



11/20/2025

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.

DR. BURRY EXPLAINS HIS TRADES

A 13F SEC filing initially showed Micheal Burry shorting Palantir and Nvidia.

Burry later clarified that the cash outlay is around \$10-\$11Mn with a \$1Bn payoff on put options on Palantir and Nvidia.

The timing of the Puts also indicates that this is a play on valuations in 2027.

The 50,000 Palantir put options with an exercise price of \$50 were bought for a premium of \$1.84, which totals \$9Mn and expires in January 2027.

Burry has not disclosed the premium paid for the 10,000 Nvidia put options with an exercise price of \$110, which expires in December 2027. The last quoted premium was \$10.

Importantly these are not large cash outlays, but strategic bets that these two stocks will fall in the next 14 to 25 months.

THE CORRECTION – LOW CASH LEVELS

The BOFA Fund Managers' survey shows a very low level of cash – only 3.7%, which explains or at least suggests why there wasn't any buying of the dip in the last two weeks.

The low cash level worked as an excellent contrarian indicator.

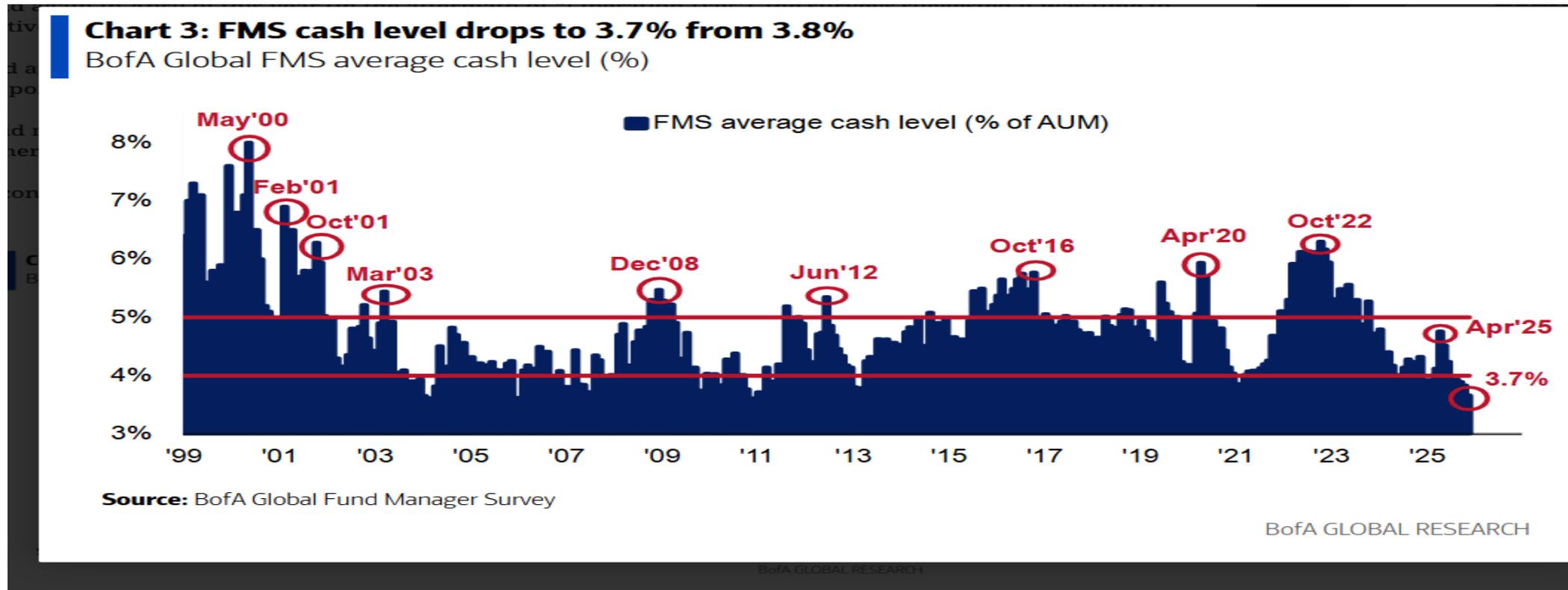
Normally when it's that low it indicates excessive optimism – it screams sell!

Two other low cash positions were good contrarian indicators – August and December 2024 also spelled excessive optimism.

February and April 2025 spelled excessive pessimism.

THE CORRECTION – LOW CASH LEVELS

A level of around 3.5% to 3.7% has happened just 20 times in 25 years!



A RECAP OF THE ANDREW ROSS SORKIN TALK-1

I've posted on the Sorkin talk I attended on 11/13 in the newsletter and on the website, under [The AI Bubble: Are we heading down the 1929 path?](#)

Just a quick recap of the main points.

There are parallels between now, 1929 and the Great Financial Crisis of 2007-2010.

At 4.3% unemployment, we have miles to go, and Sorkin too emphasized that we're at least 2-3 years out.

The biggest worry was the indebtedness, and I can very much agree with him on that, within that leverage is the borrowing from private equity and non-institutional lenders.

Non institutional and private equity lenders have much lower levels of compliance and regulations and much more leeway on their own leverage.

A RECAP OF THE ANDREW ROSS SORKIN TALK-2

Banks and financial institutions have to remain well capitalized, Frank-Dodd ensured that we should not have another GFC.

Sorkin sees dismantling of regulations as a big threat.

The rampant retail trading in zero-day options, crypto currency and the accompanying volatility is also something we should keep an eye on. That is eerily like the bucket shop and hotel lobby trading on the 1920s

The coming relaxation of the day trader rule to \$2,500 is going to be terrible.

With a debt to GDP ratio of 120%, Sorkin, like me also has a hard time understanding how the government could back-stop companies like OpenAI, which are crucial to the US' sovereign effort to dominate AI.

Ultimately, the government will be involved – this will be too big to fail.

A RECAP OF THE ANDREW ROSS SORKIN TALK – THE BUCKET SHOPS ARE BACK-1!

This picture is from a Jason Zweig-Intelligent Investor column in the Wall Street Journal. The author came across it in NYC subway – offering an 8.1% yield!! AND Nvidia shares! The name itself should be a giveaway!



PARALLELS TO 1929 – THE BUCKET SHOPS ARE BACK-2!

Paraphrasing the author:

"Kevin and I both wondered the same thing: How can uninvested cash yield 8.1%?"

I poked around Moomoo's website and found that this yield consists of a base rate of 3.6%, plus a bonus of 4.5%—but it applies to new customers only, is usable only on the first \$20,000 of your cash, requires you to activate a coupon and runs out three months later. That means the 4.5% annual bonus yield delivers you a bit under 1.125% over those 90 days. Then the total "8.1%" yield goes away.

The 3.6% might last but is subject to change without notice—and Moomoo's regular rate on cash for existing customers is a skimpy 0.03%. **Brokerages are notorious for stiffing clients on their cash.** (And the gift of Nvidia stock? New customers who deposit less than \$50,000 won't receive \$1,000 worth; they'll get between \$20 and \$300.)

The companies that run trading apps are constantly looking for new customers, because so many novice traders get mowed down by the markets so fast. This is one way for trading apps to get new customers—and a reminder for everyone else to read the fine print.

THERE IS A BIG BULL IN TOWN – MIKE WILSON-1

Mike Wilson, Morgan Stanley chief strategist – From high inflation Uber Bear To Mega Bull

Mike Wilson's recent outlook is a dramatic shift. Wilson, who called a market top in 2024 and the inflationary bear market, there after turned optimistic in 2024, and is now forecasting a two-year up cycle in stocks supported by broadening earnings growth, firmer pricing power, and resilient profit margins.

The "Liberation Day" (self-goal) lows marked a transition from recession to recovery, with stocks in a new bull market and earnings cycle.

Investment Case and Key Drivers – Wilson raises his 12-month S&P 500 price target to 7,800, citing key bullish catalysts as under:

Positive operating leverage and broad rebound in earnings revisions – S&P 500 net profit margins are amazing led by the M-7.

AI-related efficiency gains to improve net income margins.

THERE IS A BIG BULL IN TOWN – MIKE WILSON –2

Supportive tax and regulatory policies – power generation, less red tape and regulation

Range-bound interest rates, and a slightly more accommodative Fed stance, neither dovish nor hawkish, balancing inflation and employment.

Forecasted earnings: 2025 EPS of 272 (12% growth), 2026 EPS of 317 (17% growth), 2027 EPS of 356 (12% growth), with a valuation multiple of 22x forward EPS. These are slightly higher than my estimates, but plausible. The S&P 500 average profit growth tends to be in the high single digits, indices normally don't grow that fast, they're not supposed to.

Wilson's sees a slight risk because of the high multiple but believes it doesn't take away from his optimism.

THERE IS A BIG BULL IN TOWN – MIKE WILSON –3

One key factor, I would like to point out is that I've followed Mike Wilson over the past decade, and he does his due diligence, and then some, and a lot better than many analysts.

Wilson also pooh-poohs references to the internet/Dot-com bubble.

These are the main reasons why Wilson believes we're nowhere close to the Dot-com era, and I agree with him. If anything, we're closer to the GFC and the 1929 crash but still very much in the beginning of those cycles.

Today's hyperscalers dominate the economy and the stock indices and are fundamentally stronger than leading companies during the late 1990s tech boom.

He emphasizes that while market participants debate if we're nearing a valuation bubble like 1999-2000, there are key differences today, notably in company quality and economic fundamentals. Savita Subramanian of Bank of America had the same argument.

THERE IS A BIG BULL IN TOWN – MIKE WILSON - 4

Large-cap benchmark stocks have much better operating and higher quality metrics with the median large-cap free cash flow yield nearly triple that of 2000, and the S&P 500's margin-adjusted forward multiple approximately 35% below the dot-com peak. (Not that its saying much – some of those multiples were insane)

Wilson highlights that today's top-ten index stocks are not trading at valuations anywhere near late-1990s extremes—they're priced between 1997/98 levels and 13 "turns" cheaper than the 1999 blow-off top.

Margins for today's leading stocks are about 22 percentage points higher than 25 years ago; 92% of the S&P 500 is free-cash-flow positive now, compared to 72% in 2000.

He dismisses concerns about market leadership concentration and extreme valuations, contending that the environment is more favorable, with policy support and robust corporate fundamentals.

Wilson does make a plausible case, and I am cautiously optimistic, and have noted some of the key risks such as fears of an AI bubble in the past two weeks, which should keep the market from overheating.

ECONOMIC UPDATES – DELAYED PAYROLLS STRONG BUT THE GOVT IS FAR BEHIND IN DATA

U.S. non-farm payrolls increased 119K in September, more than double the +50K consensus and rebounding from the 4K dip in August (revised from +22K), according to delayed data released by the Bureau of Labor Statistics on Thursday.

The Data is a month old, diminishing its relevance.

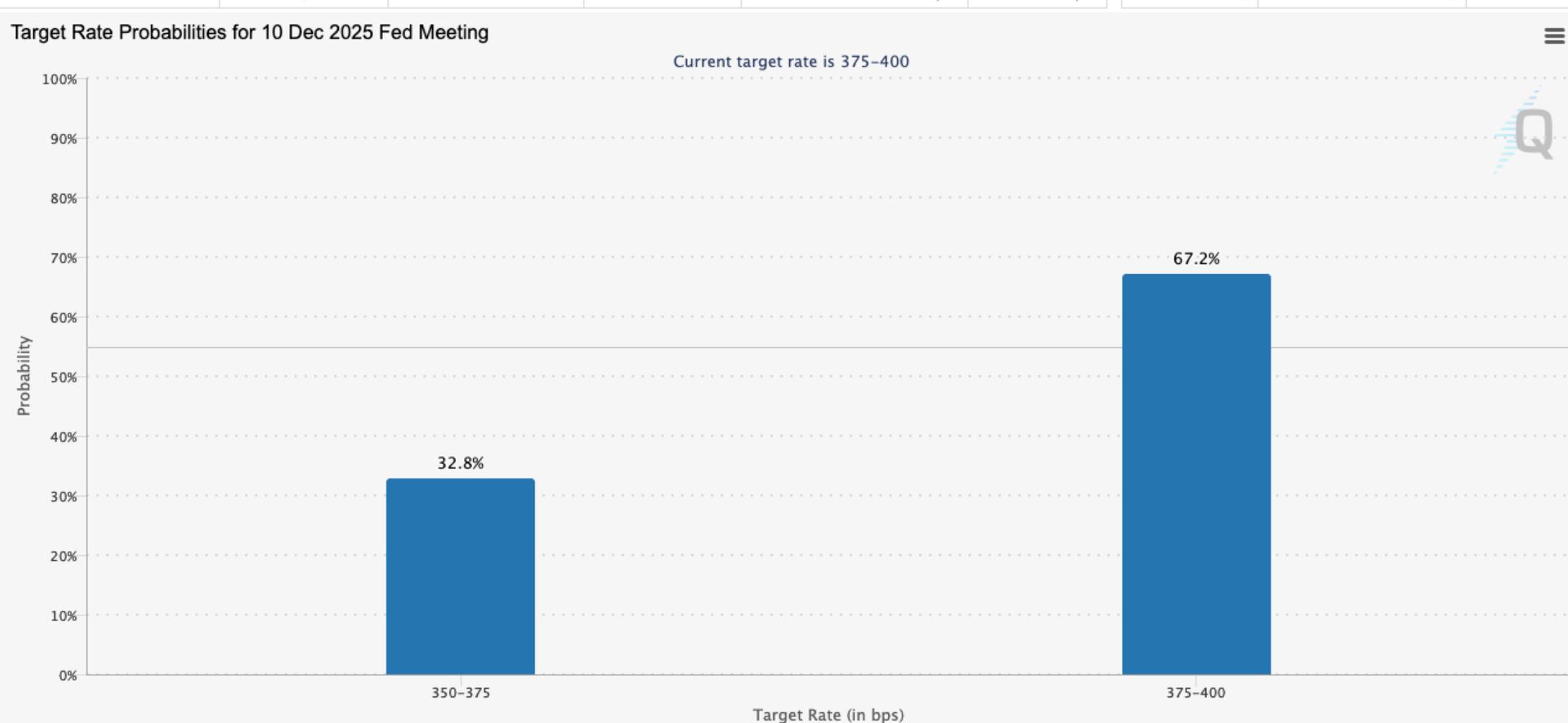
Even as nonfarm payrolls grew, the unemployment rate ticked up to 4.4% from 4.3% in August in vs. 4.3% consensus and 4.3% prior.

Average Hourly Earnings were stagnant.

No CPI report – unfortunately, we will be flying blind till next month.

No labor reports till after the Fed December 10th meeting.

ECONOMIC UPDATES – ONLY 33% CHANCE OF A RATE CUT



A STRONG QUARTER AND GUIDANCE FOR NVIDIA-1

Q3 adjusted EPS grew by 61% YoY and 24% QoQ to \$1.30, beating estimates by 3.5%.

Analysts expect adjusted EPS to grow 61% YoY to \$1.43 in Q4 and accelerate to 90% YoY growth to \$1.53 in Q1-FY2027

Looking forward, analysts expect FY2027 adjusted EPS to grow 50% YoY to \$6.83 and 27% YoY to \$8.65 in FY2028.

At \$190 Nvidia is priced at 28x forward earnings.

Q3 operating cash flow grew by 35% YoY to \$23.75Bn with an OCF margin of 42%, V 50% YoY and 33% in Q2.

Q3 free cash flows grew by 32% YoY to \$22.09Bn with a FCF margin of 39%, V 48% YoY and 28.8% in Q2.

Nvidia has \$61Bn in cash after a robust dividend and buy-back program

A STRONG QUARTER AND GUIDANCE FOR NVIDIA-2

Nvidia's Q3 revenue grew by a solid 62.5% YoY and 22% QoQ to \$57.01Bn.

Revenue growth accelerated by 6.9% from 55.6% YoY growth reported in Q2.

Revenue beat estimates by 3.5% and is the strongest beat in the last four quarters.

The company's strong revenue growth dispelled fears of an AI Bubble. Nvidia's CEO Jensen Huang said, "Blackwell sales are off the charts, and cloud GPUs are sold out." Blackwell Ultra is ramping on all categories, with Blackwell total revenues over \$100Bn so far.

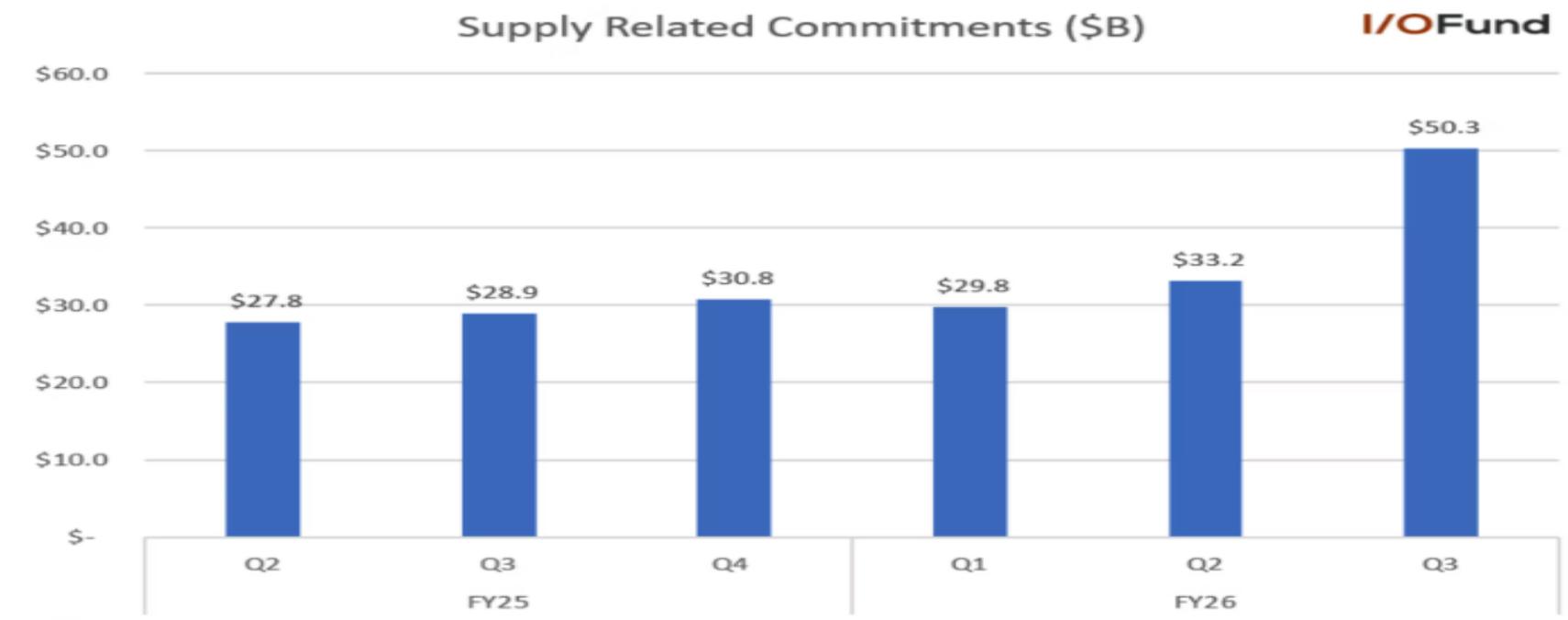
\$65Bn in total revenue guided for Q4-FY2026, implying \$59Bn in data center revenue, beating earlier estimates of \$61Bn, handily

Gross Margins for Q4 guided significantly higher to 75%.

FY- 2027 data center revenue could be nearly \$320Bn, versus estimates for around \$270Bn.

During Nvidia's GTC in August management had estimated total committed revenue of \$500Bn, now it believes it can exceed that.

A STRONG QUARTER AND GUIDANCE FOR NVIDIA-3



A STRONG QUARTER AND GUIDANCE FOR NVIDIA-4

Nvidia's total supply-related commitments, such as for CoWoS wafers, HBM memory, or other components, surged nearly 52% QoQ to \$50.3Bn in Q3, bolstering confidence in Nvidia's order visibility to fill out and even exceed this cumulative \$500Bn in Blackwell and Rubin revenue.

Management believes that global and sovereign demand offer de-risking and diversification from US big tech and hyper-scalers. The diversification across geographic regions, enterprises, startups, and of course, Big Tech, helps insulate Nvidia should one customer or region slow their spending.

Each country will fund their own infrastructure, multiple countries, and multiple industries.

Most of the world's industries haven't really engaged agentic AI yet.

There will be demand from autonomous vehicle companies, digital twins, physical AI for factories digital biology start-ups for accelerated drug discovery.

They're going to do their own fundraising.

BETH KINDIG MAKES A STRONG CASE FOR AI

I had posted an article titled [Nvidia gets a massive upgrade from Beth Kindig](#) summarizing her bold report claiming that Nvidia could get to a \$20Trn market cap by 2030.

A few key points:

Nvidia needs to grow revenue by 36% per year between now and 2030 to \$900Bn, valued at 22x sales = \$19.8Trn

There are several third-party forecasts, besides hyper-scaler spending on the total market size, which indicate that this revenue is possible if Nvidia gets 60% of the hardware spending.

Their 18-month accelerator product cadence, connectivity strengths and CUDA moat also indicate that they would hold at least 60% market share, lower than the current 80%

BETH KINDIG MAKES A STRONG CASE FOR AI

To be sure, these estimates are plausible and Kindig's reasoning defensible, there is a lot due diligence and exhaustive research. Kindig spotted Nvidia about a decade back and has backed up the research with investments.

These are the challenges we should be aware of:

Who's got the power? Two quarters back Microsoft had GPUs sitting idle, waiting for power, which is at a massive shortage. Coreweave lost a quarter because a supplier was delayed. Nebius turned away Meta because it did not have enough capacity. The seismic demand coupled with power shortages could become Nvidia's biggest weakness.

Debt: We've seen some massive numbers in trillions thrown about – remember these necessitate capital investments and debt. The huge amount of debt capex should worry investors.

Product obsolescence: Nvidia's own product superiority with an 18-month cadence renders previous generation GPUs weaker, which brings us to Michael Burry's question – are CSPs and GPU buyers depreciating their assets properly?

Show me the money: CSPs, foundational models, and other enterprise software customers will need to show clear revenue or profit benefits within the next 1-2 years...Morgan Stanley had an estimate of \$650Bn in revenue in 2030 to justify this spending.

A bumpy ride: I think the growth is achievable but the trajectory of Nvidia's stock will be beset by lumpiness, quarterly disappointments and volatility, especially when maybe 25% of the economy is riding on it in 2030, it will always, almost by definition be a bumpy road. I own shares and plan to hold my investments for a minimum 5 year period and may add more on declines.

WHAT HAPPENED ON 11/20/2025?

An hour into the market opening, we're cruising on phenomenal Nvidia results, Nvidia is up 5%, the Nasdaq is up 2.5% and it looks like the 6-7% bottom from the high a few days back was the end of the pullback. The market looked like it was on the way to recovery.

In the blink of an eye, everything changed from green to red, the first hour saw a reversal of gains, and then it kept sliding till the S&P 500 and the Nasdaq Composite indices closed 1.5% and 2.15% lower for the day.

Many reasons floated across the financial pages:

- AI bubble fears won't get erased by one excellent report. It is also an overpriced sector.
- There has been profit taking to close the year out at a good profit, which translates into bonuses. (Called PNL protection)
- Sales to pay for crypto losses
- A bear trap, catching those who bought post Nvidia results.
- The collapse of The Japanese Yen/Us Dollar carry trade, which has been making the rounds since the Yen got stronger with higher interest rates.
- Fully invested funds without cash to spare.
- A spike in volatility with the VIX crossing 28, leading computerized algo trading to unwind.

Regardless of the reasons, which seem to be a combination of these – it would be prudent to wait till the dust settles, though with an 8% drop from its high, it would take a major, major catalyst for the markets to bounce back soon. We may not have seen the worst yet.

PORTFOLIO ANALYSIS

Heavy concentration of technology, and semiconductors, therefore our portfolio is more volatile.

We have a high Beta stock portfolio. The Beta measures the movement of a stock relative to the S&P 500, so if the S&P 500 drops 0.5% our portfolio could drop 1%

For example, Nvidia has a Beta of 2, Microsoft, Apple and Alphabet are closer to 1.25, while Credo and Nebius are closer to 3!

While we are a strict buy and hold long term portfolio, It becomes essential to hedge, take profits or have active stop losses in the volatile stocks.

11/20/2025 - Work on a more defensive strategy, season end tax losses, protect some positions, take some stop losses.