microsoft, while Azure grew, people didn't see the kind of growth Meta showed. And suddenly they're asking, Wait, you're spending all these billions on CapEx on these data centers. I want to see some money. I want to see some return on my capital. So here's another challenge. So I was right about AppLovin and wrong about Duolingo. So I was right in spotting that, okay, AppLovin and AppLovin, I got out. at a fairly decent price. Duolingo, I did not. I did not realize that the growth had slowed down to a level where the premium completely disappeared. So this is an example of where, you know, you have to be extremely careful. And now Duolingo will take time to come back, but, you know, we'll be stuck in that stock. This is very similar to what I said for tech and fast growers. Okay, any questions, guys?

So, Bhavesh, on the, you were talking about the companies, Apple, TSM, ASML, Alphabet, Microsoft, Meta. Yeah, meta meta jumped in the north direction, but Microsoft on that in the same category, right? Fell significantly.

Yeah, yeah.

So you could still say like, so now is it something like when you enter in these ones, then it makes sense, but not necessarily at any time you can just enter into these ones, right?

Yes, right, yes. And simply, there's a tendency to, so again, this is very specific that Microsoft today, I would think after the 12% drop is worth buying, but it's like an overhang where they have to constantly prove themselves simply because the capital spending is so high. Do you remember last or two quarters back, they did the same thing to Meta?

Yeah, Meta had dropped significantly, yes.

Right. And so the same thing is, see, because these guys previously, if you remember, Apple hardly spent any capital, even now they don't. And even Microsoft and Meta and all were never spending so much of capital to grow these data centers and nobody was questioning them. You could have easily had the ride. without these crazy drops in quarterly drops when the analysts were questioning them. Now, suddenly the table has turned where if you're trying to say, I'm going to spend 40 billion in capital expenditure in Q in the next quarter, every analyst is going to ask you, when do I see that money coming back? So I think Microsoft's long-term story is amazing and they are playing the longer game. Barons had that very nice article where he said that, listen, if Microsoft wants to suddenly show massive profits, they can tell clients that, look, we won't spend money and we'd rather use up whatever capacity we have. And they would show those kind of profits, but they are saying no. We have committed to OpenAI that we are going to give them these data centers, even if it costs us. So they are playing a longer game. And I think eventually we'll get rewarded. But to your point, yes, there are going to be a lot of questions and a lot of drops.

So definitely, of course, after it dropped, it would make sense or it is better. But are you saying like even let's say if someone was in before it dropped or it was going up, then it is still kind of okay. And then, hey, it's a matter of hold. Yeah. I see. Then in the previous row, the semiconductor and SAS, right? SAS is like whether it is, you know, recently like Synopsys or Workday or Intune and. CRM for that matter, right? They are still kind of, they're in a sweet spot. But they, many of these, they, of course, we are hearing like, you know, how the AI is kind of impacting them. Right. So are they still, if the companies have been strong, is it something we kind of stay in and then just hold it and then wait? or time to time kind of gradually come out because at this point of a time, yeah, probably they are quite low or they have, many of them, they have gone down significantly for that matter. If someone went into, let's say Oracle sometime back, you know, when it for a day or for a week when it went so high and if someone got stuck in at that time.

Right.

So yeah, for the SaaS, do you see that they would come back? It's a matter of time if the companies are strong or the time will tell how the AI kind of comes along.

So the answer is a little bit of each one. I think the first that there are unique strengths to each of them. And to your point, how much of a return will we get? Say if I bought CRM at 250 and now it's 210, should I buy more or just hold? The returns will get significantly lower. The multiples will definitely get lower. And I can show you two examples where even

I'm struggling with these two. Where is, okay, where is not micron, I'm sorry. Let's look at My bad. Which is that company? Not Rolls Royce. Yeah, sorry. OK. So Reddit, let's look at Reddit as an example. OK. This is the one that is still working because Reddit is not getting in any way impacted by AI, and it's still showing crazy growth. And Rubrik is suddenly where I'm getting killed. Look at the growth inflection here. 44% this year. Now, this is what is happening. So that's why the stock has gone down to below 60. When we got in, it was like in the 80s and then I kept buying lower and lower. So now my goal is, okay, I'll be happy even if I get a 15% return from you. And the same principle I would apply to like a CRM or like a ServiceNow or the good thing is ServiceNow, the percentage of investment is very low. Rubrik is a little higher. Now what I'm thinking I'll do is I'll add more Reddit to make up because there I still see a lot of forecast of a growth. It's 65% this year. You see it's still, even though it's going from a 65 to 39, it's still relatively higher and you know, the price is not too high. So that's the principle I'm going to apply for like these SaaS companies which are getting attacked by AI.

So ServiceNow you're saying like, you know, it has come down significantly, right? It is. Returns would be lower, or 15%, but right now it's kind of a it's a probably deep loss, or or quite, let's say, 1520% or 30% down.

Right.

So it's not like it's a positive return. Unless the things change around right?

You mean like like they they they are strong enough to to counter any AI taking away their business in that sense.

No, What I'm saying is ServiceNow, you mentioned that, you know, these companies are still strong and probably the returns would be lower.

Yes.

Not as much. But what I'm saying is probably when we got in or when I, let's say, got in into ServiceNow and then, you know, since then it has been going down, I was kind of hoping that, hey, probably it bottomed out or it will, it kind of may not go that much, but it is, it is, it has gone down. So at this point of a time, in terms of the strategy, shall I see if we, shall I take it out, take some loss at this time or just keep holding it? Or it will eventually, let's say it's a matter of like 1/4 or two and then see how it kind of is doing.

I think that's what I'm planning. I am with my service now. I think 110, it's right, 110 or 115, right? So 110 or 115 is a very low price, but my expectation is now that, okay, if I get about 140 by the end of the year, I might just exit and say, fine, this, or even reduce some of it, because now I feel that the growth has kind of shifted away from here. To your point, you're

absolutely right. I want to see a couple of quarters. This quarter, the management was quite sincerely trying to convince analysts that, listen, this is not the case. And, you know, but it's, we'll have to wait for a couple of quarters. I'm not adding any more because it's, there's not enough to just buy it because it's low. I want to see that they are managing to hold their own against AI.

Okay.

Yeah.

Got it. Got it. And in the same way, like for the storage and all, like, you know, they are kind of, they are going, probably they're sitting at the peak. Yeah. It is, does it make sense to even get in at this time?

I would be very skeptical because if you see Micron, where's Micron, I put this up for you guys to look at the Micron growth estimates. Look at how it's dropping. This year has grown 101%, or at least supposed to grow till August of 26, one or 1%. Then the growth drops to 24. And then it goes to four. So we could obviously say that's 2028. Why should we worry now? But you could ride it maybe another 100 bucks or 150 bucks or whatever. But even vast majority of the analysts are saying that, listen, this growth cannot continue. And it may look that, okay, I'm buying it for just nine times earnings or five times sales. Two years down the road, this is stopping or even slowing down. And in 29, the forecast is for a drop. So it's a tough call to maybe, and this is normal in these cyclicals like where suddenly things have turned around because there's such a high demand for high bandwidth memory. But getting in is, especially for SanDisk and which was the one that shot up Seagate and there's another one.

Western Digital.

Western Digital, yeah.

All this storage, yeah, they. Yeah. The question is probably I'm not looking at like one year or two years down the road, right? Probably our tendency has become to kind of look at it, hey, in a very short term.

Okay.

Yeah. I think then in that case, like, you know, Micron or the storage, they have gone pretty high. So at this point of time, it doesn't look very convincing to get in. But from somewhere I kind of heard or saw, hey, probably it is not a bad idea to get in.

So there is, and in fact, we've committed to start the service as well. I'm going to add some technical charting analysts also, you know, for those who want to do or look at probably

shorter term options. I don't have the kind of skills for the trading right now, but I think in a couple of months we will look at some good and outsource that and at least provide you guys with what the charts say. There is actually one very good analyst who recommended Micron as a fundamental, and she thinks that the charts of SanDisk even look good at 600. So it's not unheard of to buy even at such high levels, thinking that, okay, maybe I can get another 20% out of it. But there's a certain, there's a different skill for that. Yeah.

Got it. Okay. Thank you.

Yeah. But we will, we'll get, we will get that. I am, you know, it's, it's a necessity, you know, for people to also look at. Yeah.

So I wish I just another, I just want to ask again, why do you think the trub break stock is coming down? Like.

Which one?

You said something and I think that rubric.

Rubric. Rubric was, yeah, okay, let's look at rubric. I was, so the rubric, now the growth has petered down to 44%. It grew this year, January 26. Okay, this result should be out anytime. Now the revenue estimates have gone down to 23, 23, and 17, and 19. So the premiums are, people don't want to pay that kind of a eight times sales for a stock that's only going to grow 23%. And the other problem is it needs to demonstrate some profitability. It's at a loss right now. So either you have two things, you have tearing growth, you don't mind, you know, if it's still making a loss, you'll jump up to a couple of billion. What is the revenue? revenue right now, only 1.3 billion. But if you don't have tearing growth and you don't have profitability, then nobody's willing to pay a premium for it. Right. So in contrast, Reddit, people are still willing to pay a premium. It's 180 or 185. So today, if I have a choice between Rubrik, I'm losing money, Reddit, I'm making money. But instead of trying to make up the loss in Rubrik itself, This morning I was thinking, why don't I add more Reddit? Because there is still a tremendous amount of growth, at least forecast wise. And forecasts tend to be wrong as it was in the case of Rubrik, where my first estimate was about 30% growth. That's why I was happy to pay the premium. I didn't think it would. I don't think, I honestly don't think there's too many other people doing what they do in cybersecurity, but the growth is not as as as high as as I initially thought. Yeah. All right. Thanks. Yeah. So the so many of these other sectors we seem to forget. But, you know, these these guys also made money at one time. I'll give you a, you know, restaurant chains used to be the fast growers, and they still are. But they're a little tricky. Like, see, look at Wingstop. Wingstop did so well in the last 12 years. You look at this chart. You know, you had a 30, 23% compounded sales growth and a 32% net income growth. Stock price went

from 21.8 to 283 with a, that's a annual growth of 35%. Right now, people are still willing to pay 57 times earnings for this stock. And the earnings growth is still 25%. It's not slowed down for the next five years. So you catch one of these, you're also going to do very well. I have bought Dutch Brothers and these are my Dutch Brothers also grew 36 and 90%. So I'm holding on to this. I have not made much. I think I got in in the late or mid 40s. It's about 50 something right now. 54. Yeah. And you know, the stock is the other problem is I probably got into late to Dutch Brothers. If I had gotten a little earlier, the return would have been good. But these are not forgotten. And if you get catch a good restaurant chain, it'll do well. It's not going to. Chipotle was someone held Chipotle for what, 15 years? Tremendous. Same problems here. If there's too much saturation, then growth will slow down. The rewards are high, the risks are high. Challenges are there, of course. And Sorry. Yeah. You have to be very careful of, you know, not too many stores or too many restaurants being opened in the same location. And that's one thing we have to look out for. Sometimes all these restaurants also are fads and they don't last, you know, 15, 20, 30 years. So we have to be careful of that also. Cyclical. Ford was a cyclical which did not work. And I got out with a small loss, thankfully, because Ford is a, I think the entire Ford auto industry, it's a, I feel it's a structural decline. You know, look at this. It took 18 years to get back to the 176 billion that it made in revenues in 2007. Okay, now it's 184 or 176. So 18 years, the auto sales kept declining, declining, declining. And as a classic cyclical, we could have bought it at a very low price. I think the stock went from what, eight to eight. It just didn't go anywhere. So that was one which did not work. Micron is the one which obviously worked. You can see that how bad and Micron we did in the other class as well at the other chapter from 30 billion, it goes to 15 billion in just one year. How do you handle a company that reduces sales by 50% in one year? Just imagine if someone's business went down by 50%, but it bounced back. So because there was a secular change And they managed to, Micron did a very smart thing. They didn't stop spending. They said, like, we can see this high bandwidth memory coming. And they beat, amazingly, they beat people like Samsung and SK Hynix, which are also huge competitors. They probably have so much government support, both of them. So it was amazing how these two turned around. I'll show you their, I think I have the stock charts also somewhere. No, I didn't take it out for these guys. Yeah, okay. But you've seen Micron's growth from what it was last 100 to 450, and Ford has been stuck for a long time. So when you are looking at a cyclical, you have to look at the economic cycles. You have to look at the industry very, very closely. You have to see the demand and supply cycles. There's a lot of overbuilding like in memory, the capacity utilization was as low as 50 to 60% at one time because, you know, there was so much of an oversupply. So this is a very, very difficult category to get into and you have to be sometimes probably lucky and sometimes you have to just, you know, do well with whatever question. Sure, sure.

Yeah, I noticed that you have Wells Fargo in the category of cyclical. Yeah. Is there any reason for that?

You know, all banks are cyclical. Not okay. Yeah, not not because their revenues keep going down. The income tends to be cyclical. So you have you will have like, you know, even in very high interest environment, Sometimes the net interest difference between what they borrow at and what they lend at, it tends to narrow down. And banks don't have it, they have so many divisions that it's not easy to curtail expenses, they're fixed expenses. So it's cyclical not because of revenue. It's because of their earnings. Yeah. And economy?

Yeah. I agree with you on that. But in the general statement, but Wells Fargo had a situation.

Yes.

They they were not allowed to lend money, you know.

Yes.

Because they had this.

They broke a lot of rules.

The problem is basically their bank, you know, but now they're doing like a 90 degree, they're like \$90 plus, you know. Yes.

Yes. No, that's a very good point. Wells Fargo had a company, company risk. It wasn't a typical bank. Probably the Bank of America City would be more aligned examples for cyclical. Yeah.

Yeah. And because I've been dealing with this bank, you know, when they were like, you know, \$25 or \$24, you know?

Right.

And I, along the way, I made pretty good money with them.

Yeah.

And I still have it. I think that bank was an exception to the general rule.

Yeah, yeah, yeah. I got into JP early and JP has done very well. That's a bank I'm never going to sell. Even if it's a cyclical and typically you want to exit at some point, JP is 1 I'm going to keep for a long time. JP is almost like a stalwart. It's like the rock. Yeah, but also Goldman Sachs, the Goldman Sachs problem is, it's, they actually go, Goldman Sachs is a good

example. I missed it. I looked at the valuation. I think it was 590 or something, or it's what, 900 now, right?

Yeah, it's over 900.

Yeah, I looked at it at 580, 590. I got scared by the valuation.

I, I agree with you. I had the same issue, you know, after it went to about 600, I took a backseat on this stock, you know, and every once in a while, you know, I did, I do touch it a little bit for a few days, you know, because I, I played the option on that, basically.

Ah, okay. yeah I have to sorry go ahead I do the.

Option I make 10% I get out you know because I don't know what's going to happen tomorrow.

Right no I'm I'm going to do one introductory class just on options not for speculation guys please don't do that just just as a hedge just as yeah I agree with.

You unless unless somebody has been doing a lot of experience with the options you know that can be burning your fingers also sometime right right.

So we'll we'll do one So probably let me find the right class for that. So what else is there in cyclical? Four is a bad example. Micron was the one that worked. Let's look at turnarounds. Rolls Royce is working. Bed Bath did not. Rolls Royce. Let me show you guys why I bought it. So these are the forecast for Rolls Royce, OK, and. We have a growth of 40. This was like the turnaround which started in 23 and even till December 20, this last year, they're still expecting to grow about 49% earnings. Then it starts getting normal, which is like 15, 13, 11, still good enough. You know, for a turnaround of Rolls-Royce's size, it's not a small company, it's a \$30 billion company. I think these are extremely good. I'm going to hold on. So these things tend to get expensive also. Now, people are paying a very high ratio for that, 45, 38. This was the one which started turning around 23, 24. You see these, the revenue which had dropped to 15, 15 billion, now suddenly, They've shot up to 21 and 23. So in a turnaround, you'll see one very important thing. There will be a lot of expense cutting. There will be probably a management change. There will be a cost discipline. You will be also seeing a lot of divisions that are getting sold out, which were not losing money. And sometimes that becomes the crucial factor that a company is willing to let go and not hold on to a loss for any other reason except the hope that it'll turn around. Warren Buffet's biggest example was Berkshire Hathaway, which was a textile manufacturer. And the East completely took away textile manufacturing from the US. So he struggled with about five years and he didn't want to lay off a single person. Ultimately, he gave in because there was no way he was going to be able to manufacture textiles in the US at the price they were

importing from, you know, India, China, wherever. And he turned it around into a holding company. And then, you know, the rest is history, 40 years of great returns. So Bed Bath was a company I bought. Hoping for a turnaround. They got a guy from Target to turn it around, just didn't happen. The whole retail industry, as you saw in COVID, never came back. So sometimes they work, most of the times they do not. So turnarounds would be extremely careful. Somebody comes and says, okay, this is selling for six bucks, Bumble. At 11 bucks, I was tempted, I didn't touch it. It's not going to turn around. The rewards can be very high if you're successful, especially if the industry is turning around. Rolls Royce is getting a nice bump because they're doing nuclear and they are the largest manufacturers of wide bodied aircraft, which is now, you know, India is buying 300 planes. So things like that are helping it a lot. The turnarounds tend to be show me stories. You don't mind waiting a few quarters. and buying it a little late. I didn't get in very early in Rolls-Royce. I saw the results for two quarters, then I said, fine, it's worth getting in. But the Rolls-Royce, you know, in a tech dominated where tech has given people 100, 200, 300%, Rolls-Royce has given from 7 to 17, which is, you know, 250%. So that's pretty good. Slow growers are companies that are value traps, in my opinion. And you'll see like the Verizon Communications and Constellation brands, they are just going nowhere. If you look at Verizon Communication, yeah. I mean, if you got stuck in as a value trap at a high price, look where it went. So it's extremely difficult to make money out of slow growers. And, you know, you can see it. See it here. Look at that. It's just gone nowhere. It's been flat all throughout. This is nice. You know, you're attracted by the 6% dividend yield, but the chances of the stock going up are pretty low. So sometimes we have to ignore the yield and not by the company. I think we had a question about Constellation Brands also. Certain segments of the business have just become so difficult to turn around. So 1%, 2% growth. Unless there's a very deep conviction and the management is strong enough, it's not easy to buy a slow grower and make money out of it. Yeah. This is becoming a category of its own, which is a combination of several. And I think these are going to do very well. The GARPs, you know, growth at a reasonable price is what I call them. I bought Boston Scientific. I think I'm going to do, you know, 10, 12% in their characteristics. They're very resilient. And, you know, you have a good margin of safety. like, you know, a medical device is not going to go out of business, you, you know, as long as health is an issue. Ups is turning out to be a good garp. It's it's doing well, not doing well, but at least it's it's improved from, you know, where it was. These don't come in cheap. They have usually high price earning ratios. See, the other thing is, people don't pay high Ps just for growth. If you're seeing a company that has consistently maintained its performance for 20, 25 years, you don't mind paying a high price earning ratio. People who bought into it or ADP are never that those price earning ratios never go down. It's just a consistency and a steadiness to them. Rewards are medium 10, 12%, but they are mature industries. They're very

competitive. So you are not going to get a market leader like Google with 80% share of the market. But one of the rules here for a GARP is because you're looking for only about 10, 12%, you must buy it at a bargain price. Okay, let's see if there are any questions.

What do you think about Uber?

Uber I had liked, I didn't buy it. I think I had bought Lyft and then I exited. Uber is worth looking at. It's definitely worth looking at, especially if they get a chance of, they get to participate in robotaxis as sharing partners. which they have. They have some couple of partnerships for sure. So Uber is something worth looking. I'll make a note.

And what do you think about Nvidia right now?

Nvidia has become almost like a steady, like a slightly older stock, mature stock. I'm not selling.

Yeah, I was thinking to add some more. They canceled out their investment for 100 billion to open AI. And also, was it this morning? It was yesterday or day before.

Oh, okay. I did not see that. Yeah.

Yeah. And the other thing is that, you know, they're, the chip, you know, they have each whatever the number is.

For China.

Yeah. So China has, or carried for Alibaba and, 10 cent to buy that chip. Yeah, yeah, yeah. And also the there are new chips, you know, called, I think it's the name Vernon or whatever name is.

Vera Robin.

Yes, yeah, that's the one they're going to. China is also going to buy in other countries also. So based upon that news. I'm looking it to go about 200 now. But again. not going to jump in with a big quantity, you know. Yeah. That's my.

No, it's a right view because you're probably exposure of everybody with NVIDIA is already pretty high. I mean, it's an over owned stock. That's why it doesn't move because, you know, people have already bought enough of NVIDIA and don't want to expose more. But barring any unforeseen geopolitical or macro factors, It's definitely worth, like you said, a small quantity is worth it. Yeah. The only thing I would say is that don't expect China to contribute too much to the revenues.

No, I don't think so. Yeah.

Yeah. So that keeping that in mind, yeah, no harm.

It's basically more of a prestige issue now. Yeah.

Yeah.

So.

It's a great company. I mean, and it's fine. And now, you know, it's a \$4 trillion size. It's difficult to keep shooting up. Yeah.

Mavishbhai, what's your take on metals?

Metals? We'll have to get hold of a good chartist. It's totally technical driven now, you know, after that, what, 30% drop in silver yesterday? Yeah.

Yeah. But I was just reading somewhere that in China there is a different price for silver than here. I mean, like, you know, the price in China is still higher. I don't know how that can be possible, but.

Silver prices in China. Interesting. Yeah. I bought the GLD like many months ago and I've held on to it. It's given a very decent return, but not added after that. Silver I have not touched because it's just can't handle the gyrations. But it's again, see, the interesting thing was that there is there's some sort of a confidence in Kevin Bosch. Okay. And he's not as He's got a lot of experience. He's already been on the Fed board. So when it dropped, it dropped because they felt that he would reduce the volatility and bring some trust back in the Federal Reserve or US systems. Most of these buying of gold and silver has happened because people have started to lose a trust, a little bit of trust in the American institutions. which probably could be a very valid complaint. But he seems to have restored that yesterday, and that's why you saw that fall. So going forward, we'll see if nothing fiscally goes wrong or there are not too many moves where they make mistakes, in which case then silver will fall even more, you know? Yeah, there won't that just demand won't be there that people will think that okay, fine. The US is now getting back on track, but let's see.

Yeah, all metals came down this week. Yeah, yeah. Even copper also and silver, gold and many other metals also, they all came down.

Everything came down yesterday. Yeah. Let's see how this guy does and then he has a nomination in May. which she'll probably get through, that shouldn't be a problem. But as long as there are no more upheavals, the demand for all these will peter out as a, as a, as a deed, you know, as an alternative to, you know, people think it's an alternative to the dollar or to US power. So yeah.

What do you think about the Zillow? Is it?

I'm going to hold on. Thankfully, I don't have too many. But till interest rates come down, it's going to be stuck in neutral. Yeah.

And with the new Federal Reserve guy coming in, chances are the rate of interest may come down.

I hope so because they can't, you can't have housing picking up at 6%, 6.5%. No. And the prices are still too high.

There's a lot of inventory unsoldly now.

Yeah, yeah, yeah. It's going to take time. Yeah. I was a little early in Jello. Yeah.

And any insight on Roblox?

Roblox fell yesterday because of that same thing which Google, let me, I'll show you the headline which came out yesterday. It was because of that RBLX. Video games nosedive as Google's project Jenny allows virtual world creation. And this is again AI hurting it. See? AppLovin was down 13%, Unity 21, Roblox 12%. So that's why it's still in a prototype stage, but, you know, markets are very skittish to just dump it. We'll see. Let's see how this works out. Let's see what happens. You can see this, right? The low blocks, the thing. You can see my screen. Hello.

Yes, I can. Yeah.

Yeah. Okay. Yeah. So this is, this is what I'm talking about. Yeah.

I guess yesterday everybody want a reason to go down.

Well, this, this, no, but this hurt quality companies like AppLovin and all are not, I mean, it's a little volatile, but it's a solid company. So, and this was the same thing which it, you know, they were doing direct listing. So Zillow also got hurt. Now Google is eating up everybody. Let's see how this transpires. It's still in a prototype stage. We'll dig into Roblox a little more.

What do you think about Hood, Robin Hood?

Never owned it. I'll take a look. Yeah.

I made good money on this, starting from \$18 to all the way up to \$150.

Wow.

But then now, I mean, I didn't, I bailed out, you know, maybe around 144, you know, most of it. And, but now they're down to \$100. Wow. They actually closed \$99 in change last night.

Could be crypto. Could be crypto.

Well, they're looking to see if they can, first time, I think, you know, they want to do the IPO of OpenAI.

Okay, okay.

I doubt they will get it. But Goldman Sack is sitting there. Jpmo. I mean, the big guys are there, you know. I don't know. Robin may get it for some reason.

Let's take a look. Yeah.

But in in this has been a good day. Good start, you know, last year.

Good start, right? Yeah. Well, one thing, if you we realize as we talk. In the past two years, a lot of us have used our brokerage accounts much more than normal. So it stands that brokerages should have done extremely well in the last two years. And as we become a nation of, you know, 50, 55% or 50% participation in the market, this could probably become, you know, like a utility or something. Everybody has a stock account. Yeah. So. What do you think about the right price to enter Microsoft? Microsoft, you can start nibbling, but I would do it over like two or three quarters in smaller accumulation quantities or something. Yeah. The longer term is very solid. just be a little careful and accumulate at at good prices you can start now also but not all in one go yeah I have I I'm not buying anymore because I'm now 2% in Microsoft so I'm just going to sit on it yeah.

I finally sold my Verizon yesterday after holding it for 6 years and now that's the longest I have heard any stock you know I I bought it around \$60 you know and Finally, I got it up that yesterday, \$44.

Verizon.

Yeah, you win some, you lose some also, so.

That's the nature.

That's right.

The best, the best of the best, Peter Lynch and Warren Buffett. We're very happy with 7 out of 10 doing well. And 2 or 3 or 4 of them just turn out to be outstanding and. you know, make up for the losses.

Yeah. Bhaveshbhai, what would be a good re-entry point for Meta?

Oh, what is it now? 70. Sorry, 760. Yeah, yeah. And it's shot up, maybe.

Yeah.

From here 604, then before results. Wow! That's a good question. I'm holding. So I didn't think of even adding more. Not going to sell mine, of course. But that's a good point. You know whether to buy more. See the way the markets have become skittish with all this. Yesterday was a good example. You might get a dip maybe 650, 645. Yeah. If it at least from here where it started moving and that somehow becomes like a support level, it could be a decent re-entry point. The price, it's not very expensive or anything. Meta is not that expensive. Yeah. You know, it could be priced a lot more. What are we looking at, Meta? We are looking at only 20 times forward or 23 times forward for this year. It's not that crazy. And we're still growing 16% earnings. See, the other thing that Meta is, be careful. Some point of time, you know, and we saw it, analysts question their capital expenditure. So be careful about that point, that, you know, Meta is going to spend 125 billion in 2026. And so far, they're showing their returns at 30% revenue growth. But if that you could see what happened to Microsoft with meta very easily, you know, with one quarter where they say, oh, no, we are going to grow only 22%. Yeah, but we're still spending 125 million. That's the problem. It's become like, you know, it's no longer They are not going to get the same amount of respect they got when they were not spending money. I mean, that's obvious. So it's a very crucial thing as most analysts have become aware of that now. Like, you know, when are these guys going to stop spending? Yeah. All right. So you guys want to, should we stop here or any more questions?

Thank you.

Yeah, great. Have a thanks for coming and have a great rest of the weekend. Hopefully it doesn't snow tomorrow or get even colder. Thanks. Thank you. Thank you.

See you Monday.