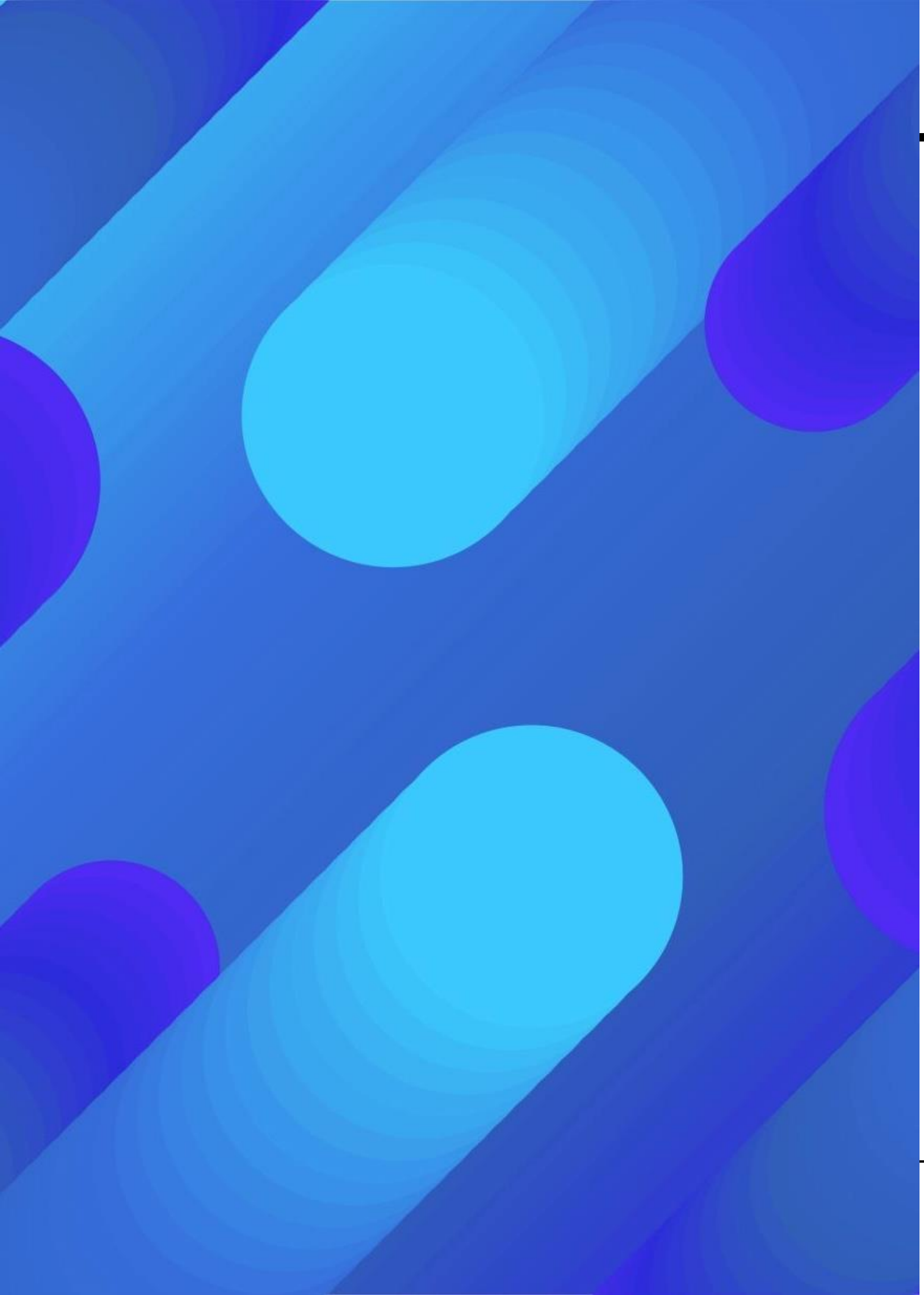


09/03/2026

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.

MARKETS RECOVER FROM THE BIG DROP ON MONDAY

	08/28/2026	09/03/2026	Change	Iran War Low	52 Week High 08/13	Bounceback at top	Change from top	Note
S&P 500	7,711.47	7,747.36	**0.47%**	6,316.91	7,816.70	**23.74%**	-0.89%	Recovered
Nasdaq Comp	26,402.42	26,580.59	**0.67%**	20,690.25	27,190.21	**31.42%**	-2.24%	Monday's big drop
S&P 500 - 50 Day Moving Average					7,551.43	Support level 1		
S&P 500 - 89 Day Moving Average					7,424.14	Support level 2		
S&P 500 - 200 Day Moving Average					7,113.35			

This week has been range-bound with a small 0.47% increase for the week so far. We had a large drop in the S&P 500 because of rising interest rates on Monday, a somewhat subdued Tuesday and Wednesday but a strong recovery today, as Fed governor Waller sent the hawks packing. **If you believed not hiking rates in July was the right move, virtually all of the data received since that month's policy gathering supports the case for a hold at this month's meeting**. That, along with politicization considerations, is why I'm inclined to doubt the idea that Warsh intends to follow through on the threat implicit in his Jackson Hole speech.

That's the context for Waller's remarks to Reuters on Thursday, when Chris suggested he won't support a hike this month in the absence of an adverse CPI update on September 11. His decision will be heavily influenced by what he learns about August inflation. That led to a rally of 1%

MARKETS RECOVER FROM THE BIG DROP ON MONDAY

Waller's opinion matters above and beyond his board seat. He was considered a candidate for Jerome Powell's job, and yields a sizable influence on Fed policy.

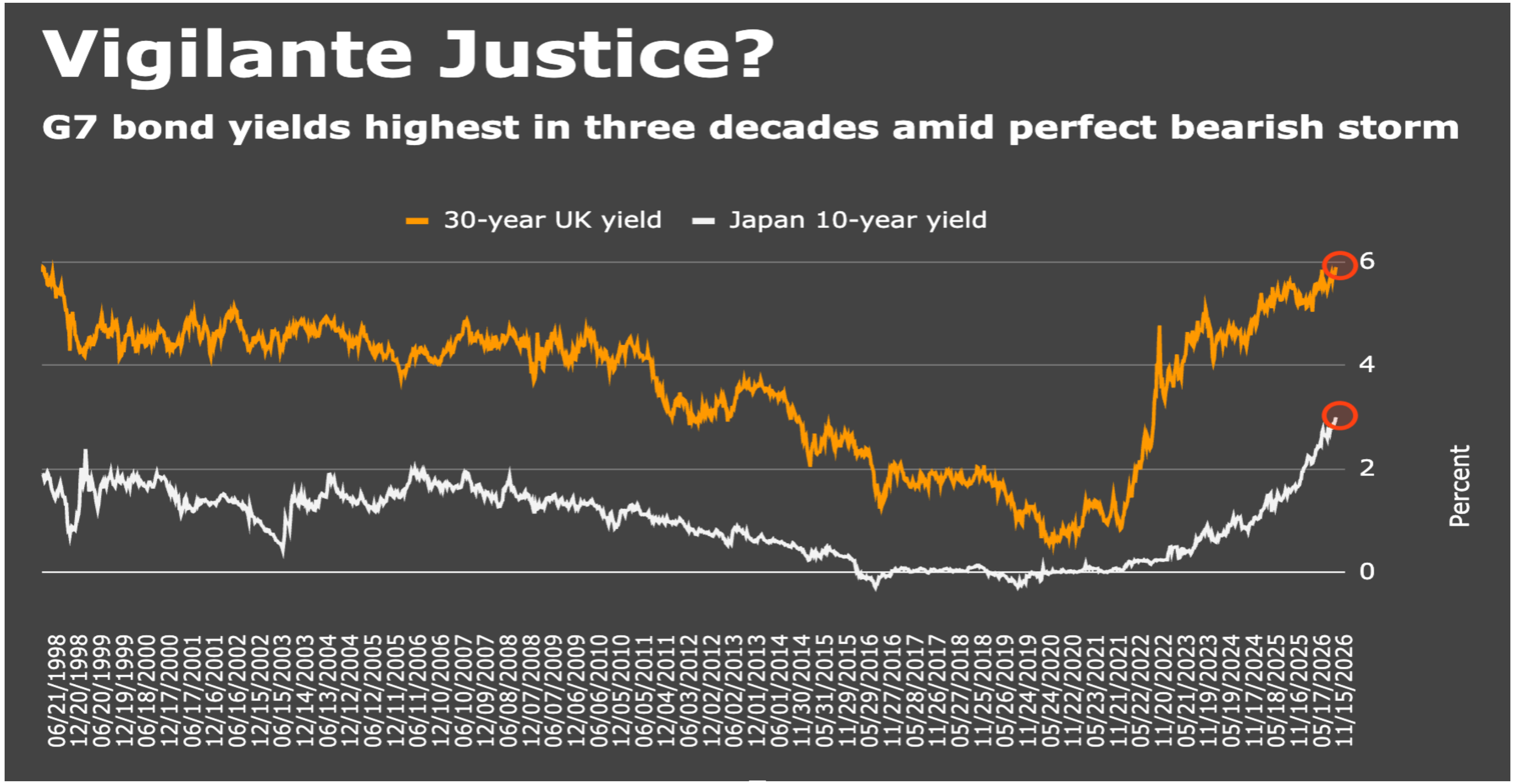
In his Thursday remarks, Waller made his views about the September meeting quite explicit. "If there is continued progress toward our 2% goal, then I am willing to support holding the policy rate at its current level," he said. "But if inflation comes in hot, I would consider a rate hike."

He went on to describe any hypothetical hike as "a small adjustment," as distinct from the beginning of a new tightening cycle. That too could read as dovish.

Bottom line: The BLS would have to tip a "high" 0.3% MoM core CPI increase for August next Friday for Waller to consider a hike.
As he put it Thursday, "I'm going to paraphrase John Lennon here: Give disinflation a chance."

DEBT MARKETS ROILED

The week began with Japan's debt market tanking with the 10-year yield rising to a 3-decade high



DEBT MARKETS ROILED - $200BN CORPORATE DEBT ON THE ANVIL

G7 yields moved higher on Monday, when unbowed vigilantes pushed the envelope amid bubbling oil prices, rate-hike speculation, budget worries and the specter of a very heavy September IG slate. On that latter point, **corporate America will likely sell well more than $200 billion in debt during the post-Labor Day tsunami**, magnifying oversupply concerns that've bedeviled the US long-end all year.

Between that, the resumption of open hostilities in the Gulf and the perception that meaningful fiscal reform across the developed world isn't on the cards, bonds have no friends. On Tuesday, 10-year yields in Japan breached 3% for the first time in three decades. The yield on 30-year gilts which, at 5.90%, was the highest since 1998 and more than 100bps above the Liz Truss panic highs. Yields on UK 10-year bonds were the highest since 2008.

This is getting a little dicey. In addition to the big-picture, post-pandemic "We're not in Kansas anymore" zeitgeist responsible for ending the 40-year bond bull, there are a number of other structural shifts afoot, including the above-mentioned high-grade corporate supply overhang and the read-across from suddenly competitive JGBs.

DEBT MARKETS ROILED

The inexorable rise in Japanese yields makes JGBs increasingly attractive to the country's institutional investors. **Why would they buy US bonds? That scares the hell out of the US government.**

Note that five-year yields in Japan hit a record on Tuesday. Yields on 10-year bunds were the highest in 15 years, benchmark OAT yields the highest since the GFC and long bond yields in the US back near 5.30%, right where they were when Scott Bessent stepped in to cap them last month. (Mission not accomplished, Scott.)

10-year yields in the US were 4.80% which, as BMO's Vail Hartman noted, "mark[s] a 16bps increase from last Tuesday's close." That's a pretty sharp move over the short space of a week and, as Hartman observed in the same note, "daily momentum measures [are] skewed bearishly."

Recall that the cycle high for benchmark US yields was 5.02% on October 23, 2023. If we get back there — i.e., if and when 10-year US yields sport a five-handle again — we will have to take a very close look at valuations.

STOCKS COULD TAKE A PAUSE

Higher interest rates will be front and center in the absence of corporate earnings and will lead to a low- to medium single-digit drop in the indices through the end of October.

Bond yields have risen to 4.76%, and 5.26%, respectively for the 10-year and the 30-year , as the narrative shifted past Nvidia's earnings. Of course, they were spectacular and we did see a very smart bounce on Thursday, but that seemed to have petered out with little or no follow up action on Friday. I**n the absence of any other positive catalyst through the 3rd week of October when Q3 results start coming in, I would expect the indices to lose between 3-5% as treasuries continue to rise. I'm not looking for a meltdown or anything dramatic, but yes there are few, if any catalysts until Q3 earnings.**

What lies ahead: Still in this relatively quiet period, we should expect these three events to influence the markets.

The jobs report is out on Friday, and even as economists have forecast 50,000 net new jobs, it could be a little weaker than expected, especially as job revisions recently took out 79,000 jobs. From the stock market perspective, fewer jobs would put a lid on interest rates, which the FOMC is likely to use to avoid hiking in September, even as Kevin Warsh and team were a little vocal in committing to fighting inflation during the FOMC symposium in Jackson Hole on Friday.

STOCKS SHOULD TAKE A PAUSE

What did happen at Jackson Hole? I'll cut to the chase - within some of the hyperbole, and there was plenty of it, Chair Warsh said the right things and adopted a hawkish tone to establish some credibility that he was immune to any political pressure. The odds of a rate hike in Sep have increased to 54% based on what was said. **However, realistically looking at the political climate, what are the odds of a rate hike 5 weeks before midterms?**

Chair Warsh has kind of boxed himself in and he'll be vilified if he doesn't hike and be out of a job if he does. But in my opinion most will become moot as the 10-year and 30-year continue to march ahead with so much demand. Last week I had written about how Treasury Secretary Bessent's decision to buy back treasuries was a sign of panic, especially when you're funding it with shorter duration paper, and I maintain that the market will not let him off the hook for it.

The bottom line: higher interest rates will be front and center in the absence of corporate earnings and could lead to a low- to medium single-digit drop in the indices through the end of October.

ADP PAYROLLS

U.S. private payrolls increased less than expected in August as strength in the education and health services sector was offset by job losses in manufacturing and a few other industries.

Private employment rose by 38,000 jobs last month after an upwardly revised 46,000 in July, the ADP National Employment Report showed on Wednesday. Economists polled by Reuters had forecast private employment would advance by 48,000 after a previously reported rise of 44,000 in July.

I suspect this will be a strong indicator that the government payroll report due tomorrow should be a weak one too.

In a perverse sort of way, that will keep interest rates lower and help the stock market.

EARNINGS UPDATE – BROADCOM'S GUIDANCE NOT ENOUGH

For the last few years, Broadcom has been the leading competitor to Nvidia's GPUs, surging from a measly $12Bn in FY2024 to a massive $115Bn in FY 2027. That's pretty heady growth indeed and after today's earnings call, I'm surprised that the markets aren't rewarding it enough.

In the just concluded July 2026 quarter, Broadcom beat consensus estimates with 221% sales growth to $16.7Bn with expected growth of 236% in the current quarter.

Going another step further, just like Nvidia last week, it too announced heady growth for AI chips sales to $115Bn in FY2027 and$230Bn in 2028, clearly making a mockery of the supposed rule of large numbers slowing growth down.

At $115Bn it would be about 25% of Nvidia's AI revenue for the same period; to give you an idea of how far Broadcom has reached. Next competitor AMD is still miles behind without about 40% of Broadcom's revenue.

CEO Hock Tan emphasized on the earnings call today that demand was far ahead of supply, echoing Jensen Huang's supply chain constrained lament, and it's showing up in some strong quarterly numbers. Adjusted EPS rose 96% to $3.32, a whisker above consensus estimates of $3.22, and $29.6Bn of sales also beat estimates of $29.2Bn growing 86% YoY.

EARNINGS UPDATE – BROADCOM'S GUIDANCE NOT ENOUGH

Broadcom's adjusted operating margin of nearly 68%, beat Nvidia's OPM of 66.45% - these are insane numbers, and perhaps either the markets are missing the stellar operating metrics or perhaps savvier than the rest of us in saying that this cannot sustain….
I think the tepid response to Broadcom's earnings was because guidance was just par for the course, with "just" 93% increase in sales $34.8Bn in line with estimates. Perhaps, another small quibble was the slightly lower OPM of 66% for the next quarter.
Broadcom's largest client is Google, which is making a massive push into making its own systems on chips clearly wanting to reduce its reliance on Nvidia and grab some of the AI bonanza. The partnership with Broadcom for its Trainium range has been a big boon for both of them.

Besides the minor quibbles, the big risks and challenges are contingent liability from data center buildouts and competition. The June announcement of a fund from Apollo and Blackstone to finance a large buildout of data centers deploying Broadcom chips seemed to be a positive, but the catch came with Broadcom's quarterly filing, which revealed that Broadcom was on the hook for as much as $29 billion in lease obligations should the lessees default.

EARNINGS UPDATE – BROADCOM’S GUIDANCE NOT ENOUGH

To quote Barron’s “If all the data centers envisioned by the agreement materialize, third-party investments could climb as high as three-quarters of a trillion dollars, so Broadcom’s exposure is just a small portion of the chip sales it would have seen in the interim. But still, this got tagged as “circular financing,” lending doubt to the demand story.” Perhaps journalists like that catchy headline without some of the nuances

Marvell getting on board doesn’t help either. Alphabet recently contracted with Marvell to design other AI infrastructure chips for its data centers, even as it extended its deal with Broadcom for the Trainium line of chips, which Broadcom has partnered on for over a decade. But competition will perhaps lower margins, or increase costs for product development, besides potentially reducing sales.

Still, I find the valuation promising, and I continue to hold with a plan to accumulate on declines.

EARNINGS UPDATE – SNOWFLAKE

Snowflake press release (SNOW): $361 - the stock jumped 18% after earnings.
Good beats : Q2 Non-GAAP EPS of $0.62 beats by $0.17. Revenue of $1.55B (+36.0% Y/Y) beats by $70M.

- Product revenue of $1.49 billion in the second quarter, representing 37% year-over-year growth
- Net revenue retention rate of 126%
- 828 customers with trailing 12-month product revenue greater than $1 million, representing 27% year-over-year growth
- 829 Forbes Global 2000 customers
- Remaining performance obligations of $9.00 billion, representing 30% year-over-year growth

For the third quarter of fiscal 2027, the company expects:

- Product revenue of $1,588 million to $1,593 million, representing 37% to 38% year-over-year growth
- Non-GAAP operating margin of 15.5%
- Non-GAAP weighted-average shares used in computing net income per share attributable to common stockholders—diluted2,3 of 382 million

EARNINGS UPDATE – SNOWFLAKE

Snowflake (SNOW):

For the full-year of fiscal 2027, the company expects:

- Product revenue of $6,070 million, representing 36% year-over-year growth, up from previous guidance of $5,840 million, or 31% year-over-year growth
- Non-GAAP product gross margin of 74.0%
- Non-GAAP operating margin of 14.5%, up from previous guidance of 13.5%
- Non-GAAP adjusted free cash flow margin of 23.0%
- Non-GAAP weighted-average shares used in computing net income per share attributable to common stockholders—diluted2,3 of 380 million

I own the company and plan to hold for the next 3-5 years, at this price I don't need to add any more, this has been a good investment for the past few years.

EARNINGS UPDATE – SNOWFLAKE, ANALYSTS LIKE IT

"Cortex Code has arrived as SNOW's killer AI capability, driving a 2nd straight >5% product revenue beat, 3rd straight quarter of growth acceleration, and record op margin," said Jefferies analyst Brent Thill in an investor note. "F3Q product rev growth of 37-38% and FY27 guide raised 5 pts to 36% were well above expectations. CoCo added >2k accounts q/q and reached >60% of the install base 2Qs after GA, with management calling it the easiest product SNOW has ever sold. Cortex Code, is a data-native AI coding agent built to streamline and speed up the data development lifecycle.

Jefferies maintained its Buy rating and increased its price target to $430 from $385.

Similarly, Evercore ISI retained its Outperform rating and hiked its target to $430 from $360.

"Management also interestingly noted demand for model choice was a key demand driver and was driven by cost optimization, though this seems to be a competitive differentiator for SNOW, rather than a headwind, as its ability to auto-route the best model is actually driving incremental demand," said Evercore analyst Kirk Materne in a Thursday note. "Finally, op margins came in at ~15%, well above guidance of ~12.5%, demonstrating management's ability to deliver operating leverage while delivering mid-to-high 30% growth."

EARNINGS UPDATE – SNOWFLAKE ANALYSTS LIKE IT

Meanwhile, BTIG reiterated its Buy rating and boosted its price target to $424 from $340.
"All in, we thought it was another great quarter," said BTIG analysts Gray Powell and Trevor Rambo in a note. "This $74MM product revenue beat relative to the midpoint of guidance marks the largest beat relative to guidance in company history. In addition, SNOW added $158MM in net new product revenue sequentially, eclipsing the $108MM record set just last quarter and marking the second consecutive quarter of record sequential dollar growth. AI is driving urgency to consolidate data on SNOW; CoCo and CoWork are reaching broader adoption and monetization, and AI users are consuming meaningfully more across the core platform."

J.P. Morgan reiterated its Overweight rating and significantly raised its target to $426 from $285.
"The FY27 product revenue guide moves to $6.07B, or +36% y/y, ~$213M above consensus, which now includes management's confidence in outlining a modest acceleration in Product revenue growth in F3Q over F2Q," said J.P.

Morgan analyst Samik Chatterjee in a note. "Additionally, the raised FY Product revenue guide implies modest deceleration in Product revenue growth in F4Q following a robust F3Q, which we believe incorporates conservatism from the management team, leaving room for further material upgrades during the course of the fiscal year."
Several other financial firms also increased their price targets on the stock following Snowflake's latest earnings report. Oppenheimer lifted theirs to $475 from $400; Piper Sandler increased it to $450 from $320; Citi raised it to $490 from $395; and Wells Fargo edged its target up to $525 from $500.

EARNINGS UPDATE CREDO TECH

Shares of Credo Technology Group Holding (CRDO) fell 16% through Thursday, after the semiconductor company reported quarterly results that exceeded Wall Street expectations. Revenue for its fiscal first-quarter more than doubled from a year earlier to $479 million,, beating the consensus estimate of $471.7 million.
Adjusted earnings increased to $1.20 a share from $0.52 and topped analysts' estimate of $1.17 a share.

The selloff may reflect pressure on profitability beneath the rapid sales growth. GAAP gross margin declined to 64.5% from 68.2% in the preceding quarter and 67.4% a year earlier. GAAP operating expenses more than doubled to $188.4 million from $89.6 million a year ago.
Credo (CRDO) remains a major beneficiary of spending on AI data centers. Those systems rely on fast connections among processors, memory and networking equipment.
Shares had gained about 44% this year through Tuesday's regular-session close, potentially leaving the stock vulnerable to profit-taking despite the earnings beats.

EARNINGS UPDATE CREDO TECH

Credo (CRDO) forecast fiscal second-quarter revenue of $525 million to $535 million, ahead of the consensus estimate of $516.5 million. At the midpoint, that would represent growth of about 10.6% from the first quarter.

That said, the company projected a GAAP gross margin of 62.9% to 64.9%. The midpoint of 63.9% would be below the first quarter's 64.5%. GAAP operating expenses are expected to rise to between $199 million and $204 million.

The adjusted gross-margin forecast was 67% to 69%, compared with 68% in the first quarter. Adjusted operating expenses are expected to be between $100 million and $105 million, up from $95.2 million.
"Our portfolio now spans connectivity from millimeters to kilometers, with solutions across optics and copper," Chief Executive Bill Brennan said in the earnings announcement.
I remain long and will add more shares, the price is attractive right now

NVIDIA'S PURCHASE OF HUGGING FACE OPENS A NEW DIMENSION

Nvidia's $12.9 Billion Deal for Hugging Face Boosts Exposure to Open Source AI Models

Hugging Face has become a go-to marketplace for open-source and open-weight AI models, which anyone can modify and run on their own computing infrastructure. Open models are increasingly serving as a lower-cost alternative to proprietary models from OpenAI and Anthropic, which are two of Nvidia's most important end users.

The acquisition gives Nvidia more direct exposure to the open model boom as the chip maker continues spreading its influence throughout the AI ecosystem. Nvidia already has a family of open models called Nemotron, and it's the largest contributor of open models and data to Hugging Face.

The transaction, which is expected to close in the first half of 2027, includes a purchase price of $11.9 billion, plus an equity-based retention program of up $1.0 billion for Hugging Face staff joining Nvidia. Hugging Face had about 750 employees as of March, according to an estimate from Revelio Labs.

NVIDIA’S PURCHASE OF HUGGING FACE OPENS A NEW DIMENSION

Hugging Face has more than 18 million users, who have shared some 3 million models, Huang said. Private-markets research firm Sacra pegged the company’s annual recurring revenue at about $150 million. The Information also reported this annualized revenue figure.

Huang has emerged as a vocal backer of open models, using his first-ever X post in July to share a letter signed by more than 270 of the world’s largest tech companies opposing potential regulation of Chinese open-weight models. His argument is that cheaper, more abundant models will make AI more accessible and widen adoption. More AI also means more chip demand for Nvidia.

“Hugging Face will remain an open platform for the entire AI ecosystem,” Huang wrote Thursday, in an apparent attempt to quell fears from developers that Nvidia might limit access on the site.

“AI advances faster when people can build together,” he added.

The purchase struck Gil Luria, an analyst at DA Davidson, as a defensive play.

Hugging Face has become a household name in AI, and Nvidia is swooping in ahead of other possible buyers, such as Anthropic and OpenAI.

NVIDIA'S PURCHASE OF HUGGING FACE OPENS A NEW DIMENSION

"If one of the big labs, or worse yet Google, owned Hugging Face, it would be in a position to slow down open-source AI in the U.S.," Luria wrote in a note earlier this week. "Not on Jensen's watch."

The purchase is also a hedge against the different ways the AI boom may evolve, says Bret Greenstein, chief AI officer at tech consulting firm West Monroe. Whether open-source, proprietary, or a combination of both models win out, Nvidia has set itself up to prosper.

Why Nvidia needs open source and sovereign AI

"Our AI leadership will be judged not by one frontier AI model, but by whether the United States builds a strong, open ecosystem that diffuses into every sector. This is essential for creating opportunities for innovation and prosperity across the country. It requires expanding access to AI, encouraging competition, robust application layers, and giving Americans greater control over the technology they rely on. Open weight models—AI models that anyone can download, inspect, modify, and run on their own infrastructure—are an important part of that foundation because they make advanced AI more accessible, adaptable, and widely available."

NVIDIA’S PURCHASE OF HUGGING FACE OPENS A NEW DIMENSION

As Semianalysis put it “No one needs open-source AI more than Nvidia. As we previously explained to Tokenomics Model subscribers, selling frontier tokens at API prices is the highest ROI use case of incremental compute. Anthropic plus OpenAI are therefore set to take a larger and larger percentage of net new GWs in the future. That is huge problem for the world’s largest company. This is doubly true when all its 7 largest customers except SpaceX are actively trying to build their own XPUs to cannibalize Nvidia’s margins.

One of the most famous competitive strategies in tech is to “commoditize your complements”. The general idea is that as something becomes cheaper and more abundant, demand for everything that goes well with it increases. This explains why companies will often “give away” things for “free”. Classic examples include 1) Google offering Chrome for free and open-sourcing Android, which increased access to the web and made search advertising more valuable and 2) Microsoft retaining the right to license MS-DOS to IBM’s competitors, which helped turn the PC into a commodity hardware platform.

NVIDIA'S PURCHASE OF HUGGING FACE OPENS A NEW DIMENSION

In Nvidia's case, AI models and applications are the complements to its GPUs. **The long-term health of their business depends on a vibrant, diverse AI ecosystem that exists outside of just Anthropic and OpenAI.**

Their recently announced $500B MOU with the world's largest capital allocators is just one example of the clever financial engineering Nvidia can do to make this vision a reality.

By making "Nvidia AI Factory Compute" an "investable asset class," the SSIs and Thinking Machines of the world have a way to leverage capital from pension funds, insurance companies, and private credit firms to buy enormous amounts of compute.