06/04/2026

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 – WHAT A HISTORIC RALLY

A possible top suggests that investors could be taking a breather:

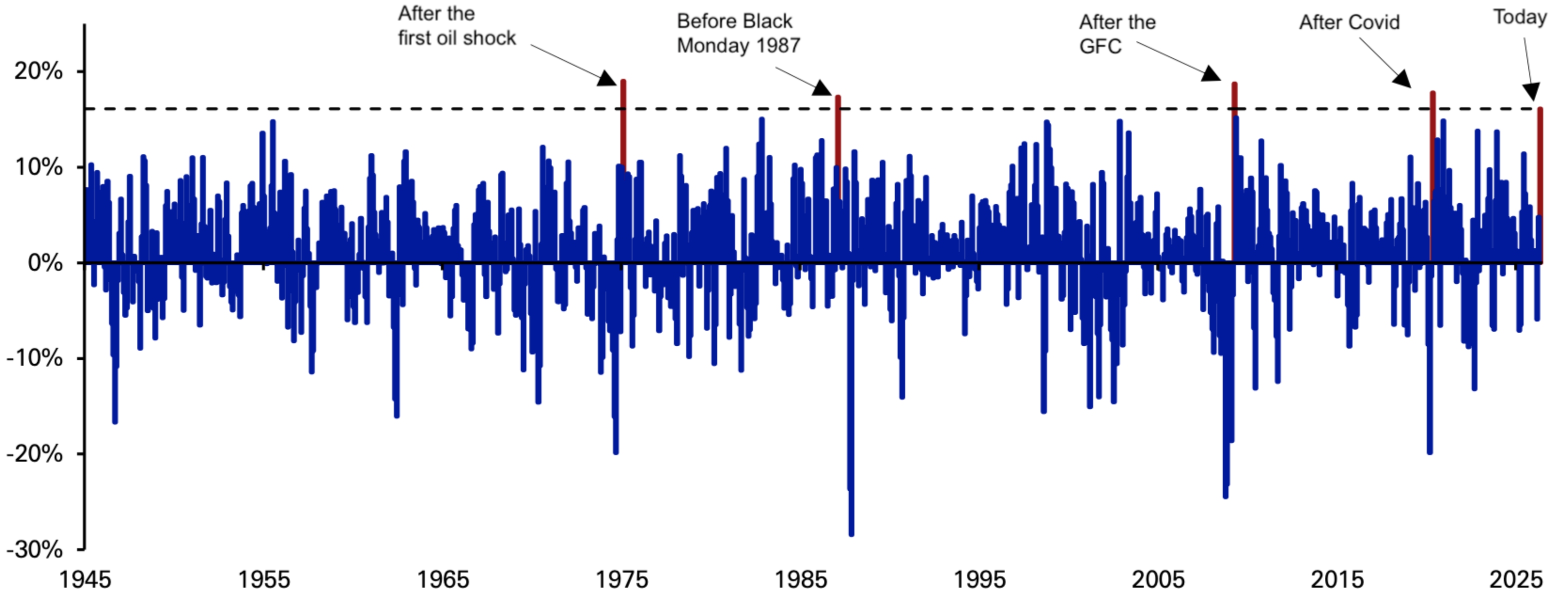
In my previous newsletter, I posited that the S & P 500 had topped out at 7,517.12 on May 14, but clearly, investors don't believe so, closing the Memorial holiday week at 7,580.06 - a 1.5% gain in a market that continues to make new highs and records. I may be wrong on the market topping out, but a breather is needed and even as the index holds up on the strengths of Nvidia, Apple and the other M-7s, a lot of stocks in our AI datacenter, semiconductor and neoclouds segments are taking a breather.

	05/29/2026	06/04/2026	Change	Iran War Low	Top - 05/14/2026	Bounceback at top	Pullback
S&P 500	7,580.06	7,553.67	**-0.35%**	6,316.91	7,517.12	**19.00%**	0.49%
Nasdaq Comp	26,972.62	26,699.32	**-1.01%**	20,690.25	26,707.14	**29.08%**	-0.03%
S&P 500 - 20 Day Moving Average						**7,457.38**	

THE S&P 500 – WHAT A HISTORIC RALLY

This 16% change in two months is only the 5th in 81 years!

Figure 1: Two-month change in the S&P 500 - the index was up 16% over April and May 2026, and since WWII we've only seen gains this rapid coming out of recessions, or before a major market crash



Source : Bloomberg Finance LP, Deutsche Bank

THE S&P 500 – WHAT A HISTORIC RALLY

The figure above's from Deutsche Bank's Henry Allen, and it puts the surge from the Iran war lows in historical context. Simply put: This is, on one vector anyway, history's most anomalous rally. There are precious few post-War examples of the S&P rising this rapidly over such a short time frame, where "precious few" means just four. Three of those episodes occurred during recession recoveries. The other a few months before Black Monday.

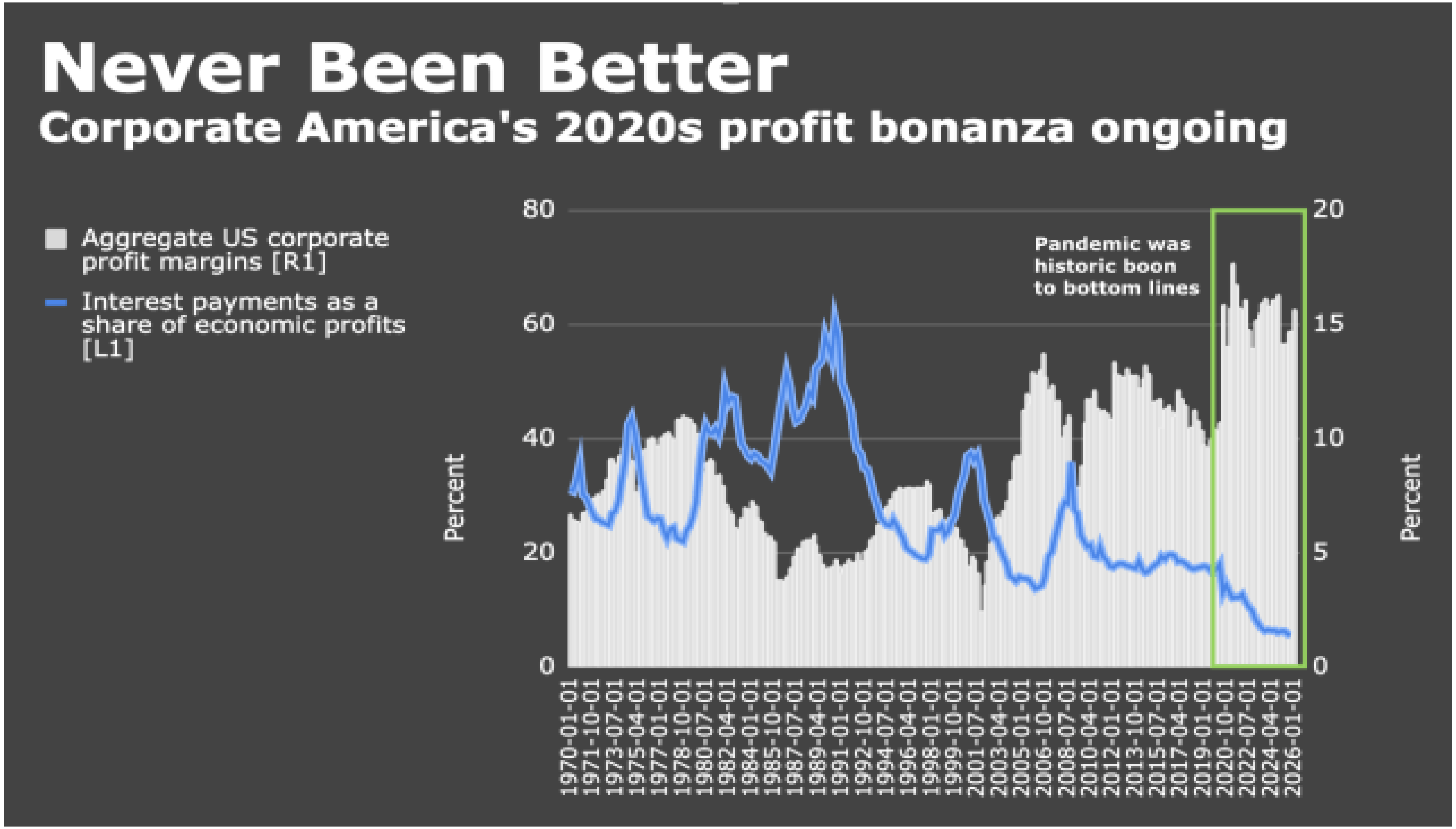
Allen offered some foreboding commentary. "Despite the catalysts driving today's advance (e.g., AI excitement, strong data), the speed of the rally is now bucking all recent precedents for an economy that isn't emerging from recession," he said, cautioning that "we're still in an environment of heightened geopolitical risk, and markets are now pricing in a Fed hike as more-likely-than-not for 2026 as well. "That latter point — about the prospects for Fed tightening — is particularly concerning, Allen suggested. "Fed hawkishness has been correlated with several multi-asset selloffs of recent years, including 2015-16, late-2018, and 2022," he said.

THE S&P 500 – WHAT A HISTORIC RALLY

And yet, it's important to consider the fundamentals.

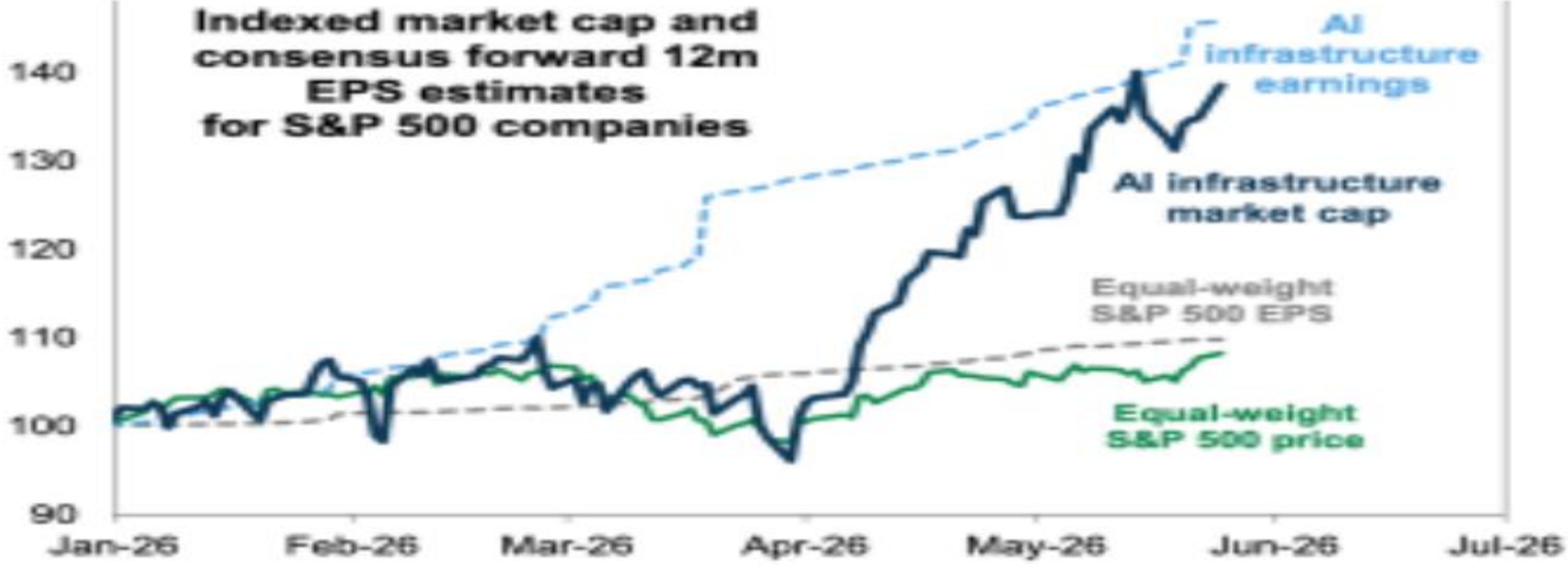
I've been on (and on) about Q1 earnings season, when S&P 500 companies collectively grew the bottom line by more than 25%, the strongest since 2021 (and in decades if you exclude that year).
I've also been keen to emphasize that it's not "just Anthropic paper gains," nor is it "just mega-cap tech." S&P 500 earnings growth in Q1 2026 was 18% excluding the Anthropic write-up at Amazon and Alphabet, and the median company grew the bottom line by 14%.
If you're still unconvinced, have a look at the figure below, which uses the latest BEA data to give you the broadest possible picture of margins across businesses in the US. **First note that we remain in a historic profit bonanza**. Even at the local lows, margins were still far higher than any pre-2020s quarter. Moreover, Q1's 15.6% marked a re-acceleration and counted as the highest since Q4 of 2024.
The blue line in the figure shows you corporates' interest burden as a share of profits.
Long story short: That share's never been lower. **The fundamentals, as they say, are sound**. **As Allen's colleague Jim Reid remarked on Wednesday, a 10th consecutive advance for the S&P this week would be the longest weekly run since 1985.**

THE S&P 500 – WHAT A HISTORIC RALLY



THE S&P 500 – WHAT A HISTORIC RALLY

Why is the market still rallying? Record earnings growth.



Source: FactSet, Goldman Sachs Global Investment Research

THE S&P 500 – WHAT A HISTORIC RALLY

Look at how strong the earnings growth and revisions have been in the past 5 months and its breadth of revisions in a historical context. This is really, really powerful and the prime reason for such a huge and historical rally. Chip stocks have powered the S&P 500 up 16% across April and May, a two-month surge matched only four other times since 1950, according to Dow Jones Market Data. And this is interesting, past data suggests that the index was higher six months later each time, by a median 17%.

And even after this historic surge, many on Wall Street are riding the wave, lifting their year-end targets for the S&P 500 in defiance of the Middle East conflict and rising inflation. Analysts at Goldman Sachs just raised their year-end target for the index to 8,000 from 7600, implying a 5.5% rise over the rest of the year on top of the 11% gain since the end of December.

Some analysts said the moves are justified by the blockbuster profits that chip makers have posted in recent weeks and expect the spectacular spending on chips to grow as the artificial-intelligence build-out progresses.

THE S&P 500 – WHAT A HISTORIC RALLY

Source: FactSet, Goldman Sachs Global Investment Research

THE S&P 500 – WHAT A HISTORIC RALLY

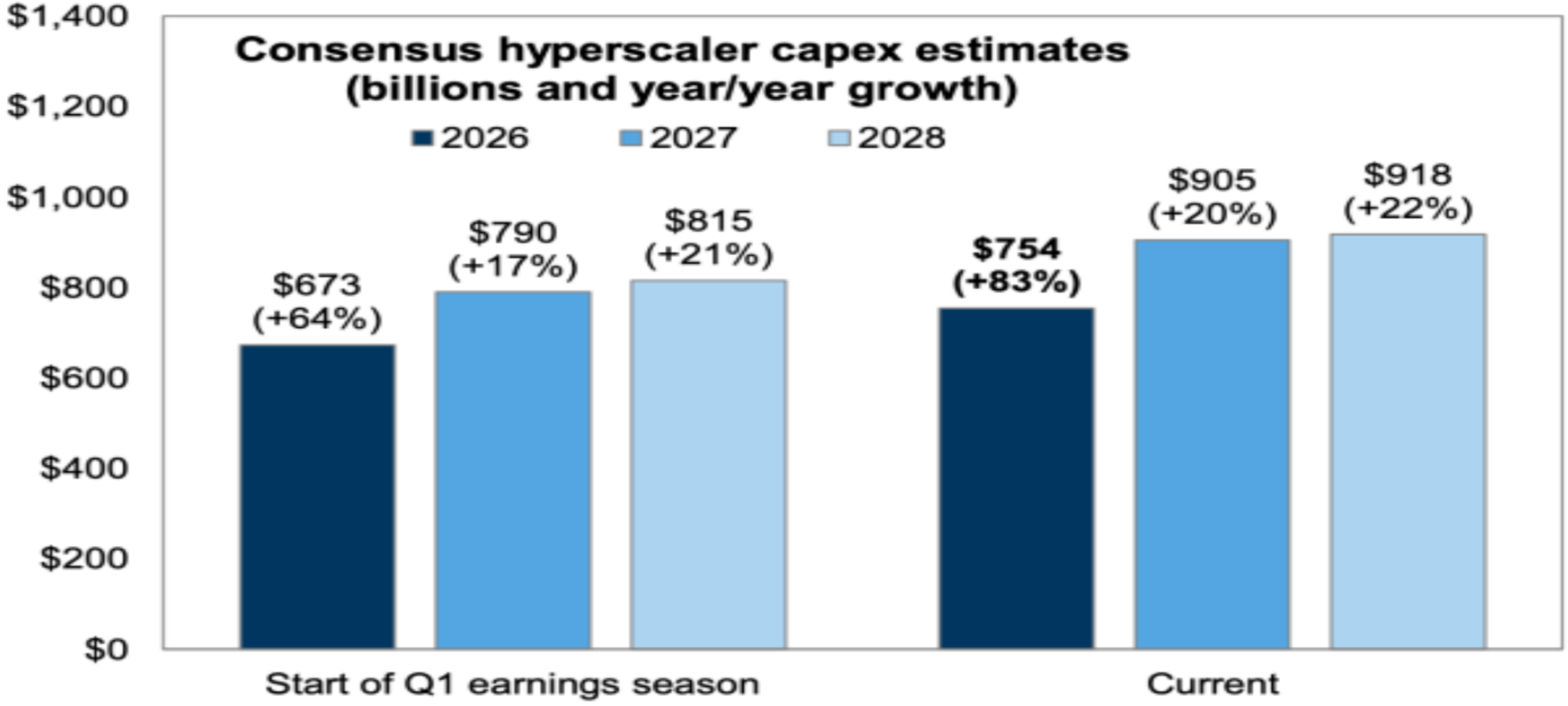
“The AI train is moving forward,” said Joe Tanious, chief investment strategist for North America at Northern Trust Asset Management. “You don’t necessarily want to try to stop it or sit on the sidelines. ”The $754 Bn AI infrastructure Capex gravy train doesn’t stop, and in fact increases by a further 20% in 2027, and another 22% in 2028, as we can see from the chart below. This is carrying the economy, and the primary reason why even the war, soft economic data, high inflation and weak consumer sentiment are not stopping the markets from making new records.

Google just announced plans to raise $80Bn in equity, I believe this is to strengthen the balance sheet, - which means that can take additional debt if needed to fund Capex.

I suspect some of the other cloud service providers and hyperscalers will follow – which means Capex will continue but we will have to very careful about valuations.

THE S&P 500 – WHAT A HISTORIC RALLY

The AI gravy train is moving forward.



Source: FactSet, Goldman Sachs Global Investment Research

THE S&P 500 – WHAT A HISTORIC RALLY

Goldman aims for 8,000:

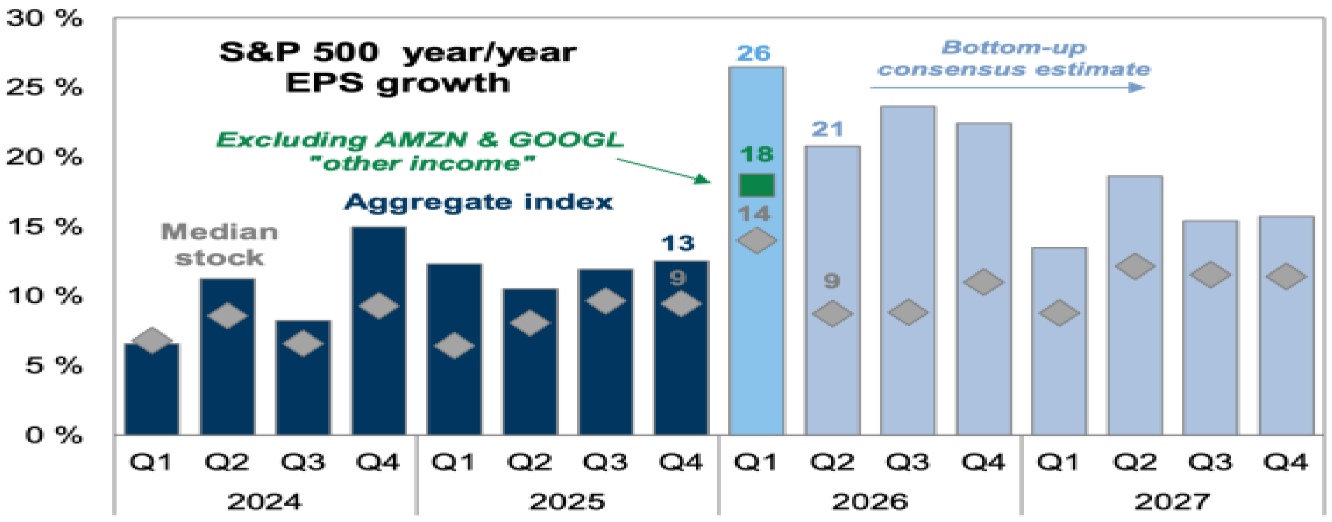
Exhibit 1: Continued earnings growth should drive continued equity market upside

Source: Compustat, Goldman Sachs Global Investment Research

THE S&P 500 – WHAT A HISTORIC RALLY

Goldman aims for 8,000: Last week Goldman Sachs chief strategist, Ben Snider put out an 8,000-price target on the S&P 500, citing the extraordinary 24% S&P 500 earnings growth in 2026, followed by a further 13% growth in 2027, taking S&P 500 earnings up to $385 per share. When one of the best known and followed firms puts out a high target, investors will listen.

Exhibit 17: Earnings growth was exceptionally strong in Q1



Source: Compustat, FactSet, Goldman Sachs Global Investment Research

DELL SPARKS OFF INFRASTRUCTURE RALLY

Dell

A monster report from Dell, which we recommended and bought, was solid proof and confirmation that AI demand for artificial intelligence servers is escalating, and that too across CPUs and on-premise computing.

Here is a summary of the report, which really blew the doors off.

Q1 Non-GAAP EPS of $4.86 beat by $1.96.

Revenue of $43.84B (+87.5% Y/Y) beat by $8.46B.

"We booked $24.4 billion in AI orders and recognized $16.1 billion of AI server revenue. We're increasing our AI server revenue expectations for FY27 to $60 billion, which only goes to show the AI opportunity shows no signs of slowing."

DELL SPARKS OFF INFRASTRUCTURE RALLY

Guidance Summary

Second-quarter FY27 revenue expected between $44.0 billion and $45.0 billion vs consensus of $36.58B, up 49% year over year at the midpoint of $44.5 billion

Second-quarter FY27 GAAP diluted EPS expected to be $4.48 at the midpoint, up 164% year over year, and non-GAAP diluted EPS to be $4.80 at the midpoint vs consensus of $2.73, up 107%

Full-year FY27 revenue expected between $165.0 billion and $169.0 billion vs consensus of $144.93B, up 47% year over year at the midpoint of $167.0 billion

Full-year AI-Optimized Servers revenue expected to be roughly $60 billion, up 144% year over year

Full-year FY27 GAAP diluted EPS expected to be $17.31 at the midpoint, up 99% year over year, and non-GAAP diluted EPS to be $17.90 at the midpoint vs consensus of $13.42, up 74%

Just the size and the magnitude of the beats and revised expectations show how well the company is doing, and how much further it could still run.

SNOWFLAKE MAKES SAAS SASSY AGAIN

Snowflake

A stellar report from Snowflake - Why is this important. It reassured investors that SaaS was still sassy and not left for dead. SaaS accounts for roughly $1.5 to $2Trn out of a $28Tr economy and notions of “SaaSmageddon” really spooked this segment of the market for months.

Q1 Non-GAAP EPS of $0.39 beat by $0.07.

Revenue of $1.39B (+33% Y/Y) beat by $70M.

Net revenue retention rate of 126%

Guidance raised for fiscal 2027:

Product revenue of $5,840 million, representing 31% year-over-year growth, up from previous guidance of $5,660 million, or 27% year-over-year growth

SNOWFLAKE MAKES SAAS SASSY AGAIN

SNOW jumped 40% after earnings and auguring well for several SaaS and Cyber Stocks that were left for dead. In tandem, these too shot up.

Workday (WDAY) up 16%, ServiceNow (NOW) up 20%, Figma (FIG) over 20%, Microsoft (MSFT) edged up 3.7% as it prepares to reveal new AI models during its Build 2026 conference next week. Oracle (ORCL) jumped 8%, monday.com (MNDY) climbed 6%, and GitLab (GTLB) popped up 7.5%. Atlassian (TEAM) was also posting one of the day's most significant gains and had soared 11%. Cybersecurity software firms joined the rally as well. CrowdStrike (CRWD) increased 7.5%, Rubrik (RBRK) leaped nearly 9%, Fortinet (FTNT) edged up 4%, and Palo Alto Networks (PANW) gained 6.3%.

I am closely taking another look at these, which still have opportunities.

Figma (FIG) $26, Freshworks (FRSH) $10.50, Cadence Design Systems, Inc. (CDNS) $392

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NEW PURCHASES - SIMO

Silicon Motion Technology Corporation (SIMO) $279 A small company, high risk/high reward data center supplier, small position. Leading SSD controller supplier Silicon Motion (SIMO) is forecasting record revenue in 2026, yet the growth story still appears driven primarily by its more established markets across mobile, PC and automotive rather than by a major breakout in AI or data center. In the near-term, SIMO is guiding sequential revenue growth throughout the year, primarily driven by the mobile revenue segment with management stating: “We expect continued strength across nearly all our product segments with a particular emphasis on mobile where we expect significant outperformance due to continued market share gains.” Data center revenue gains could surprise on the upside.

Positives

The company is supplying controllers for Nvidia’s BlueField DPUs in the second half of the year, along with several NVLink and Ethernet switch solutions. Management added that the next-gen DPU and switch both require higher capacities, with much higher unit volumes and ASPs, unlocking a new growth opportunity in the back half of the year through 2027. Although this is not nearly as critical (or as valuable) as SSD like what SanDisk offers, which is the main data storage, supplying the boot-storage marks a shift for SIMO as their products will now be in AI servers. Ai/Data center revenue could reach 10% of total revenue in FY2027, lifting growth and multiples.

NEW PURCHASES - SIMO

Negatives

NAND procurement: The memory and storage market creates significant challenges, with NAND prices continuing to rise sharply with a sequential increase of about 55% to 60% in the first quarter of 2026. AI adoption has driven significant demand across all memory and storage technologies, including HBM, DRAM, NAND and HDD, combined with the low NAND bit growth and insufficient DRAM capacity led to significant scarcity, negatively impacting many markets including smartphone and PC, particularly in the low end.

No memory pricing upside: SIMO sells the controller silicon and firmware that manages the NAND which does not benefit directly from pricing upside.

The stock has already gone up 380% this year and could be priced to perfection and remain range bound

Valuation

Three years forward.

P/S 6 Sales Growth 15% P/S Growth 0.4 - Needs to be cheaper

P/E 34 Earnings Growth 25% PEG 1.5 OK

Operating Margin 15%

NEW PURCHASES - MXL

Max Linear (MLT)
Industry/Sector/Type - Semis - fiber optic components/data center networking/cyclical, pivoting to secular growth
Biggest catalyst for the stock - Data center demand for CPOs (co-packaged optics) and optical fiber and components for networks.
I bought a small quantity today. This is a small cap high risk / high reward hence the small position.
MaxLinear is another under-the-radar optical networking beneficiary, supplying a range of components within optical transceivers, with its most notable being optical DSPs for 400G, 800G and 1.6T sizes
Positives
Base modules seeing strong demand: The company is seeing strong demand emerge for its Keystone DSP family, with management raising its 2026 revenue forecast for Keystone by >40% already, from $100-130 million to $150-170 million. Impressively, this growth is being driven by 400G and 800G modules as the 1.6T product, Rushmore, has yet to ramp.
Higher ASPs from more expensive products: The pivot upstream to ramping more heavily on 800G and 1.6T is expected to benefit both revenues and margins from higher ASPs, but it also opens the door for a prolonged revenue runway as 1.6T growth is expected to maintain strong through 2027 with attach rates increasing with larger GPU systems.

NEW PURCHASES - MXL

MaxLinear added in Q1 that customer engagement for Rushmore is accelerating faster than expected, with production ramps expected in late 2026 with strong revenue growth continuing into 2027.

MaxLinear has a few advantages on its side – it has design wins across all optics module vendors globally, with CEO Kishore Seendripu explaining that the “success of Keystone makes us an incumbent, right? And the power of incumbency is the ability to have relationships with the cloud customers, the module makers, the confidence in your ability to supply and the quality of your product.” Broader industry dynamics suggest that this shift upstream from 400G to 1.6T could be quite lucrative, looking beyond the simple ASP growth story. This is because MaxLinear will soon be playing in a much larger market of growth, and also because optics attach rates are expected to increase rapidly as Nvidia’s Vera Rubin platform comes online.

Negatives

Commodity low margin business seeing strong growth cycle: Fundamentally, margins have remained pressured and cash flows are quite thin, but there are some green shoots emerging as MaxLinear is forecasting a return to GAAP operating profitability in Q2 for the first time in three years.

Lots of competition: They are not the first with 1.6T against their two incumbent competitors, most likely to be Marvell and Broadcom. While competition against these two incumbents will be challenging, considering MaxLinear’s size, even a tiny gain in market share could translate to substantial revenue growth.

The stock has shot up from $12 just a year ago - 7x, so expect gains to be muted from these levels.

Valuation - A bit stretched but becomes tolerable if guidance is conservative and Max ends up growing much faster.

P/S 12 Sales Growth 30% P/S Growth 0.4 P/E 70 Earnings Growth 40% PEG 1.75

NVIDIA'S SHOUT OUT TO MARVELL SENDS THE STOCK SOARING

Marvell Technology (MRVL) shares rose even further after Nvidia (NVDA) CEO Jensen Huang said it could be the next trillion-dollar company. Wall Street jumped on the bandwagon. Evercore praised Marvell as a “strategic supplier” for artificial intelligence. Speaking alongside Marvell CEO Matt Murphy at the Computex show in Taipei, Huang outlined his vision on Tuesday, stating that the next phase of AI infrastructure will shift from traditional copper interconnects to optical networking technologies.

“When you take a computing problem, and you disaggregate it into a lot of parts, and you distribute it across the entire data center, what's necessary is connectivity,” Huang said. “That's the reason why Matt's doing so well,” Huang added, referring to Marvell CEO Matt Murphy. “That's the reason why Marvel is so essential.”

Evercore analyst Mark Lipacis said he was encouraged after speaking to company executives. “We came away with greater conviction towards our bull-case [price target] of $462 as the company is increasingly viewed as a strategic supplier in both networking and XPU/XPU-Attach, and experiencing robust & burgeoning demand across an increasing set of products that should persist over multiple years, including scale-out (DSP, Ethernet Switch), scale-up (CPO, NPO), scale-across, custom XPU and XPU-attached solutions,” Lipacis wrote in a note to clients.

Lipacis, added the company is likely to see upside to its optical networking revenue (and to some extent, switching), as it can increase supply, including “building ahead of module maker orders based on mapped architectures enabling increase from 30% to 70%+ interconnect [revenues] forecast in 6 [months].”

NVIDIA AND MICROSOFT'S NEW PARADIGM

One of the most important announcements of GTC Taipei was the Nvidia- Microsoft PC collaboration:
The most obvious winner turns out to be ARM (ARM) but with a 27% jump in the past week, and now at 187x earnings and 73x sales it is far too expensive even as a monopoly, so it will be the one that got away.
Nvidia and Microsoft are also winners, and I own decent stakes in both of them, with a likelihood of adding on declines. These are ideal for the portfolio, but with $5.4Tr and $3.4Tr in market cap, a 12-15% return per year for these behemoths is pretty darn good, and they won't fall as much in a market downturn. And they will prop up or set a floor for the index with their large capitalizations and weight in the S&P 500.
Here are more details on the collaboration.
This is a paradigm shift and changes personal computing for the future. The adoption of this paradigm will take a while as usual, but it will likely become the default standard.
The truly industry shaking part of the announcement was the arrival of the long awaited Nvidia SOC meant for Windows laptops. It is now called RTX Spark, and it is the chip that has been long rumored to be the result of a collaboration with MediaTek. Nvidia did not merely announce new chips, but in concert with Microsoft (MSFT), it announced the next step in the convergence of AI and computing operating systems. Analysts for some time have been predicting that AI and computer operating systems would eventually merge, so that the main user interface would be the AI. In order for this to happen, the computer hardware has to be able to host the AI locally, on device. This is the only way to assure security and privacy for the user. Most existing PCs, whether Windows and Apple (AAPL) devices, don't have the computing power to host a useful generative and agentic AI on device. But computing hardware is evolving rapidly, and I believe that the next generation of Windows PCs and Macs will be capable of hosting highly capable agentic AIs.

DECENT JOB GROWTH

ADP Payrolls report: In another encouraging sign, the ADP payrolls report with 122,000 net new private sector jobs turned out to be better than anticipated.

US private sector employers hired in May at the fastest pace of any month during Donald

Trump’s second term, ADP data released on Wednesday suggested.

The three-month average is now 96,000, the strongest since last year’s tariff blitz undercut hiring momentum. Nela Richardson, ADP’s chief economist, was unequivocal. “Hiring was more broad-based in May than we’ve seen in the last few years,” she said. “The labor market continues to show sustained momentum going into the summer hiring season.”

A quick look under the hood — and that’s all you need for this particular release — suggests very little in the way of bear spin opportunities.

As ADP noted right up front, “eight out of 10 super sectors showed gains,” and every size category added jobs. The “poles” (so to speak) showed the strongest hiring impulse: The smallest employers added 49,000 new workers, the largest 40,000.

Education and health services led gains by sector. Only mining and information showed a net loss.

DECENT JOB GROWTH

The figures came on the heels of a JOLTS report showing a dramatic jump in overall job openings in April led by professional and business services and ahead of Friday's all- important BLS release covering May.

"The ADP data points to a broad-based pickup in private hiring despite the ongoing headwinds faced by the labor market," BMO's Vail Hartman remarked. "For now, the momentum suggests the US economy may be in a strong enough position to weather a fresh round of inflationary pressures and geopolitical uncertainty."

There were 7.618 million job vacancies across the US economy on the last business day of April, the BLS said Tuesday. The month-to-month increase in overall job vacancies was the largest since April of 2021. It was also the third-largest of the post-pandemic era and the fourth- largest in the history of the series, which dates to 2000.

Also worth a mention: Openings for businesses with fewer than 10 employees more than doubled, rising 133% from March to April. From the Fed's perspective, the most relevant takeaway was the openings-to-unemployed

Ratio. The so-called jobs-to-jobless ratio was 1.033 in April — so, more than one open job for every American counted as officially unemployed. If you're Kevin Warsh and you want to cut rates, that doesn't help. At all. It underscores the notion that downside risks to the labor market continue to abate. And in case you haven't noticed, upside risks to inflation have only grown. This marks the first time vacancies outnumbered unemployed job searchers since June. Layoffs, meanwhile, fell the most since November and the second-most in over a year.