



10/16/2025

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.

TECH EARNINGS LOOK SOLID -- A GOOD START TO EARNINGS SEASON- ASML

ASML – The monopoly in EUV (Extreme Ultraviolet) equipment for semiconductor manufacturing had better than expected earnings.

Q3 GAAP EPS of €5.48 beat by €0.06.

Revenue of €7.52Bn (+0.7% Y/Y) in line with estimates.

Quarterly net bookings in Q3 of €5.4Bn of which €3.6Bn is EUV. This is higher than the 5Bn expected.

ASML expects Q4 2025 total net sales between €9.2Bn and €9.8Bn, and a gross margin between 51% and 53% - better than the \$9.2Bn expected earlier.

ASML expects a full-year 2025 total net sales increase of around 15% relative to 2024, with a gross margin of around 52%.

ASML does not expect 2026 total net sales to be below 2025.

They are hopeful of orders from Intel. In 2024, ASML had tanked below \$600 when Intel's foundry couldn't place orders.

The markets like what they saw because ASML unfortunately gets caught between US and China, but this around the stock is up 4% post earnings.

TECH EARNINGS LOOK SOLID - A GOOD START TO EARNINGS SEASON - TSM

Taiwan Semiconductor Manufacturing – The monopoly in HPC semiconductor manufacturing had excellent earnings.

Q3 GAAP EP ADR of \$2.92 beats by \$0.32.

Revenue of \$33.1B (+40.8% Y/Y) beats by \$1.54B.

In Q-3 High Performance Computing contributed 74% of total revenue. This was even better than expected.

3NM 23%, 5NM 37%, 7NM 14%

Guidance for Q4-25 higher - Revenue is expected to be between US\$32.2 billion and US\$33.4 billion vs. consensus of \$31.35B;

“Moving into fourth quarter 2025, we expect our business to be supported by continued strong demand for our leading-edge process technologies,” said Huang. **For the full year, TSM increased its revenue growth forecast to the mid-30% range, much higher than the 30% guided earlier.**

TSM said it expects robust AI demand to continue and maintained its forecast for capital spending at up to \$42B for 2025, although it warned about a potential business impact from U.S. trade tariffs and currency moves.

“Conviction in the AI megatrend is strengthening,” said TSM CEO C.C. Wei told analysts after outlining earnings, Bloomberg News reported. **“The AI demand actually continues to be very strong, stronger than we thought three months ago.”**

AI STILL IN INFANCY

Wedbush said checks from its Asia trip showed bullish sentiment for the "AI Revolution" and chip demand accelerating into 2026.

"In a nutshell, we are seeing clearly accelerating chip demand in the field for Nvidia as we estimate the demand to supply ratio from enterprises for Nvidia's **next generation GPUs are approaching 10:1 which is a staggering number which speaks to how early this AI Revolution is in its life cycle,**" said analysts led by Daniel Ives.

The analysts noted that the demand trends bode very bullish for Taiwan Semiconductor Manufacturing (NYSE:TSM), Advanced Micro Devices (NASDAQ:AMD), and ultimately Intel (NASDAQ:INTC) as well among others, with the AI cap-ex super cycle set to roll on and benefit the core chip players with Nvidia front and center.

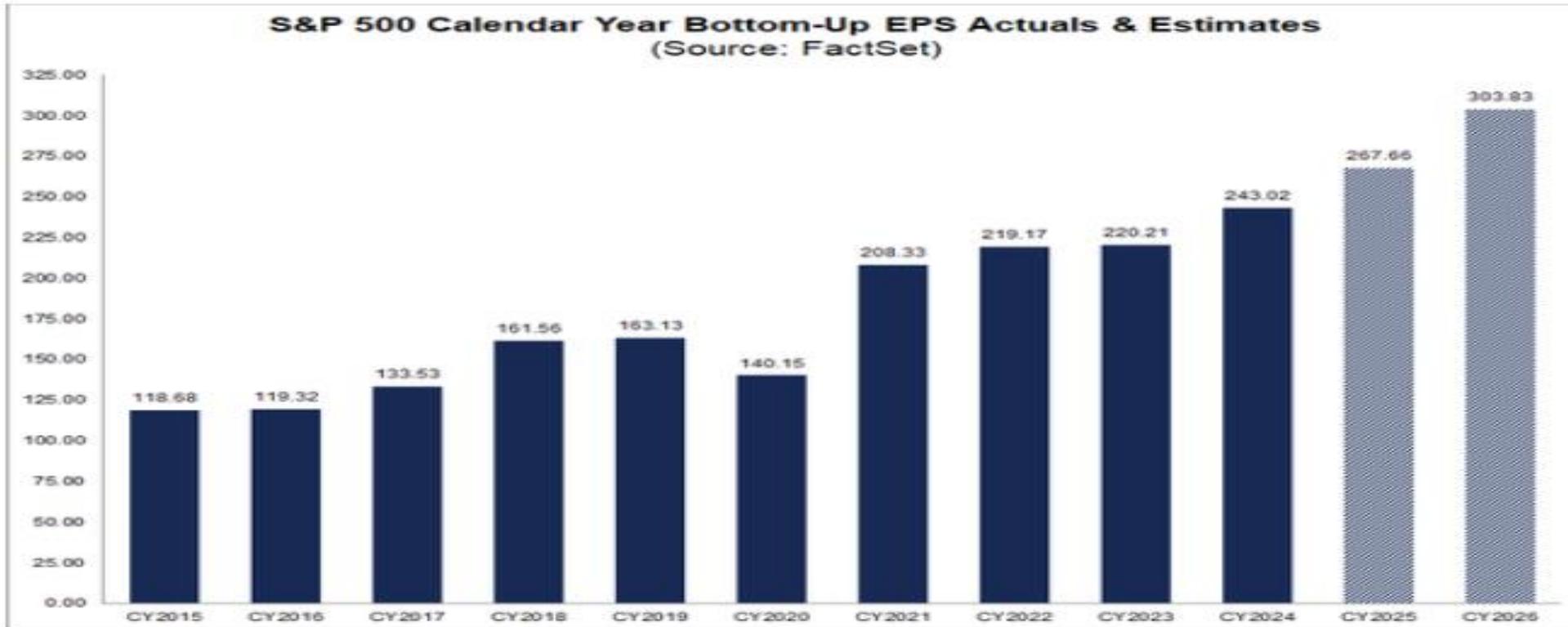
The analysts added that supply chain checks are seeing no signs of cracks and to some extent it is the opposite as the demand trajectory is way quicker than many across Taiwan and the broader region expected at this point.

"We view this is [as] another green light sign to be bullish on tech into earnings season as we expect 3Q tech earnings season to match/exceed the AI hype in the market and drive stocks higher into year-end with this tech bull market still having a lot of runway ahead in our view into 2026," said Ives and his team.

The analysts believe tech stocks will be very strong into year-end and could be up another 10% plus into the rest of the year as the next part of "this AI Revolution takes hold" with upcoming tech earnings season further swaying investors.

EXCELLENT EARNINGS GROWTH

Bottom-Up EPS Estimates: Current & Historical



POWELL LENDS A HAND

Chairman Powell's comments signal imminent Fed rate cuts and an end to quantitative tightening, providing further monetary stimulus for risk assets.

“the downside risks to employment appear to have risen,” based on a “wide variety of public- and private-sector data that have remained available” after the government shutdown. While acknowledging that the rate of inflation remained elevated at 2.9%, this seemed like a lesser and more transitory concern given that it has been due to core goods price increases from tariffs. The two-year Treasury yield, which is a proxy for where the market sees the Fed’s short-term rate headed, fell to a three-year low of 3.47%.

The Fed is also increasing the size of its balance sheet, another dovish step.

The 10-year treasury is at 4.03% today and trending downwards.

BANK EARNINGS SHOW A RESILIENT CONSUMER

What I found notable about yesterday's bank earnings reports is that most signs showed the consumer remains on a strong footing.

Loan portfolios appear to be performing well, and credit quality is holding up with minimal changes to net charge-offs.

JP Morgan, Wells Fargo, Citicorp, Bank of America all declared results in the past few days, beating estimates slightly.

More importantly none of them raised credit provisions for loan losses, a telling sign that the consumer still remains resilient

There are weaker aspects of our economic engine, including a softening labor market, deterioration in credit for lower-income households, and a struggling housing market. But in aggregate, these smaller headwinds are more indicative of a mid-cycle slowdown in the economy rather than the end of the expansion.

Chairman Powell may have paved the way for a soft-landing next year with yesterday's commentary, which tells me we could have a fourth year ahead for this bull market. I look forward to buying the dips when they present themselves.

THE SHUTDOWN CONTINUES

The shutdown entered its 16th day this morning with little to show by way of compromise.

While shutdowns are not necessarily bearish, it does erode trust in the system, and a lack of paychecks for government employees and customer spending does weigh on the economy.

As of yesterday, a district court prevented the government from permanently laying off furloughed economies. This could lead to a longer fight.

The U.S. Treasury estimates that the ongoing October 2025 shutdown could cost the economy up to \$15 billion per week. The longest government shutdown in U.S. history lasted 35 days, from December 2018 to January 2019, with a GDP loss of about \$3 billion, or 0.02% of annual GDP in 2019.

The fight is centered around ACA subsidies this time and whether they should be extended.

This does affect Oscar, which I continue to hold. I had bought it around \$16, assuming a worst-case scenario of a loss of about 6% of revenues, should the subsidies not be extended. Anything less could be a bonus if the subsidy issue is resolved.

VALUATIONS - GOOD NEWS FROM AI MAY ALREADY BE PRICED IN



IRRATIONAL EXUBERANCE

High Bullish Sentiment:

Retail dip buying is scary, especially if it involves options. On Friday the Nasdaq tanked 4% after the trade skirmish with China, and a lot of that crash was also attributed to a massive crypto sell off. According to the information.

Friday's bruising stock-market selloff unleashed a flurry of options-trading activity, as individual investors scrambled to buy the dip by scooping up bullish call options.

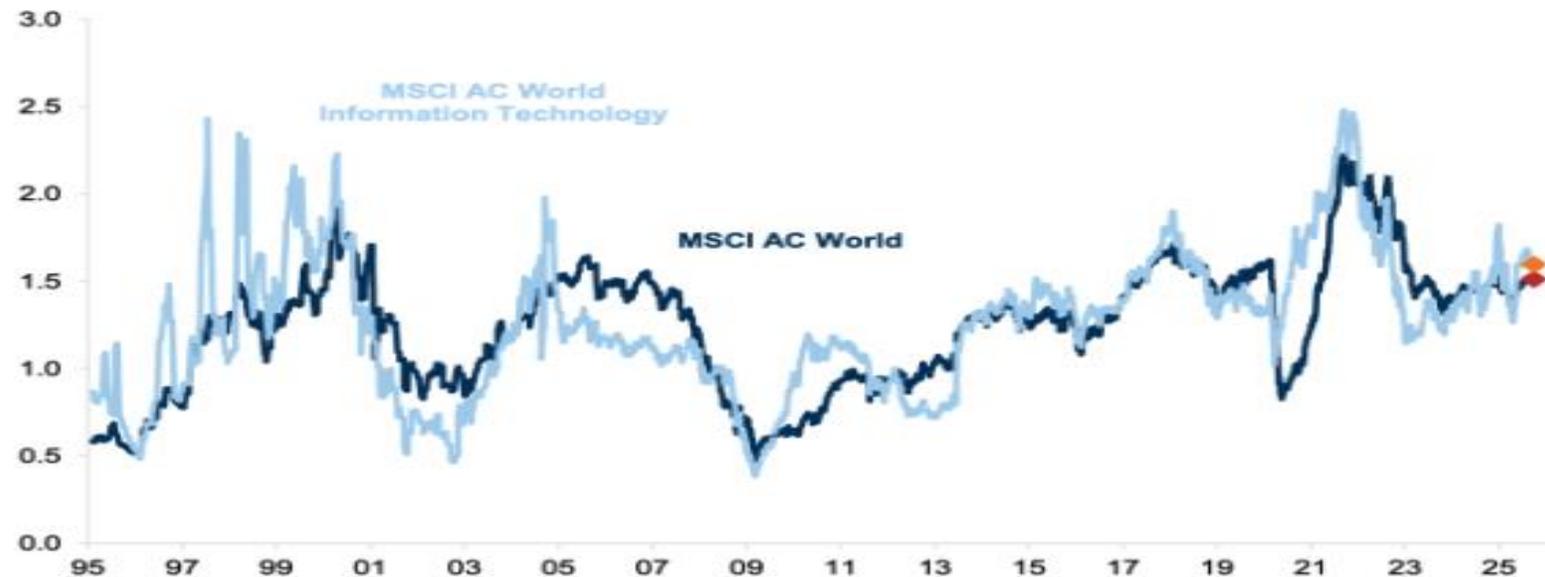
According to data from CBOE Global Markets, the Options Clearing Corporation cleared trades involving more than 110 million option contracts on Friday, a new record high. That surpassed the previous daily record of 102.6 million contracts on April, 4, and marked only the second day ever where total trading volume topped 100 million contracts.

Contracts linked to the S&P 500 and the Invesco QQQ Trust Series I QQQ +0.41% were among the most popular on Friday, CBOE data showed. Options tied to shares of Wolfspeed Inc. (WOLF), IREN Ltd. (IREN) -2.53% and Applied Digital Corp. (APLD) +7.68% were among the most popular single-stock names.

THE RALLY HAS A "SPOF" PROBLEM

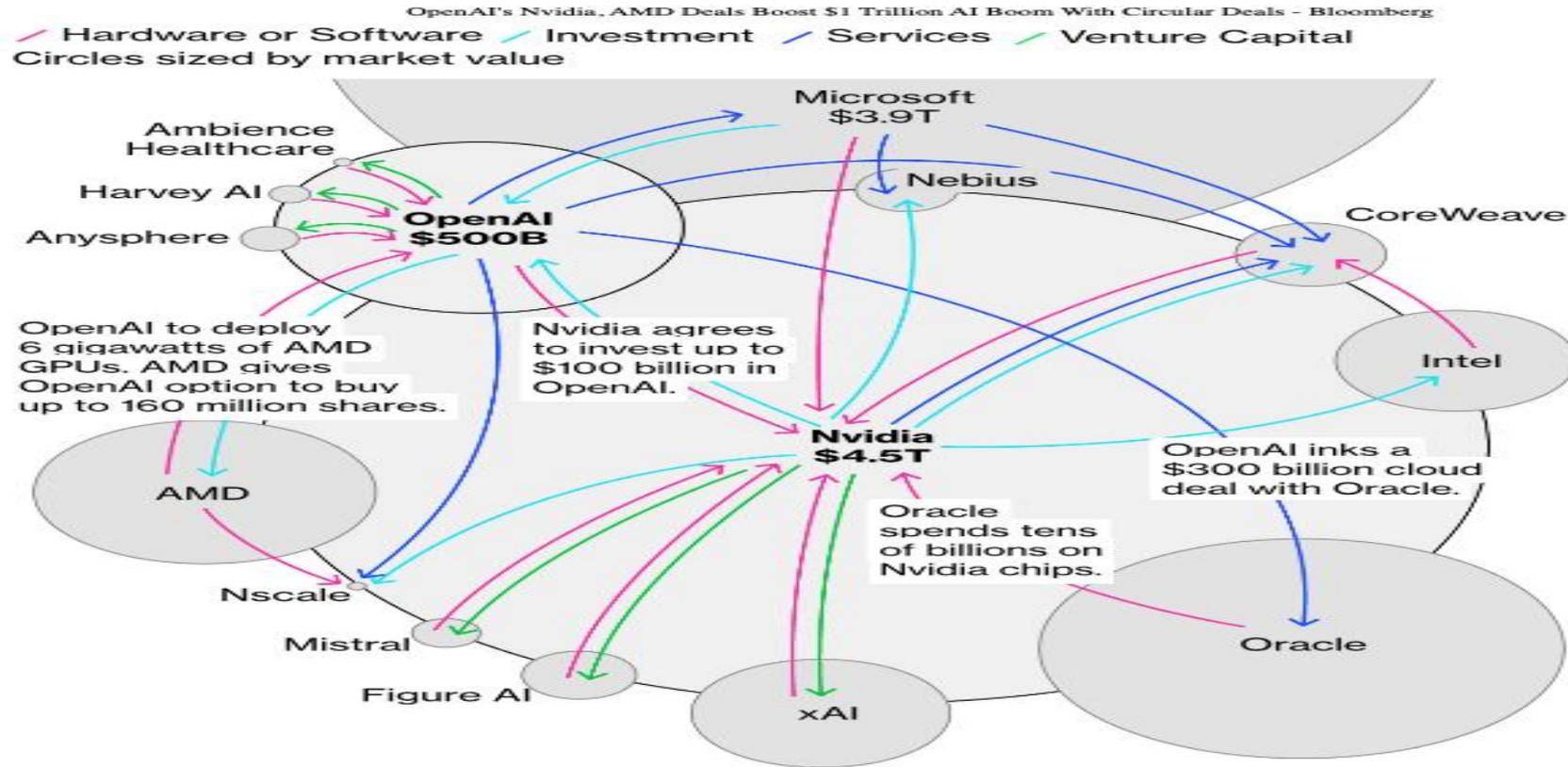
- SPOF – Single Point Of Focus. Simply, more than \$500 Bn is tied into OpenAI, and should there be drops in estimated revenue or delays, or cancelled contracts, or overcapacity in chasing a dream, this would hurt the entire market very badly.

Exhibit 8: The PEG ratio for technology remains below its tech-bubble highs
PEG ratio (12m fwd P/E divided by second 12m fwd EPS growth)



Source: Datastream, Goldman Sachs Global Investment Research

EVERYBODY'S ALL IN



Source: Bloomberg News reporting

BROADCOM'S COMPETITIVE ADVANTAGE -- ANOTHER ECOSYSTEM

OpenAI on Monday said it planned to use enough Broadcom chips to power 10 GW worth of data center servers between 2026 and 2029.

One of the new features of the deal is to use Broadcom's chips from the design stage.

Broadcom is the largest ASIC's (Application Specific Integrated Circuit) producer in the industry, with about \$12Bn in chip revenue and \$8Bn in networking gear revenue, making it the 2nd largest in the country for AI level chips after Nvidia.

With OpenAI, this could create another ecosystem to tackle inferencing, which will have the maximum use cases for AI

INFERENCE NEEDS TO BE DONE CHEAPER FOR AI TO SUCCEED

Inferencing tokenization is expensive, and even 45-50% gross margins will not be enough when you're struggling to generate answers or solutions. An AI processor must go through a much more rigorous process for inferencing, more compute requirements, more power.

Broadcom's foray – they have been working with OpenAI for 16-18 months on this along with ARM.

OpenAI and Gemini at the very least will have to include advertising as the main source of revenue.

Smarter software will become imperative, but those will be domain specific, DeepMind, which made such a deep impression got those impressive results for specific maths problems.

STOCKS TO LOOK AT

Snowflake (SNOW) Tie up with Palantir

Wells Fargo (WFC) – Bought it as a diversification strategy for more financials.

Amazon (AMZN) Its three-engine model: AWS, Advertising, and E-Commerce, gives investors diversified exposure to both infrastructure and consumption.

Amazon is a long-term player with a lot more building blocks, and like the way it went about building AWS, Robots, shipping, hubs, it is approaching AI as an infrastructure play.

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.

Updated Portfolio Analysis – cash deployed.

Strategy for each company