

04/16/2026

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.

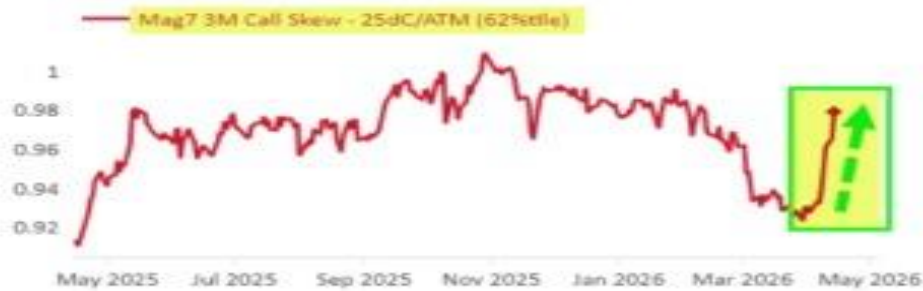
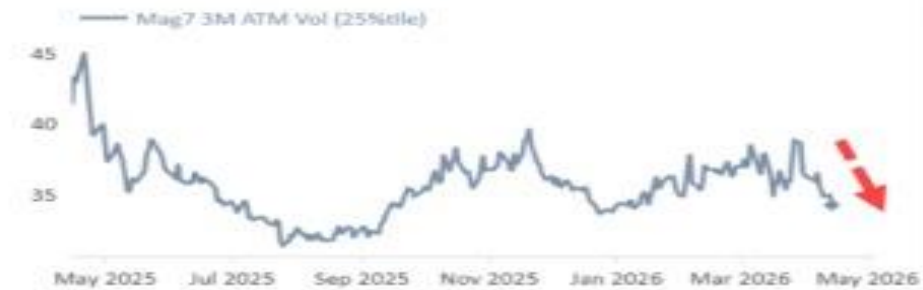
THE S&P 500 HAS RECOVERED EVERYTHING

Whew! What a strong bounce back!

REMEMBER WHEN WE WERE "OVER-HEDGED FOR LEFT-TAIL CHAOS," FORCED INTO DERISKING / GROSS- & NET- DOWN, YET STILL WITH DE MINIMIS WILLINGNESS TO HEDGE *RIGHT-TAIL RALLY*?

NOW, THEY ARE SCRAMBLING FOR THE UNDER-OWNED RIGHT-TAIL, SPECIFICALLY TARGETING AI / MAG7

Mag7 Historical Percentiles: Skew / Volatility



Source: Nomura Vol

THE S&P 500 HAS RECOVERED EVERYTHING

The figures above, from Nomura's Charlie McElligott, give you a sense of how the market's perception of this situation has shifted.

"All this 'escalate to de-escalate' motion has ultimately led to an eye-watering repricing in US equities volatility," McElligott said Wednesday, noting that the "extreme" rally in spot Is in part a function of the vol crush.

Those dynamics are just as familiar as Trump's "escalate to de-escalate" act.

"Buyers are higher,' as I like to say," Charlie went on. "The 'calamity premium' is coming unglued and downside hedges [are] bleed[ing] out their Greeks as we rally away from strikes, while the prior steep skew flattens as a function of the 'scramble into upside.'"

The annotated figures below give you a sense of what this looks like and, importantly, where it's most acute (i.e., in the Mag7).

THE S&P 500 HAS RECOVERED EVERYTHING

For the uninitiated, the red arrow in the upper-left-hand pane shows relative demand for downside protection versus upside optionality evaporating, while the red arrow in the lower-right-hand pane shows demand for crash hedges (i.e., OTM versus near-the-money puts) fading. The green arrow in the bottom-left-hand chart is the “grab” for upside exposure. “First it was the put destruction as those downside hedges melted and helped create the mechanical ‘turn and rally’ off the lows,” McElligott wrote, walking market participants through the progression. “Then in recent days, due to the massive under-capture of the rally, the focus has been about getting nets back up to participate in the equities screamer via taking down your shorts.” Now, he continued, “many are coming for upside they don’t have on.” Of course, it’s still possible the blast of inflation from the Strait closure and all the issues Of course, it’s still possible the blast of inflation from the Strait closure and all the issues that disruption’s going to cause on a lag will come back to haunt stocks, particularly if there are any “oops” moments during mega-cap tech earnings (which’ll roughly coincide with the realization of sundry physical “friction” in the energy space).

But as Charlie wrote Wednesday, “in the meantime,” funds and traders “are back to chasing performance they haven’t captured.”

THE S&P 500 HAS RECOVERED EVERYTHING!

Whew! What a strong bounce back! After an ostensible “Cease-Fire” was declared for three weeks, the momentum has remained extremely strong. As of Thursday, 4/16 morning, the S&P 500 has bounced back, 2.94% to cross it’s previous high of 6,986.and 11.08% from its low. And as I showed in the previous slides a lot of it seems to be systematic or computerized trading.

At present, the S&P 500 is comfortably 6% above its 200DMA of 6,607.92, which should provide a strong support level for the market.

I’m still hopeful of the trend continuing for another 2 weeks for the initial busy earnings seasons, but we are possible double top for the S&P 500 at 7,000.

	4/10/2026	04/16/2026	Change	Weekly Low	All Time High	Difference from high	High to Low	Bounceback	10% drop from high
S&P 500	6,816.89	7,017.07	2.94%	6,316.91	6,986.33	0.44%	-9.58%	11.08%	6,287.70
Nasdaq Comp	22,902.89	23,975.80	4.68%	20,690.25	24,014.99	-0.16%	-13.84%	15.88%	21,613.49
200 DMA Exp- S&P 500	6,593 Breached since			03/19/2026	Current 200 DM	6,607.92		6.19%	

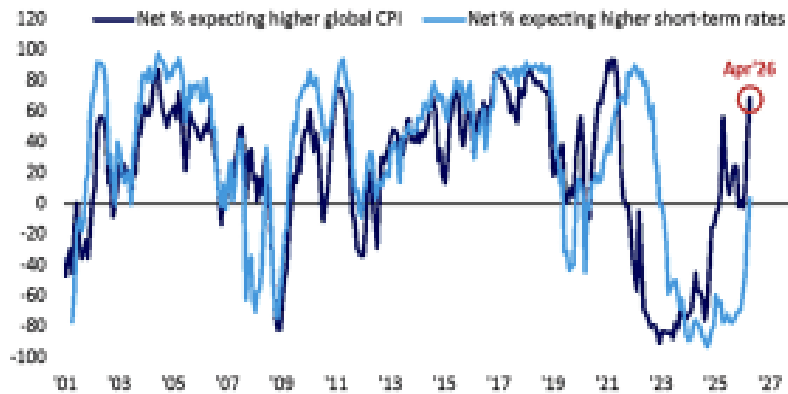
IRAN WAR BLOWS UP PROFESSIONAL INVESTOR SENTIMENT

The war with Iran triggered a surge in a survey measure of professional investors' inflation expectations. The same poll showed a marked deterioration in asset allocators' growth outlook.

Key takeaways from the April edition of BofA's closely-watched Global Fund Manager poll, released on Tuesday.

Chart 1: Big jump in inflation expectations means investors have priced out rate cuts

Net % FMS expect higher global inflation vs net % FMS expect higher short-term rates



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

Chart 5: Global growth expectations drop to lowest since Aug'25

Net % FMS expect stronger global economy vs S&P 500 YoY %



Source: BofA Global Fund Manager Survey

BofA GLOBAL RESEARCH

IRAN WAR BLOWS UP PROFESSIONAL INVESTOR SENTIMENT

Percentile rank of FMS growth expectations, cash level, and equity allocation



IRAN WAR BLOWS UP PROFESSIONAL INVESTOR SENTIMENT

The figure on the left, below, shows the jump in those expecting higher inflation — and a concurrent increase in the net share who expect higher short rates. That latter metric is now in positive territory, which is to say investors have priced out rate cuts. As the figure on the right shows, global growth expectations, which had moved solidly into net positive territory, plunged to -36%, the lowest in eight months.

It wasn't all bad news. Cash levels were steady at 4.3%. Although that's the highest since May, it's not "high" in any historical sense.

While the share of panelists who said "hard landing" is the most likely outcome for the global economy was the highest since September, "high" is a relative term there too: That share's just 9%, even after tripling this year.

The figure below shows the survey's overall sentiment metric. It rolls up cash levels, stock allocations and global growth expectations.

IRAN WAR BLOWS UP PROFESSIONAL INVESTOR SENTIMENT

- Although the measure fell nearly two full points in April from March, it's not in disaster territory.
 - BofA's Michael Hartnett called this "the most bearish Fund Manager Survey since June 2025," but said the precipitous drop in growth expectations and the most onerous subjective inflation outlook since March of 2022 may be "contrarian positive for risk assets so long as the ceasefire sends oil prices below \$84/bbl."
 - I could tell a blockade joke, but they all seem too obvious.
-

SOFTWARE GROWTH STOCKS HAVE BECOME VERY CHEAP

Goldman runs an “evolving screen” for such growth companies. They’ve underperformed since October to a degree rarely seen on a 15-year lookback. A majority of these fall under SaaS, Enterprise Software and Cybersecurity that have got killed because of AI.

The figures below give you a sense of absolute and relative six-month performance. On the left, you can clearly see the impact of the AI disruption scare in late-January/early-

February, followed by a partial recovery and then another leg lower as the bombs started falling on Iran.

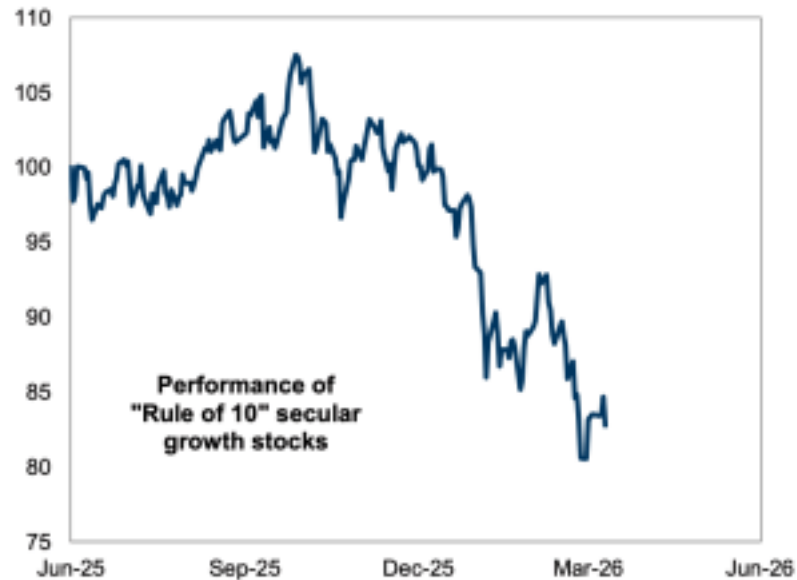
I believe that some fears are overdone and this is not the right time to sell these stocks, which are in the portfolio.

Cadence, (CDNS), Synopsis (SNPS), Duolingo (DUOL), DoorDash (DASH), Figma (FIG) Reddit (RDDT), Snowflake (SNOW), Zscaler (ZS) Rubrik (RBRK), Service (NOW), CrowdStrike (CRWD),

S&P 500 BOUNCE BACK – GROWTH STOCKS

Where do we go from here – should we continue to ignore growth stocks?

Exhibit 2: Secular growth stocks remain well below their October 2025 highs
equal-weighted average, rebalanced semiannually



Source: Goldman Sachs Global Investment Research

Exhibit 3: Long-term performance of Rule of 10 secular growth stocks
equal-weighted average, rebalance semiannually



Source: Goldman Sachs Global Investment Research

GROWTH STOCKS

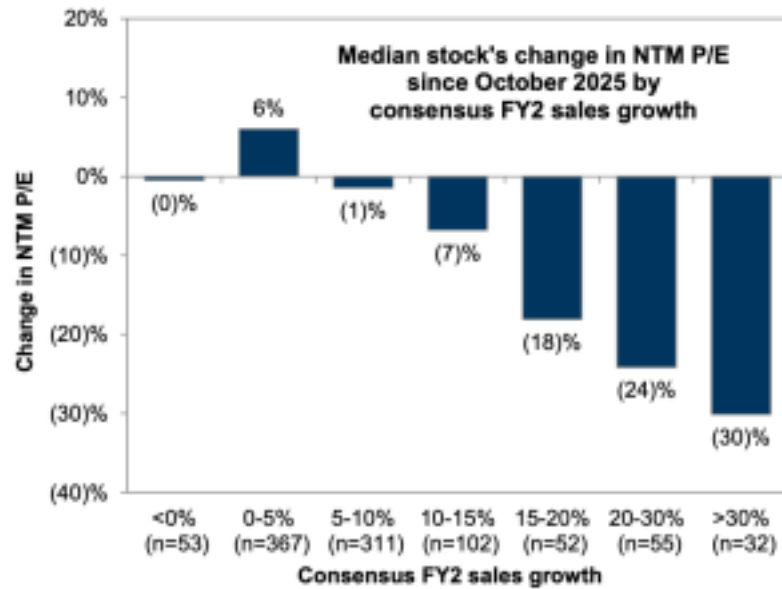
- If you're curious, there were nearly three-dozen S&P stocks which met Goldman's secular growth criteria headed into this week, the most ever. Almost a third of them were software companies and "a number of others" had significant "exposure to AI investment and uncertainty," as the bank's Ben Snider put it.
 - The question's whether — checks notes — almost 30ppt of underperformance since October versus the equal-weighted S&P counts as overdone. Headed into this week's big jump secular growth stocks were still down 20% compared to 2% for the broader based index.
 - Moreover, the de-rating in the highest-growth shares is quite dramatic: 30% in fact (on the left). And Goldman's basket trades at "just" 27x (on the right).
 - No, 27x isn't "cheap" on any conventional definition, but it's bargain in the post-pandemic context.
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GROWTH STOCKS

- The premium to the median stock is less than 50%, among the lowest
 - of the post-GFC era.
 - This isn't just a software phenomenon, by the way. So, the analysis isn't irrelevant even if
 - you're all-in on the software apocalypse narrative (as a quick aside, my own recent
 - “conversations” with Claude suggest that narrative's overdone, or at least if basic math
 - errors on “his” part are any indication).
 - “Even excluding Software, many secular growth stocks have recently underperformed
 - and trade at discounted valuation multiples relative to the past decade,” Snider went on,
 - noting that the median non-Software secular grower trades at 29x. The premium to the
 - median S&P stock, 53%, “is close to the bottom of the range during the past 10 years.”
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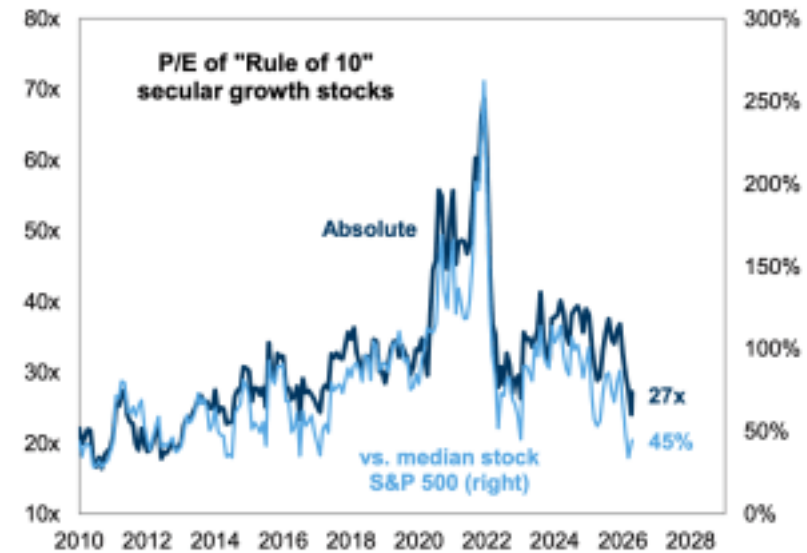
GROWTH STOCKS

Exhibit 4: High growth stocks have de-rated sharply
based on universe of Russell 1000 stocks



Source: FactSet, Goldman Sachs Global Investment Research

Exhibit 5: Rule of 10 secular growth stocks have also de-rated



Source: FactSet, Goldman Sachs Global Investment Research

EARNINGS SEASON

FactSet: S&P 500 Could Report Earnings Growth of 19% for Q1

The current earnings growth rate for the S&P 500 for the first quarter is 12.6%, which would mark the 6th consecutive quarter of double-digit (year-over-year) earnings growth reported by the index. Given that most S&P 500 companies report actual earnings above estimates, what is the likelihood the index will report earnings growth of 12.6% for the quarter?

Based on the average improvement in the earnings growth rate during the earnings season, the index could report earnings growth of 19% for Q1. This would be the highest earnings growth rate reported by the index since Q4 2021 (32.0%). This 32% YoY growth was an anomaly because it lapped Q4-2020 (Covid-19) earnings, so a 19% growth is very, very impressive.

When companies in the S&P 500 report actual earnings above estimates during an earnings season, the overall earnings growth rate for the index increases because the higher actual EPS numbers replace the lower estimated EPS numbers in the calculation of the growth rate. For example, if a company is projected to report EPS of \$1.05 compared to year ago EPS of \$1.00, the company is projected to report earnings growth of 5%. If the company reports actual EPS of \$1.10 (a \$0.05 upside earnings surprise compared to the estimate), the actual earnings growth rate for the company for the quarter is now 10%, five percentage points above the estimated growth rate (5% + 5% = 10%).

EARNINGS SEASON

In fact, the actual earnings growth rate has exceeded the estimated earnings growth rate at the end of the quarter in 37 of the past 40 quarters for the S&P 500. The only exceptions were Q1 2020, Q3 2022, and Q4 2022.

Over the past ten years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 7.1% on average.

Over the past five years, actual earnings reported by S&P 500 companies have exceeded estimated earnings by 7.3% on average.

Over the past four quarters (Q1 2025 through Q4 2025), actual earnings reported by S&P 500 companies have exceeded estimated earnings by 7.2% on average.

Thus, using the most conservative average improvement of these three periods, the index could report year-over-year earnings growth of 19.0% for Q1.

How are the numbers trending to date? Of the 20 S&P 500 companies that have reported actual earnings for Q1 2026 through April 10, 80% have reported actual EPS above the mean EPS estimate. In aggregate, actual earnings reported by these 20 companies have exceeded estimated earnings by 15.7%. However, downward revisions to EPS estimates since the end of the quarter have more than offset these positive EPS surprises to date. As a result, the earnings growth rate for the S&P 500 has decreased by 0.6 percentage points since March 31 (to 12.6% from 13.2%). The interesting thing this time around is that a few M-7 stocks are lower than they were a quarter ago, and springboard from these lows, the post earnings bump could be very impressive.

STOCKS

I am holding on to all these purchases made in the last two to three weeks but will take a call after earnings season.

Bought Advantest (ATEYY) \$133.42

Bought Microsoft (MSFT) \$365

Bought Micron Technology (MU) \$325

Bloom Energy (BE) \$132.72

Bought American Express, (AXP) \$300.94

Bought Reddit (RDDT), \$126.62

Bought Netflix (NFLX) \$94.75

Bought Nebius (NBIS) \$97 – Sold but still have more than 9% in Nebius.

Bought Nokia (NOK) \$7.95

Bought Vertiv (VRT) \$237.77

STOCKS

Also holding on to these purchases:

Bought Broadcom (AVGO) \$349

Trade Alert: Bought Nokia (NOK) \$9.11

Trade Alert: Bought Rocket Labs (RKLB) \$71.9

Trade Alert: Bought Pure Storage (PSTG) \$65.59

Trade Alert: Bought Rubrik (RBRK) \$55.60

Trade Alert: Bought Roblox (RBLX) \$60.34

STOCKS AI REVENUES

Anthropic and Open AI provided their Annual Revenue Run rates, which are quite strong at \$30Bn and \$25Bn, respectively.

I compiled these from estimates and earnings calls to see how the others are faring, and while early, these numbers are growing pretty fast.

Alphabet – Azure, and Gemini, primarily. It also makes its own semis for AI.

Amazon – AWS, mainly but Andy Jassy suggested that they could supply chips to others like the way they started the AWS business.

Company	Est - AI Revenue/ Revenue Run Rate
Alphabet	\$12-\$15Bn
Amazon	\$15 to \$18Bn
Microsoft	\$25 to \$30Bn
Meta	\$25 to \$30Bn
Anthropic	\$30 Bn
OpenAI	\$25 Bn

STOCKS AI REVENUES

Microsoft's AI revenues are coming from Azure and also from CoPilot/

Meta attributes about 10-15% of its total revenue of \$245Bn from better AI targeting, which is a reasonable amount. Its embedded AI.

Besides, there are several other companies such as Service Now, Palantir, Snowflake, Databricks, Oracle, IBM that get service revenues from embedding AI into their own products or charging extra for AI modules. Some like Snowflake and Databricks are the building blocks such data lakes and data warehousing that enables AI.

In my opinion all of these suggest that Capex spenders are recovering revenue from the spending and even as revenue trickles in it will continue to keep the spigots open.

I would be patient and update after Q1 earnings.
