



01/22/2026

Weekly Webinar

INTRODUCTION – FOCUS ON FUNDAMENTAL ANALYSIS

An analyst for several decades

Senior Analyst - Value Notes

CFO - CPA firm, business consulting

Analyst - Motley Fool and Seeking Alpha

CFO - L Capital, family office, project analysis and capital allocation

At Fountainhead, we believe that investing in businesses, whether it's a massive Google or a startup with \$200Mn in revenues. Every business must be valued based on their fundamentals, irrespective of their daily price movements over which we have little control. But we do have analytical ability to analyze and value businesses and base our decisions on how well they perform. If you've been familiar with my work in the past year and a half, I really like to go for businesses which are market leaders, and have strong, competitive advantages, very strong balance sheets, and great margins which allows them to price their products or services way higher than the competition. To me the biggest incentive to invest in a company is its "moat" or significant competitive advantages. The term "moat" was coined by the great Warren Buffett signifying an unbreachable competitive advantage, like a deep moat surrounding a castle to keep out intruders. The hugely successful Peter Lynch, also placed a tremendous emphasis on investing only in great businesses and not worrying about the market.

Four examples of companies with great moats are Nvidia with its high-powered GPUs, Google with search, Taiwan Semiconductor with its manufacturing operations, and ASML with its EUV lithography machines, without which you cannot create a high-powered GPU.

THE JAPANESE BOUND MARKET ROUT

Greenland had more headlines, but I believe the Japanese Bond market rout was more impactful and long lasting.

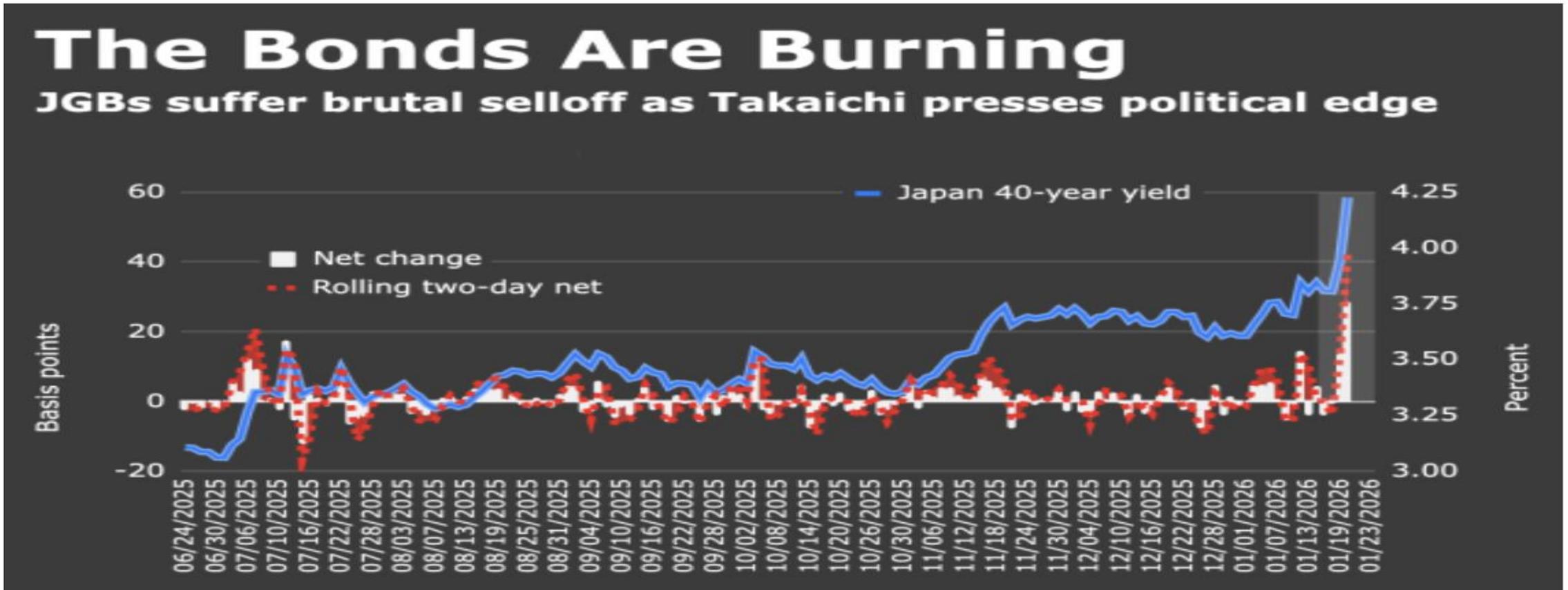
Japanese Prime Minister Takaichi, is promoting her nationalistic, populist agenda, which among other fiscally profligate incentives that increase the budget deficit included no sales tax on food. Not surprisingly, Japanese investors aren't loving it, and it didn't help that a 20-year government bond sale on Tuesday saw poor demand. **Super-long yields soared, with the 40-year breaching 4%, the highest since the tenor's introduction.**

With the Japanese 10-year reaching 2.4% there is no Dollar Yen carry trade left.

The Japanese carry trade, which fueled the US crypto and stock boom for decades doesn't work if the differential between the Japanese and US bond rates is too low, especially when you have to cover for currency depreciation.

THE JAPANESE BOUND MARKET ROUT

Here's a visual:



THE JAPANESE BOUND MARKET ROUT

Yields on JGBs have reached levels that make investing in US Treasuries unattractive on a currency-hedged basis. If JGB yields continue to rise, a rational choice by Japanese investors could be to move capital back to Japan. I think this will happen and the Japanese are one of the largest holders of government debt.

As a result, US Treasuries fell, pushing yields to the highest in more than four months with US 30-year yields rising 10 basis points to 4.94% as a fierce selloff in Japanese bonds spilled over into global debt markets. 10-year yields up seven basis points to 4.30%, the highest levels since Sept. 3.

Ken Griffin, CEO, Citadel strongly believes that this is going to hurt the US Bond market and we should get our house in order.

<https://www.bloomberg.com/news/articles/2026-01-21/ken-griffin-calls-japan-bond-selloff-explicit-warning-for-us?srnd=homepage-americas&sref=6RluRBXJ>

THE JAPANESE BOUND MARKET ROUT

Citadel's Ken Griffin said heavy selling of Japanese government bonds this week should serve as an "explicit warning" to US politicians to improve the nation's finances.

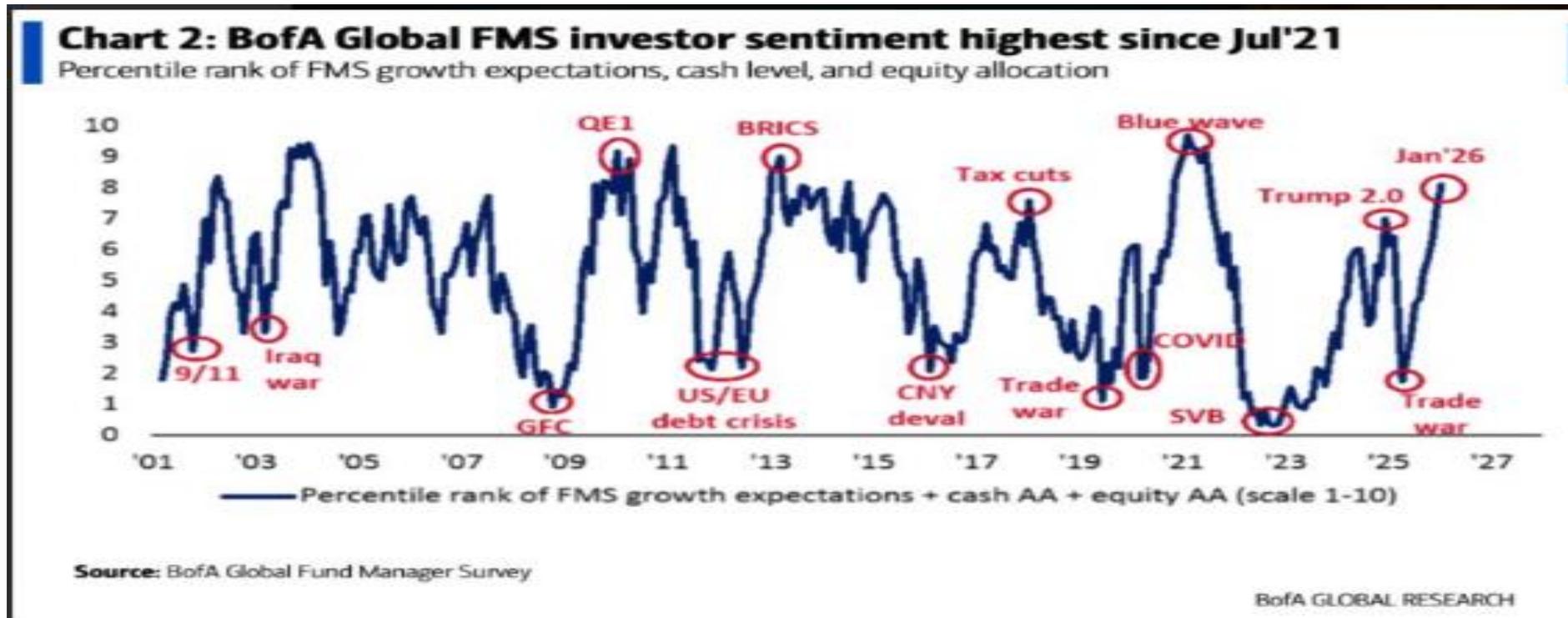
"The bond vigilantes can come out and extract their price," Griffin told Bloomberg Television at the World Economic Forum in Davos. "What happened in Japan is a very important message to the House and to the Senate: You need to get our fiscal house in order."

Dealers in Tokyo said Tuesday's trading session was the most chaotic in recent memory as yields on Japan's 30- and 40-year bonds jumped by more than 25 basis points, the biggest move since US President Donald Trump's "Liberation Day" tariffs rattled global markets last year.

Bond vigilantes were successful on Tuesday and got the President to walk back some of the Greenland rhetoric. **Greenland: I believe the key question is not the use of force, it is the constant tariff threats hurts business and also the constant moving of goal posts that is causing these dips, to the point where there won't be much, if any trust left.**

THE US MARKET – OPTIMISIM IS AT A SUGAR HIGH

This has been a contrarian indicator in the past to good effect and tends to have people rushing for exits.



THE US MARKET – CASH LEVELS ARE AT RECORD LOWS

Chart 3: FMS cash level drops further to record-low 3.2%

BofA FMS average cash level (% of AUM)



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

THERE'S NOT ENOUGH INSURANCE

There were no hedges and very little protection. That is not helpful. As retail high net worth investors, we seem to be doing a better job than institutions.

■ Net % say they have taken out protection against sharp fall in equities in the next 3 months



Source: BofA Global Fund Manager Survey.

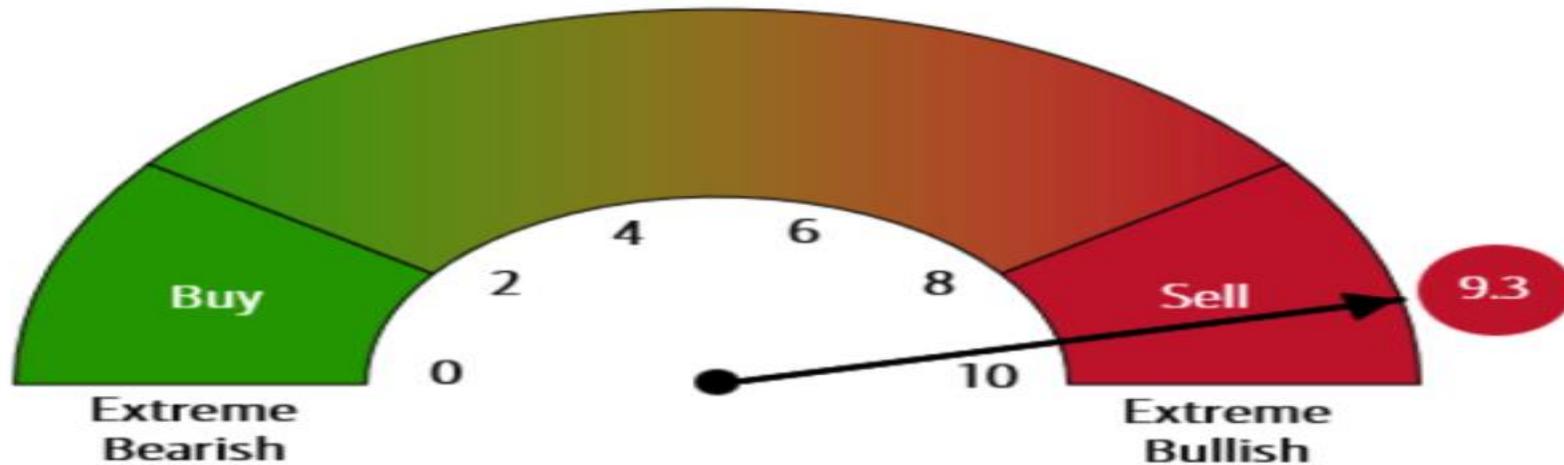
BofA GLOBAL RESEARCH

SENTIMENT – CONTRARIAN INDICATOR,

This comes into play, when we get these external geopolitical shocks.

Chart 1: BofA Bull & Bear Indicator

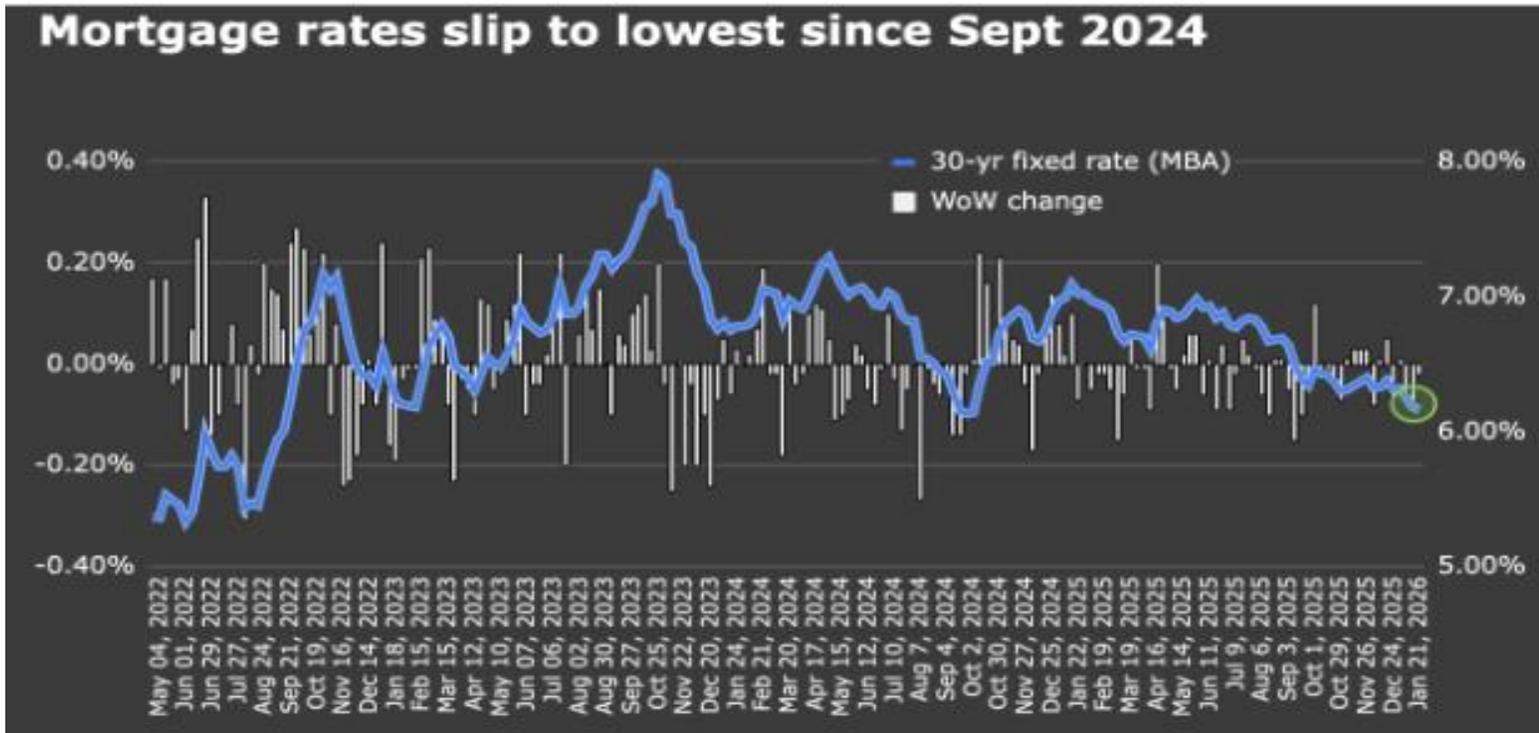
Rises to 9.3 from 9.0



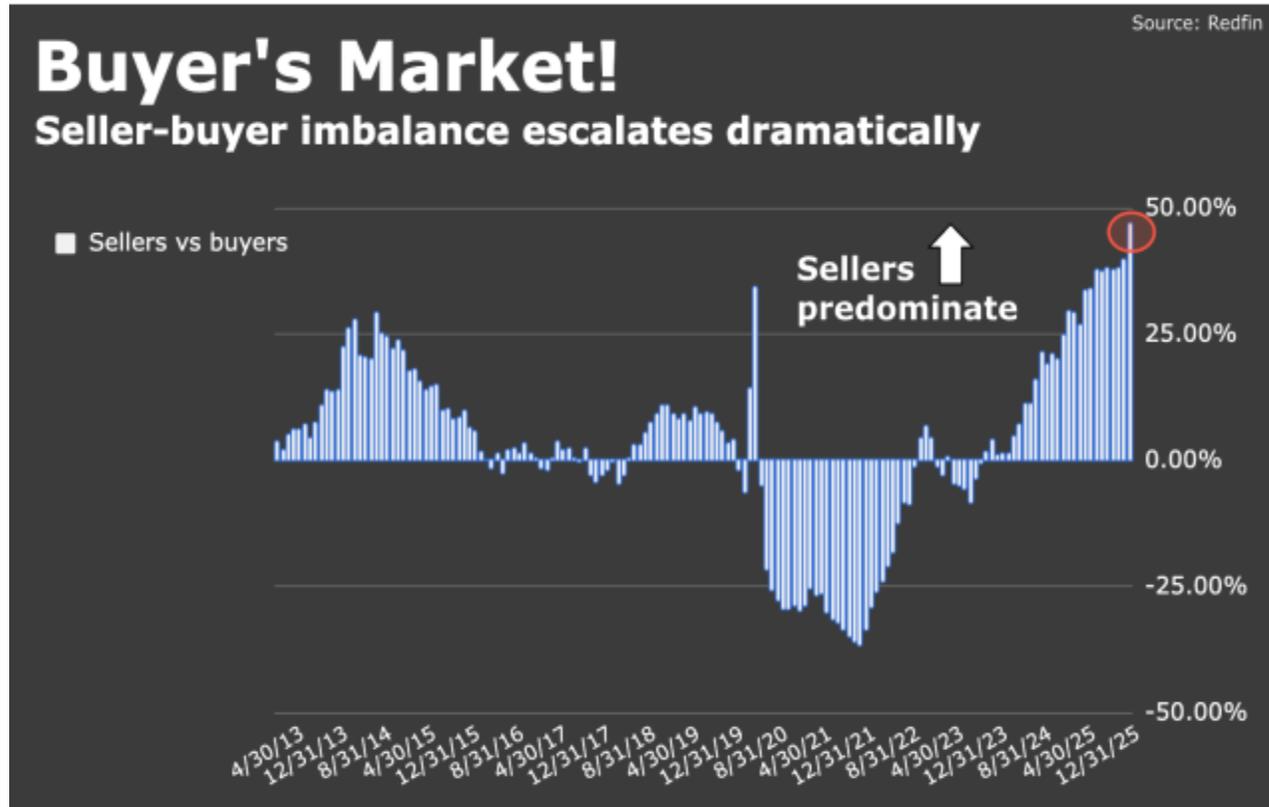
Source: BofA Global Investment Strategy.

HOUSING IS GOING TO TAKE A WHILE – 15-18% OF THE US ECONOMY

We still have a long way to go:



HOUSING IS GOING TO TAKE A WHILE – 15-18% OF THE US ECONOMY



HOUSING

I've been hopeful of a recovery and bought Zillow expecting that housing would recover in 2026, and I really didn't mind being early.

Meanwhile, Redfin released its latest data on the buyer-seller imbalance. Sellers now outnumber buyers by an astounding 47%, up dramatically from the prior month.

However, given the recent weakness in the treasury markets, with the 10-year unable to go lower, I think the housing recovery will be pushed out further, and fiscal stimulus may send you a check in the mail, but that increases budget deficits and ultimately leads to higher interest rates, so that's a vicious cycle.

Essentially, long-term rates have to fall even more or house prices have to drop further.

NETFLIX – THE WARNER BROTHERS DISCOVERY ACQUISITION

The forecast for 2026 is good with revenues increasing 15.3% YoY in Q1 and between 12% to 14% for the full year to between \$50.7Bn and \$51.7Bn, with climbing ad revenues. 13% revenue growth is fair for a company of that size in a saturated and competitive streaming market, and it comes with better margins as Operating margins are expected to expand 200 bps to 31.5%.

Acquiring WBD for \$72Bn gives it an additional \$38Bn in revenue but at significantly lower margins. Still, the combined behemoth inches to over \$100Bn in revenues in 2027. It will be less profitable but will strategically reduce competition with 33-35% market share, and in my opinion improve content and Netflix's profile with HBO's content.

Increased prices or tiered pricing will move the operating margins back in the right direction over time.

NETFLIX – THE WARNER BROTHERS DISCOVERY ACQUISITION

Netflix (NFLX) \$85 – understanding the Warner Brothers Discovery (WBD) acquisition. In my opinion, the set-up is very good for long-term investors who'll benefit from a massive \$100Bn (2027) revenue behemoth (Netflix + WBD) in streaming and media. This amounts to about 430Mn unique subscribers in 2027, or 33-35% of US viewing and subscribers and about 26% worldwide. A market share of that size would command a premium for sure. But investors must handle the execution risks, the debt and the additional scrutiny of the proposed acquisition. I would think that during the course of the acquisition and its closure the stock could dip to the low \$70s. I'm holding for now, but would like to buy it around \$70-\$75. The best strategy would be to buy it in installments.

A lot of positives

Netflix just posted Q4 and 2025 earnings with good operating and financial performance, with Q4 revenue up 17.6% YoY and operating margins expanding over 200 bps to 24.5%. The company closed the year with excellent GAAP operating margins of 29.5%. Advertising revenues jumped 2.5x to \$1.5Bn for the year. I believe this growth will continue and ad revenue will take a larger piece of the pie, especially with event and sports programming becoming a target and focus area.

NETFLIX – THE WARNER BROTHERS DISCOVERY ACQUISITION

Netflix is also spinning off the dying legacy businesses into Discovery Global to avoid being stuck with “declining” assets and to ease antitrust concerns, such as CNN, TNT sports and the

Linear Cable Channels, Discovery Channel, Food Network, HGTV, TLC, TBS, and TNT.

In my opinion, the all-cash deal is the right way to go, and Netflix does generate enough operating cash to cover interest expenses and then some.

The challenges

The pending all-cash \$72 billion acquisition of WBD’s streaming and studio assets creates about \$80Bn in total debt, which will cost \$7Bn a year to service. Besides the scrutiny that comes with a hostile attempt from Paramount for WBD, this is likely to end up in court/litigation and that’s a huge distraction. More importantly this will become a different business dealing with a studio, gaming, the Marvel library, marketing and merchandising.

NETFLIX – THE WARNER BROTHERS DISCOVERY ACQUISITION

The Valuation

It's trading at under 8x forward sales, and 27x forward earnings, which is OK and close to historic averages. But Netflix's premium valuation was always based on a relatively asset light, single, focused model, and this will no longer be the case – they're now dealing with a studio, gaming, the Marvel library, marketing and merchandising. Initially, this may be priced closer to 20-22x earnings unless the execution is terrific. Still, even if Netflix manages 11-12% in net income margins in 2027, and 14-15% in 2028, it earns about \$2.50 to \$2.75 in 2027 and \$4.25 to \$4.75 per stub in 2028. I would pay 25x earnings for a market leader with 35% market share, and that equates to a price of over \$110 by early to mid 2027. Assuming we buy between \$70 and \$85, It would be a bumpy ride but worth it for a 30 to 45% return over 15 months, and if they execute well, I think we can easily see 18-20% returns per year for the next 5. **There wouldn't even be a close second in the entertainment business with that kind of content, reach and influence.**

STOCKS – APPLE

Apple's weakness is an opportunity.

The stock went up just over 11% in the past year and it's not because of high multiples; the current multiples are around Apple's high average. It was because of the lack of AI, and its related growth.

Why is Apple worth buying now?

Apple Intelligence is showing signs of life as the Gemini partnership closes some of the AI gap that iPhone, (Siri) and Apple have with competitors.

My estimates suggest that 750M iPhones may not be compatible with Apple Intelligence with Gemini, which means the chances of bigger upgrades are high.

The iPhone 17 has actually performed better than expectations and we could be in for a nice earnings surprise.

STOCKS – APPLE

Apple reiterated a key aspect of its architecture: Apple Intelligence will be designed to run on-device where possible. From a privacy perspective, this is a key feature. Now, for more complex tasks, Apple Intelligence will use Private Cloud Compute for more complex requests while still preserving the user's privacy. Apple has been setting up its private cloud in Texas for more than 6 months.

Privacy could be the USP that convinces skeptical consumers to upgrade to a new phone.

Another (Larger) Upside: AI Distribution – Right now it's a long shot but can be a key source of revenue in the future because we don't have enough visibility in its earnings capacity.

In the same way that Apple historically monetized default search placement (by getting paid big dollars to route high-intent user traffic to a search partner), I believe Apple could monetize AI queries.

Apple's moat is its massive installed base of 2B+ users.

STOCKS – APPLE

The business model is relatively simple: **a model provider (Gemini, ChatGPT, Claude, Mistral AI) pays Apple for being the default assistant model.** In exchange, the model provider makes revenue from the user request (mainly through ads, although monetizing AI is a fragile topic at the moment).

The September remedies ruling in the Google antitrust case allows Google to keep the Apple deal and continue revenue-sharing payments. The only caveat is that the default-search placement agreements can only run for one year at a time and must be renegotiated/renewed annually. That's bad for Google and great for Apple, given that I expect a similar structure for the default LLM model in iPhone's devices. **I count three large LLM providers (Gemini, ChatGPT, Claude) who would likely compete fiercely for being Apple's default LLM provider.**

Yesterday's announcement says that the next generation of Apple foundation models will be based on Google's Gemini models and cloud technology. That doesn't imply Apple will start routing AI queries to Gemini (and getting paid for the placement).

That will be the next leg of the growth story, once the likes of Gemini and ChatGPT figure out how to monetize their LLM chatbots. That's when I expect bidding wars to break out to become Apple's default LLM provider.

APPLE'S WEAKNESS IS A 'BUYING OPPORTUNITY' INTO EARNINGS: GOLDMAN

The recent weakness in Apple's (AAPL) shares — down seven weeks in a row — is a “buying opportunity” ahead of the iPhone creator's quarterly earnings, Goldman Sachs said.

Goldman Sachs analyst Michael Ng said he expects Apple to earn \$2.66 per share for the coming quarter, with iPhone revenue estimated to grow 13% year-over-year and shipments up 5% over the same time frame, including 26% growth in China. Ng has a Buy rating and a \$320 price target on Apple.

“iPhone demand in the next 2 years is likely to benefit from the iPhone Fold (Fall 2026, 4.5/25.4M units in F2026/F2027), the shift to a biannual iPhone launch cycle with the iPhone 18 base and iPhone Air 2 delayed from Fall 2026 to Spring 2027, and new software upgrades with iOS and Siri 2.0,” Ng wrote in a note to clients. “Although App Store spending decelerated again in F1Q26E to +7% [year-over-year], Services revenue growth (GSe: +14% [year-over-year]) should be supported by momentum in other categories (e.g., TAC, iCloud+, AppleCare+) with further tailwinds in F2026 from new ad formats in the App Store.”

Ng added the price and mix growth of Apple's products and the continued shift towards services should help boost gross margins, even if memory costs rise.

STOCKS - NOVO NORDISK (NVO)

I pulled the trigger and bought shares today. I had first bought over \$120, took a loss and waited for a better opportunity.

Reasons for buying:

While it didn't fulfill the promise of strong demand from anti-obesity drugs, the valuation has become good enough to buy. The demand for semi-

Valuation: 17x earnings is low for pharma with 37% operating margins and very low for market leader pharma in its space.

Besides, obesity is a perennial problem, which will require constant medication.

STOCKS: ROLLS ROYCE (RYCEY)

I first bought Rolls Royce around \$7-\$7.50, it was a turnaround story of a great industrial.

Strong in aerospace, defense and power, ruined by bad management and lack of dynamism. New management has performed magnificently, and we can see that in the share price appreciation from \$7 to \$17.

What is next?

Nuclear power is a small segment but with a lot of promise and opportunity.

Defense after the vagaries of the US President should become a priority for Europe, which needs to look after itself.

Aerospace – emerging market demand and travel remain strong. Wide body aircraft market leader.
