

## Audio file

[audio1717151355.m4a](#)

## Transcript

Okay. Hi, everyone. Welcome to Chapter 7, portfolio management. Portfolio construction and risk management, which is like probably one of the most crucial parts of managing a portfolio or constructing it or, you know, over the years is very important that we keep a very close tab on what's in the portfolio, which sections are moving, which sections carry the most risk, which sections need the most hedges, and where we have to rebalance every quarter or every year or change completely when there are some outside events. So the idea of creating and managing a portfolio is long-term generational wealth creation. And I remember on one of our webinars, someone asked that I had these four stocks or two stocks and I sold one and the results for that was superb. And the other one that I kept, that tanked 10%. So if you approach stocks in like a trading fashion, that one will do well and I sell the wrong one and I just have too much riding on one stock. That is not a great way to build any wealth. You want to do this so you can leave it for another generation and they can have the benefits because as we've seen, it's really the power of compounding that does well for people. So if you're building something, you can leave it to the next generation. So what I want to do here is just go through some basic rules and The basic principle of creating a portfolio is that all the companies that we choose have to be fundamentally strong businesses and do well for at least a decade. Now, on Warren Buffett's and Peter Lynch's principles, they usually try to go for lifetimes. With the way technology is moving and how much of our focus is on tech, I think a decade is fairly, is a fair enough time and it would be almost, impossible to difficult to have stocks that last a 30, 40 years. But that's the goal anyway. But, you know, five years to a decade sometimes is a pretty good job before you have to shuffle it or at least reduce your exposure in that stock. But simply, if the businesses don't meet those criteria, they should not be included in the portfolio. And, you know, throughout the classes we've won and discussed what makes a company good and what makes a company weak. The other thing is to the key component is to balance the reward and growth with risk and diversification. Why do we need to diversify? Because even as companies do exceedingly well in their lifetime, they are subject to market movements. That's something we really can't do anything about. And sometimes the market movements don't have any correlation. at many times with the

operational and financial performance of the company. Yesterday itself, Nebius fell by almost 8% because one of the lenders to the to the neocloud industry, Blue Owl, had some problem placing its debt, which it had given to companies like Coreweave and many others. Now, because Coreweave tanked 10%, Nebius also tanked 8%, and Nebius has nothing to do with lower. So these kind of things will always happen. Very often you'll see rewards very early, which means the stocks have got overpriced. Supermicro was a company that we had in 23, 24 that shot up to some \$70, \$80, and now it's back to 23, 24. Sometimes sentiment is so negative that, you know, you can take forever. The rewards will take forever. And many times you'll have these quarterly stumbles where they don't meet expectations. The stock, you know, stocks like Meta, Microsoft, Amazon also tank 8 and 10%. So the smaller companies sometimes tank 15 and 20%. So we have to have enough stocks in the portfolio to to not get panicky when you see, as you know. one or two stocks dropping 15 or 20%. So as Benjamin Graham said, in the short run, the market is a voting machine reflecting popularity and sentiment. But in the long run, it is a weighing machine which reflects its true intrinsic value. So that's our goal. So during the chapters that we've gone through in this course, we've talked about fundamental investing, valuations, categories, analysis of their financials. and an analysis of the company's strategies. So here's some of the basic rules that we should always have before starting a portfolio. What is our objective? How do you want to define the portfolio? Is it a growth portfolio? Is it a defensive portfolio? Is it a mix or is it income generation? Are we focusing only on dividends? So that's that's one thing we should be very clear about and try not to. Because each each portfolios. if someone had a question. Okay, fine. So each portfolio's objectives tend to be very different. So we must be clear about defining that. We should also define what sort of an annual or 10 year return we want from it. We should look at our risk capacity, which is very, very important. And we also need to identify all the companies that we have in their proper buckets and in their proper categories. For example, you will see a 3 companies which are completely unrelated, like United Healthcare, Novo, Nordisk, and Cvs. Sometimes they're all classified under healthcare. Now, it's not correct that you would classify these three companies together because their business models are obviously very different. And some of them are good companies, but they require a certain amount of discipline and a certain amount of pricing. Tech is not a real category. And if you lump Apple, Credo, Dell, and Nvidia under tech, That is another big mistake. And quarter of our battle is making sure that we understand what we own. Number five, the rules for portfolio balancing, rebalancing and allocation are extremely important because, you know, it's a very good tool for risk management and we should do it every quarter. And then we should look at some risk mitigation tools today. Defining the portfolio. So At the moment, our Fountainet portfolio is a growth-oriented portfolio with a focus on technology, artificial intelligence, and semiconductors. That's the broad focus. But regardless of the

industry, regardless of the category, it has to only include high quality companies with very strong tech records of strong secular growth. It has great margins, it has great cash flow, and at least I've just listed five, but we had the fundamental principles in the first chapter, which is a much longer list. But basically, it should have some competitive advantages. You don't want a company that's the same as the other one. You want it to have market leadership so it can withstand competition. You have good growth prospects for at least the next three to five years. And if not, growth always slows down. But That's when the competitive advantage will come out and it won't lose market share. You want good management, you want principled management looking out for their shareholders. I don't know if you remember far back, SMCI had to be audited twice in 10 years and they were thrown out of the NASDAQ and I said, this is it, whatever, I don't care what happens to the company. Prospects look great, I'm not investing any longer. Same thing with happened with Pagaya Technologies when the management was very evasive and they were not clear about where their losses were. And we spent, I think, days and days trying to figure out if each loan, it was a lending company, and trying to find the bad debts in that maze was almost impossible. And I said, I don't care about the prospects. I'm done. Management has to be very honest in principle. It's a big, very important thing. And it has to have the ability to compound, which means, you know, if you're buying a stock for 100 bucks, and if it compounds to 205 years, you've paid 14% a year. So that is very, very crucial. You don't want a stock that you want to get out at a certain price, then you want to come back, and then you want to buy at a discount and then you come back again, you should have enough confidence in the company for about three to five years or longer that it'll do what it's supposed to do, which is to create wealth for their shareholders. So when you include a stock in the portfolio, you pretty much, you know, quarter to half of the battle is already won by including only good companies. And if you, you know, with the correct amount of due diligence, you're going to reduce your risks substantially that you've not included any terrible companies. But trust me, they will come in. And sometimes we miss, we miss the inflection points where you can see that I was late in seeing how badly SaaS would be affected by Anthropic and Claude and AI. And you have great companies that are just getting killed because there's so much fear. Now it's coming to cyber security as well. And most of them will continue to do well. And, you know, we know that they're strong companies, but they will have, we've seen drops of 20, 30, and 40% in their stock prices. So every time there is a need, I always go back to look at these. principles and I look at my checklist to see if all the boxes are checked. We put in like, how do I go about identifying a target return? A lot of it depends on the category and the stock as well. If the stock is really underpriced and we're getting at a discount, you could comfortably look at, you know, 16, 18, 20% a year on some of the growth stocks. So you also look at the S&P 500 and you see that, look, the whole market has done about 8 or 10% a year. And if you're buying a high

growth, high flying stock, you want at least 18 or 20% return and you're willing to put up with the risk. So you will assign the price earning ratios. We look at their pegs. We look at their price and sales ratios. We look at the Average earnings and we'll see the sales and earnings about 3 to 5 years out. And we'll also see how strong their margins are. And then we decide, okay. Fine, I expect to make at least. 15% a year or 12% a year or whatever it is. This is the sort of intrinsic value. That we see at 3 to 5 years down the road. And the intrinsic value is is not a hard and fast rule. But it's a ballpark range and it's based a lot on how the stock has performed historically and what is the kind of pricing it and the valuation it has had in the past. So this is becoming especially important because I always perceived up to even three or four months back that I wanted to go for hyperscalers and M7s. I really wasn't concerned about the returns. I was okay with 8, 10, 12%, but I found them to be such superior, strong companies with deep, deep, deep competitive advantages. Now, suddenly, they are spending \$200 billion each year, 26 and 27 in capex. Their valuations have to have to come down. what people were paying 30 times earnings or 25 times earnings. This is not going to happen when you're carrying about 50 billion to \$100 billion of debt on your balance sheet. So these things, again, we have to calibrate every time there is a change in an industry, especially with AI coming in. Risk capacity, by definition, because our focus is on technology, AI, and other growth, our risk is usually higher than the market. That is going to happen. The S&P 500 includes 500 companies, which means the risk comes down because you don't have so many high flyers. You will have a lot of steady growth, 8%, 10% growth, and they will bring the risk down. So when you do risk, you also look at the business risk. and the valuation risk, and then you balance both criteria. So for the most part is the risks are usually company and industry specific. But given the rapid invest advancements from AI, all the risks are sort of compounded. And now every industry, especially related to software or technology, is now prone to disruption till Thursday, Dan Ives and Wedbush had a very, very strong regard for cybersecurity companies, which they said could never, never be exposed to this sort of AI disruption. Friday morning, Claude comes out with a new cyber product, and all our good, solid cybersecurity companies were down by 6, 7, 8%. So risk is becoming a huge factor here. And it's not like the business risk. The valuation risk is what affects them. So this is a key factor in our portfolio rebalancing and looking for a higher margin of safety and a deeper discount because of the additional risk. If you've noticed, probably in the last 15, 20 days, I have been extremely careful in buying new things or even when people ask questions, I'm saying, no, I want it to be even cheaper. I'd rather wait for a bargain. because now I see this risk expanding to many, many sections of the economy, which were previously not, I was not worried about. Categories we've spoken about, we had a special class for that in chapter four. We got to make sure that our categories are correct and we have enough diversification. It's important to know what you own and then you are able to analyze and

foresee what's important if you have the right analysis. Again, with this AI, stocks tend to shift categories. What is a secular grower for 10 to 12 years? Growth will slow down and then they will become GARPs, which is growth at a reasonable price. Sometimes they will become cyclical. So we got to readjust and rebalance based on that. Portfolio allocation and balancing should be a quarterly objective. But again, the due diligence for this is extremely important. We don't want to switch to mediocre value trap companies defensive just because the market has shifted. I think 2026 will be a very, very difficult year to make money, but doesn't mean I'm going to go and buy a company like Verizon Communications just because it's giving me a 7% dividend, but the stock goes and falls about 8%. You know, I've lost money. So we have to be again very clear about how we rebalance this. This is a key part of portfolio management, the risk mitigation tools, and we had talked about it in the options class, and I'm going to send out a survey on Monday. asking people to choose a time and date so that we can go through the options class again. But what I'd request is at least everybody go through the replay so that we can, you know, focus more on the Q&A. Of course, we'll go through the concepts for sure, but this way we have enough time to answer everybody's questions. Given the emphasis on tech and volatility, in our portfolio, we can't let it be a pure buy and hold. There was a time before I shifted to NVIDIA and Apple, probably for 10 years, I would have stocks just in buy and hold mode. I would rarely change them. Luckily, some of the stocks were Netflix and Adobe, but all of them are not equally good. And then, you know, slowly we realized that you have to have some risk mitigation, you have to have a lot of stop losses, you have to have a lot of profit taking, and you don't have to do it for the entire 100% of that stock. We can do it for 25, maybe 50%, but it's become an extremely important part of a portfolio which is so heavily weighted in tech and growth. And it's not like I'm trying to ask people to time the market. It's it's very difficult. It's almost impossible. And it's not really a portfolio management exercise. If you're a trader and you you view investments from a different perspective, this is purely for risk mitigation and just purely to protect your portfolio. So let's let's go through some of these, and then I'll show you some of these examples. in the portfolio itself. Just briefly, what is a covered call option? A covered call option is selling a call on stocks that I own. When you sell a call option, you give the buyer the right to buy the share at a fixed price on a certain date. Now, selling a call is an obligation to sell. So, you know, you can't back away from that unless you square up and take the loss or even square up at a profit. But for that you're getting a premium. You're collecting a premium. which means you are happy to say that. Look, I don't think Nvidia is going to go beyond 240. I am going to happy to sell a call, which means I am obligated to sell the stock at 240, because I don't really think it's gonna go there, and I'm getting a paid a premium of \$20 for it. and we'll show you the example. Just one word of caution, don't sell calls if you don't own the shares because there's no limit. If you've sold a call at 240 and the stock goes to 500, you have to fork out the difference of

260 bucks. So if you don't have the shares, don't ever sell a call. If you have the shares, you can hand over the delivery of the shares at 240. Profit taking is an extremely important risk mitigation and you will see a lot of these trade alerts. Some of them are just pure profit taking because sometimes you're lucky when the stocks are giving you some fantastic return, which you don't expect for at least two years. And you will see that a lot of people will do, will take profits in anticipation of, you know, a bad quarter or some intrinsic fundamental reason. So 25% of the stocks or at least 25% of the holding, we can do some profit taking. For the most volatile stocks in the portfolio, I have stop losses for all of them and I keep it in advance because it's a stop loss order. So how does a stop loss limit work? So if you want Nvidia's earnings are coming up on 25th of February, And you don't want to be in the pain of a loss beyond 170 bucks. You just enter a stop loss limit order. And the moment the stock touches 170 and you're not able to trade at that particular time, it'll automatically stop limit you out. And at least you're safe from a 20% drop or a 10% drop just in the day of earnings. And the other important thing is, and this is a mistake that I have made in several stocks, I don't put the stop loss limit, you know, when the stock is going up, which is a mistake. So for example, if your stock has doubled, you don't put the stock loss at your purchase price, right? You put it at 20% lower than the current price because you also want to protect 75%, 80% of the profits. So you're walking away with a 75% gain if the stop loss is triggered. Now this worked for me in app loving. I didn't catch the top, but I had a stop loss. on the way down, and I almost made four times. In Duolingo, I did not have a stop loss, and instead of stopping out with a loss, when the stock had fallen 60%, I averaged lower, thinking that the growth would continue. So there are times when it works, and if you have the stop loss in the right time, it'll save you a lot of risk. What is buying a put option? Put a put option gives you a right to sell at a certain price and which works like a stop loss limit. Sometimes you don't have the sometimes psychologically you don't want to sell at a loss. Instead you buy a put which gives you, you have to pay the premium, but the premium should be treated like an insurance premium simply. And it's well worth it because all our stocks tend to be a little volatile. And I have put options of on NVIDIA at 170. which means that Nvidia might have the right to sell it at that price and I'm done with it. Anything below 170, I don't have to worry about. I also do callers because a caller is an interesting way to sometimes you cap your potential gains, but you also limit your losses. So you take positions on both sides. You sell a covered call, like I said in that example, and then use that premium which you're getting to buy put options. I'll show you an example of an existing caller that I have on NVIDIA. So let's take a quick look at the portfolio. Whenever you guys get a chance, look at the industry, the sector, the investment thesis, what sort of returns I'm expecting, what is my strategy, whether I've hedged it or not, and what am I worried about? Apple, Alphabet, excessive capex. Nabius is a very volatile stock, so I have a decent amount of hedging in it. I have covered calls, I have puts, NVIDIA, same thing,

great company, no problems, whatever. It is so over owned that a four and a half trillion dollar company can not get you the same movement that it got. And the reason why I'm not expecting too much from NVIDIA The way I see it, if that the demand for semis continue, the demand for GPS, GPUs continue, I will get the benefits from Nebius as well. And Nebius will give me a better return at 98 bucks a share, where I can hope it goes to 200 instead of Nvidia going from 190 to 380, which At this stage, it becomes an \$8 trillion company, which looks extremely difficult. So that's my strategy. All of these, and I won't go through each one, but the goal is that it's a rules-based portfolio. And unless you document all this, you can't really plan and manage the portfolio without extensive documentation and extensive rules. You'll you'll see some of the money is also in the index where I'm, you know, being a little careful. You have the Vanguard, the Voo. You have the S&P. 500. You have a gold ETF. Then you have some Vanguard, which is also defensive. So this gives me also a nice snapshot of what I expect from each bucket, each cohort. Like in my AI, obviously I want much more. My business risk, I feel in some of the AI stocks are not very high because they are great companies, but the valuation risk is high. You know, we saw Credo, for example, going from \$210 to \$98 in less than three months. So your valuation is risk is where you have to worry about. You know, I don't think the company is doing exceedingly well. You know, it's done like from a 1.3 billion turnover in 26. In 25, you'll go to 2 billion plus in in 26. And it's also going to improve profits by about 40%. So I don't see a business risk. But my valuation risk in a stock like this is very high in that whole category. In the AI and stalwart category, why do I call it stalwart? Because these are all great companies. These are all the Googles and you see all these Amazon, Google, Microsoft. Another one is here. These are also stalwarts, ASML, Broadcom, you know, Nvidia. So There you'll see my, I'm not expecting to make too much out of it. 12%, maybe at some of these companies will give us 18. Business risk is very moderate. In fact, it's low, I would say. Valuation risk is moderate because now they're adding on debt. And the valuation risk has gone up because of the CapEx. Cyclical, basically this is a bit of Micron where I expect to make a decent amount of money. cyclical won't give you like returns consistently. So you have to be a little careful in buying it at the right price. Like, for example, health insurance is right now going through a terrible cycle because the government is simply not willing to, you know, pay much for reimbursements. So if you right now is is the worst possible pricing for Oscar, United Healthcare and Molina Healthcare. But I'm buying it at a bottom, because I think the bottom is in, or at least maybe another 1020%. But I can see when the cycle picks up. This could at least double defensive. The returns are always 8 to 12%. Business risk is low. Valuation risk is low. and Because I'm sitting on a bit of cash, quite a bit of cash, I'm likely to add more in this bucket. Secular growth, this is, again, the risk is moderate to high even for the valuation. And this is where you get into trouble because the growth declines very fast and then you're stuck in a

company which you should have got out much earlier. The defensives, of course, the risks are very low. Again, I have 7% in there. So you have to balance this out. So right now, I am, because of the cash component, you can see I'm predominantly defensive because I don't expect 2026 to be that good a year, especially after three years of gains and all the issues that we are having. Let's go through the hedges. Any questions before I go through the hedges? Bahushpa, how do you distribute your portfolio? Do you have like certain percentage wise you distribute or? So based on category like. Yeah, so it's based on all these things. So I go from a bottoms up, not these. I don't say like I will have only say an X percentage in each one, but if I like a company. And if it falls into one of the buckets and say, for example, this defensive was cash was only 10%, 10 to 12% a while back. So suddenly the defensive has gone up because I've started adding cash here. But over time, if I like a company in a different bucket, I will buy that. And if I like more companies in the same bucket, it'll always be bottoms up. It'll not be like a top-down approach. But with an overall perspective that yes, this year is going to be a difficult year. So if I like more companies in the AI bucket, and I would say if I see the shooting to 25%, then I'll automatically slow down and say that, look, I've gone too much in here. So that's when the top-down approach comes and say, then I see it constantly changing. So it starts off as bottoms up, but also then when I hit ceilings and one category becomes too heavy, especially if it's a riskier one where I have high risk, then I try to bring it down by taking some profits out. Okay, so it's not like you predetermine that. This is the only, this is the maximum that I'm going in this particular sector. It's no, I don't predetermine it, but if it becomes too significant a part of the overall portfolio, then I cap it off. Yeah, yeah, yeah. And it varies. So if I spoke about this in December, I remember telling someone that, look, I'm just going to add more of the M7s. And then after seeing the CapEx numbers, I reduced this. The goal was to get to about, you know, maybe 30, 35% in this this bucket. But because of capex, I reduced it a lot. Yeah. Okay. So let's go through the mechanics of some of the hedges that we have that we have. So This is something that is already there. So I don't see NVIDIA gaining more than 15% this year. I would be very surprised if it did. And I'm also worried that it could go below 170. So what did I do? I went and sold a call of NVIDIA at 230. I own the shares. And I sold it for December 2026. And so if you're selling a call which is so far out, you're going to get a very nice premium because somebody who thinks that the stock is going to go beyond 230 by 2026 will be forking on \$20 in premiums, which I'm pocketing. Okay, if NVIDIA goes to 230, the option is exercised and I either I deliver the shares or I square up. Now, with that premium, I went and bought myself a \$170 put. Which is also expiring around the same time. Well, this should be 1218, not 1219. Okay, so. So with that money, I have a collar now. I have capped my gain. and I've stopped, I've got a floor on my loss and I've not spent a dime out of my pocket. Whatever money I collected in the premium, I have paid to buy the put. If Nvidia hits 170, that put comes into

effect, it could be between now and the end of December, you know, just before the options expiry, I have stopped my loss at 170. Now, I could simply just put a stop loss at 170 and not spend, I could pocket the premium. But then should I sell the stock at 170 when my stop loss triggers? I don't have any cover for the option that I've provided at 230 and if that stock goes to 230, I am in big trouble because I have to, I'm exposed beyond that price. I don't have the stock. So Sometimes it's better not to get greedy and pocket the premium. You just put it as a hedge against the stop loss. So go ahead and ask me questions on this trade because it's a little complicated. I'm happy to explain it again. Yeah. No one.

Question is, do you have the stock?

I do, I do. It's a covered call.

Okay, I see. This is why I asked.

Yeah, yeah, it's a covered call. I will not do it without a covered call. And it's, you know, I, and I'm putting it very clearly out here also. Do not sell calls if you don't own shares. That is the biggest risk. Yeah. So I have a call for 2026 and I think, you know, it's a fair trade. The other option is, so in some of these where like, you know, I don't even have any option volume. So I'm simply doing a, I will exit, take some profits and this is my stop loss. These are actual stop losses that I have in. In Amazon, I have a covered call also with a premium of \$19, but I have not yet bought a put. I would rather have a stop loss trigger off at 190 and then, you know, we'll see what happens. I will go back and cover the call because the value of the call will also decay by that time. In Arista Networks, I just have stop profit taking at 145. And I have a stop loss at 120. And these are not for the full positions. These are for 25% of the positions. In Broadcom, I have a same covered call at 400 because I don't, I would, I think Broadcom will actually do well this year, but you know, I don't see it going 20% higher. I see it going maybe about 10, 15% higher. And it's a nice premium. which I used to buy a stop loss at 300. Bloom Energy, the options volume is terrible, so I just have profit taking and stop losses. Credo, again, there's no options volume, 160 profit taking, 110 stop loss. Google, I've kept a stop loss, I have not bought the put. I have a premium of 30 bucks. In meta, I have a premium of 75, but I have a put at 53. So I'm collecting a little bit of net cost, also \$222. I don't think I'm wanting to exit meta if it goes below 600. Same thing with Micron, very volatile. 25% of meta of Micron is hedged. Nabius is also hedged because this is a very volatile stock. Reddit, same thing, but there's no options volume. And these are my exits and my stop losses. So it's not like the whole portfolio is hedged. It's part of it. You don't want to hedge Apple. It's not a trading stock. I'm happy to keep Apple, just like the way it is. Yeah. Let's open it up to questions. I think, Vinod, you were not there for the options class, right?

I just came from outside.

No, we had it in, I think, chapter 5. Yeah.

No, I've been playing with the options, you know, puts and calls, you know, for many years now.

So when we do a refresher, you know, Yeah, you know, your output will be most welcome.

What happened? The screen went away. Sorry, sorry. Oh, yeah. Okay. So the Nvidia, you have bought the put and you finance it by selling the cover call.

Yeah, yeah.

Okay.

I mean, I would be, it could go beyond 2:30, but who knows tomorrow. I mean, the results are out on Wednesday or Thursday. Thursday. 25th is Thursday. Right. Wednesday.

So, yeah. Where is your stock? I don't see it here.

The stock? Where in my portfolio?

The Nvidia stock.

In the portfolio.

Oh, okay. It's still here. Okay.

Yeah, I've done it by allocation.

Yeah, yeah. Okay, I got it. Yeah.

Suddenly, because Nebius, it wasn't number two, but the price picked up more than the others. I think that I wanted to keep a cap of, like Alcaben was asking, Do you want to keep a cap like a stock like Nebius? I don't want to go beyond 5%. It's a highly volatile, risky stock with a short interest ratio of some 14 or 15%. So when all the speculators have shorted the stock, they are not going to let it go up very easily. But it went up to 6% because the price went up. That was not the original plan. This one is the only one I have a buy, the Molina Healthcare. I still like this. And then Figma, which we bought yesterday on Friday, yeah. That's the one which is doing much better than Adobe. And some of the developers I spoke to, they have abandoned Adobe for Figma because it's doing a much better job. But again, Figma is an enterprise software. So there are, I'm sure there are going to be AI, you know, AI tools which will eat into its market. So it does have risk, but.

When did you buy Molina Healthcare Healthcare?

3, 4 times.

Oh, okay. Because this is the one which got...

It got clobbered the day of earnings, right? Yeah. Let's see, where are the trade alerts?

Because that's the one which got killed, you know, after the earning, right?

Yeah, And then I bought lower also. First I bought it at a high price. And then I averaged it down trade alerts.

I think this is the one which went down by \$60, \$70, right?

Yeah, 180 to 120.

Yeah.

So first I bought, I think, at 170 or 180, and then I bought at 126. So the average has come down.

Right.

And it's gone up from there. So it was good to, it's 2026. I would be surprised if it goes anywhere. 27, they are expecting Medicaid rates to improve. because by law, they're supposed to get the federal government to reimburse them. And what Molina believes that a lot of their smaller competitors are going to go under. And they are a serial acquirer. They've only built up by acquiring small, small healthcare companies. So that's the game plan.

Right.

It'll take a couple of years, but from this price, one could make at least like my target is at 20% annual. So double in about 3, 3 and a half, at least three years. I think this is one of the, where is healthcare? Healthcare is health insurance is about 3.7%. But this is one bucket where I think I could add more. Yeah, at least for 27, you know, it might be a long wait, but this I could easily go up to maybe 5% or 6%, yeah.

Do they give an individual also?

I don't believe so. Let me check. M-O-H. No, nothing.

No. Okay. Yeah.

That was a big drop. And then from here.

Yeah. Yeah. If I vaguely remember that, um, um, that, um, Trump said, you know, that, you know, or the or the better go. They're saying that, you know, the the amount of money that

they're going to give with for Medicaid Medicaid Advantage plans, you know, for the 2,027, they're going to announce the numbers in April of this year.

Okay.

So if that comes good, you know, then these stocks should go shoot up in it.

One sort of wild card, and you know, I'm not basing it on that, but November is the midterm election. If they don't fix healthcare by then, normally the incumbent party always loses some seats in the midterms.

Right.

And they are, you know, but they could lose maybe, they could lose the House. They may not, they may keep the Senate. But if they see that even the Senate is in danger, they will probably have to improve, you know, insurance, health insurance payments, at least for the elections. It's not binding on that, but it could be a nice benefit for us. Yeah. I mean, this is one, health insurance is something where you, And there's a lot of complaints that seniors are, you know, and people who need health care are not getting reimbursed. So Obamacare, the premiums went up. That means, you know, you're going to lose maybe 2, 3% of Obamacare. you know. policyholders. They they're just too expensive for them. So let's see what happens to healthcare. It's it's a it's a government thing. So.

Yeah, that's always when you're in the market, you know, you always subject to so many variables, you know.

Yeah, yeah. And that's why I insist that like, you know, buy a solid company and then reduce the risk.

Yeah. And then you had to keep changing your plan also if things go south. Yeah, yeah, yeah. What do you, what do you have in the banks now?

Oh, just two, just two. JPM.

Okay.

JPM had for a long time. We have WFC about last year.

Yeah.

JPM I have had for ages. Yeah. Probably should have kept more. You know, it's so steady, you never have to worry about it.

Yeah, if you have it for several years, you know, then you're sitting on more than 100% profit, you know, then.

Yeah, yeah, yeah. This worked out well. Yeah. And this is, I don't even look at it. I, you know, you get one of these where you just don't worry about it. Yeah. I was hoping a firm would be one of those, but it's become so wild that stock, you know, it had gone up to 75, 80. because it's people. People do Bnpl. The younger generation is doing a lot of Bnpl. More than credit card payments.

Yes, you're right.

30% of the younger cohorts are just. It's it's an automatic, you know. Bnpl. And if this is one of the largest ones with Klarna. I thought this should do well, but it's not not done as well as I expected.

We don't have any regional stocks, regional banks, like in PNC and stuff like that.

No, I used to have a couple and then, the exposure to local mortgages and became very difficult to follow. I had one stock which was actually a pretty decent company and the financials and the loss ratios were pretty good for Almost six years, the stock remained at 850 and more dividends. So then I just give up.

What do you have in the cybersecurity?

Just these guys.

Okay.

Yeah, but they're all down. They're all down.

Yeah.

The crowd is okay. I've had it for a while. Rubric is, I should have waited for a better price. Yeah.

Palo Alto has been, again, you know, killed, you know, after the earnings.

Palo Alto, from the beginning, it's been treated with a 40 times earnings and 80 times sales. And I can't, you know, it stopped me from investing because of the valuation. And I guess that saved me.

Yeah, after that, stock went to 400, then they split that.

Yeah.

And after that, they never did very well.

Yeah.

I had them around 190 some range, you know, and it took me almost a whole year, you know, to get out of window with some profit and made money on the covered calls from that.

Okay.

But so overall I made money, but just on the stock price, you know, It took a while, you know, to get out of that, you know, with the profit.

Yeah, yeah, yeah. Sometimes when you get in too high, you just stuck, you know, it becomes dead money for a while.

Yeah. Yeah.

So the the within, of course, Arista and Paol is a different company, but that is one of the best companies out there. Yeah. That every decline I'm happy to get in. It's right, but it again, Arista also gets expensive very fast, but yeah, it's very solid.

Yeah, Arista has given a lot of run to Cisco.

Oh yeah, it, Cisco, it, makes, it's crazy drawing and drawing, you know, and Arista was very smart. They didn't want to do switches and routers. They teamed up with Microsoft and Meta way back. six, seven years back, they saw that hyperscalers and they said, we will do it as a partner. From blueprint stage, they said all your hyperscaler networking gear, they built it as a partner. And there was a concentration risk because even now, 36% of Arista's business is coming from just two companies. But they made whatever growth these guys made for their cloud operations, Arista benefited tremendously. It's almost like a \$11 billion company right now. Started from one and a half to 2 billion just five or seven years ago.

I guess there were some people, you know, who were with the Cisco and working for them and they left them and they formed this company, you know.

Exactly, exactly. Yeah. Yeah.

Yeah. Yeah.

I think one of them is a, I think he's a professor and also he's a venture capitalist, one of the founders. But it's run by this Indian lady, Jayashree Ullal.

Right.

And I think she had this distinction of being the first lady to get into an IIT somewhere. I was reading up on that and she's just, very brilliant and like a, you know, what's it like a leader and as she found a new path and all that. So she's run it very well. Yeah.

What do you have in Neocloud?

Oh, and Debius. Nebius is the biggest. That's the only company. I didn't buy Coreweave.

Oh, okay. Yeah. Yeah. Yeah, Corey Weaver is having now issue getting money from what's the name of the company?

Blue Blew Out.

Yeah, right. Yeah.

So Nebius's story is actually very interesting because it's not that they've come into this business. They've been around for 25, 30 years as the Yandex, they owned Yandex before they spun off. And the index is the Yahoo of Russia or the Google of Russia. I keep messing up. But their execution, the 1,200 people, they have a full software stack. It's not just giving you bare metal GPU computing. Half their business is coming from AI startups who are getting a full stack to handle the operations. Whereas if you go to like a bare metal provider, they'll just give you the GPU and you know the rest you have to figure out. So they're going to price it better. They have like almost everything they build, they sell and they're getting prepayments. They will never have to go to a blue owl. There's enough cash. They also want to spend 15 to 20 billion a year in 26. So It's a risky stock, but I think the potential is very, very high. All right, if there are no more questions.

I don't have any.

Okay, so all right, then we'll stop here. I'll put the replay and then we can have another round of options and, you know, just have a refresher. hour or two, hour and a half on options.

Yeah. All right. Get your shovel ready now for tomorrow.

Yeah. All right. Thank you, everybody.

All right. Thank you. Thank you.

Bye. Bye.

Bye-bye.