10/15/2026

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.

EARNINGS OPTIMISM OR CAPEX BUBBLE

	10/09/2026	10/15/2026	Change	10/06/2026 High	52 Week High 08/13	Increase over Previous high	Weekly close - Change from top	Note
S&P 500	7,811.51	7,731.24	-1.03%	7,844.52	7,816.70	0.36%	-1.09%	Earnings could push indices
Nasdaq Comp	27,366.17	26,625.88	-2.71%	27,722.75	27,190.21	1.96%	-2.08%	higher/ Capex Bubble?
S&P 500 - 50 Day Moving Average					7,666.25			
S&P 500 - 89 Day Moving Average					7,571.39			
S&P 500 - 200 Day Moving Average					7,290.34			

The markets are lower this week so far. A combination of fear (higher than expected CPI inflation), fatigue (over exposure to AI) and valuation (index at all time highs) took its toll on the markets with a big 1.1% to 1.9% drop yesterday in the S&P 500 and the Nasdaq Comp, led by data center, AI and other semiconductor stocks.

Mainly a poor report from Gartner stating that 80% of neoclouds would not survive independently because of revenue shortfalls, a higher than CPI inflation report again raising the prospect of higher interest rates, and of course the weaker KOSPI hammering memory and other AI stocks in the process like dominoes….

Now one starts wondering if the fall is structural…

EARNINGS OPTIMISM OR CAPEX BUBBLE

The Nasdaq Composite has fallen 5 of the last six days and is 2% lower from its high, which doesn't seem like much, but in the past two weeks the SOXX and the SMH have dropped a whopping 12% to 15% and several high-flyers in AI Datacenters are down 20-30% from their highs.

So, the pain is much higher on the stock level.

The first strategy is not to Catch A Falling Knife, and if one is inclined to buy the dip it would make sense to wade into other less vulnerable sectors such as Consumer discretionary and others.

Buying the dip 10.15.2026

Can't predict how much the markets can continue falling, especially at the individual level and if one is inclined to buy the dip it would make sense to also accumulate slowly averaging lower.

These stocks have been written about on the group and if you can't find them in the groupchat they will be on the website as well and they're all in the portfolio.

BUY THE DIP

Consumer Discretionary

Safer, less volatile and of course solid fundamentals at a reasonable price.

Shark Ninja (SN) $185-$187

On Holdings (ONON) $35

Cybersecurity

Falling with the rest of the market, but this is a strong essential sector, and buying quality stocks for long-term is a good idea.

Palo Alto Networks (PANW) – Buy on Declines - The stock is at $364, expensive but a quality name, no rush here try getting a good price.

Rubrik - (RBRK) Buy on Declines - Same strategy as PANW, the stock had become expensive around $120, after a 100% run up can accumulate slowly around $100 to $105

BUY THE DIP

Industrials

Amphenol $80 (APH) - 6 other segments besides datacenters, this stock has fallen less than 10% from its peak

Eaton (ETN) $390 - Similar to Amphenol

SaaS

Reddit (RDDT) 153

Zeta Global (ZETA) 34

Healthcare

Molina (MOH) $210

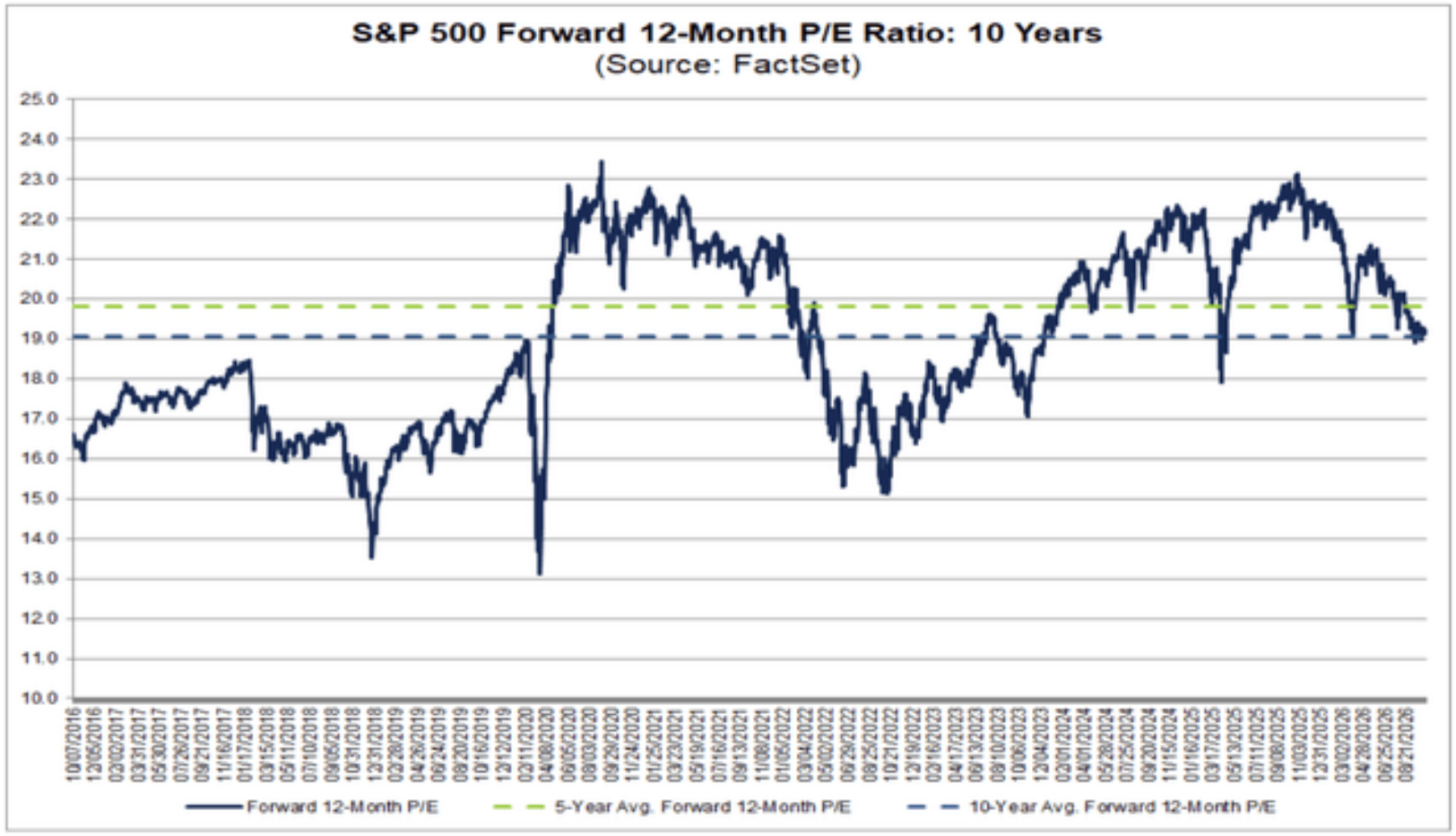
Oscar (OSCR) $34

And if you a higher risk appetite and view the 20-30% dip in semi/AI/datacenter stocks as a long-term opportunity avoid Capex spenders such as CoreWeave, instead it would be better to go for Capex receivers solving AI bottlenecks - **Advantest (ATEYY) Bloom Energy (BE) , Arista Networks (ANET) Lumentum (LITE), Vertiv (VRT) have more going for them.**

EARNINGS OPTIMISM

- FactSet has this on Q3 earnings growth:
- The actual earnings growth has exceeded estimates 93% of the time in the past decade.
- In the past decade, the earnings surprise has been an average of 8%; **however, in the past 4 quarters, the beats have been 14%!**
- 77% of companies have beaten estimates.
- So, I would very much like to stay invested for an earnings pop in what could be a historic season blowout.
- Because of the high growth in earnings, the forward S&P 500 multiple has come down to 19, which is around its 10-year average. FactSet's latest estimates show an EPS of $363.41 for 2026 and $420.59 for 2027, growing a whopping 32% and 16%, respectively.
- **P/E Ratio S&P 500 (FactSet)**

EARNINGS OPTIMISM



THE CAPEX BUBBLE:

Flight to safety:

Why risk investing in an overbought market when you can earn a risk-free 4%? New money is going into T-bills instead of stocks. $166Bn was invested in money markets for the week ending October 7th, surpassing the level last seen during the COVID-19 panic days of April 2020—doesn't that quite capture the juxtaposition? A panic flight to safety, then, and now at the height of the market with the best earnings season coming up? Perhaps this does signal a height, and we're just not seeing it yet.

Skittish investors:

Two days ago, the *Nasdaq* Comp dropped 1.25% because a Financial Times report stated that OpenAI's Annual Recurring Revenue was only $50Bn instead of the $70Bn claimed by other publications. As it turns out, the difference in reporting was because it did not include revenue from partners, similar to the way Anthropic reports. But the intraday damage was a 1.6% drop before recovering, and that tells you how skittish investors are.

RISK MITIGATION:

In this tug of war, my best bet is to remain invested during earnings season for the next 3 weeks but stay cautious and actively manage risk.

Risk mitigation

1. **High cash levels:** 14.5% of the portfolio is in cash. I plan to add more non-AI stocks such as SharkNinja, Inc. (SN) and On Holding AG (ONON) for diversification. I don't plan to let cash drop below 12% for the foreseeable future.

2. **Cash-secured puts and covered calls** in some high-volatility stocks, such as Nebius, Lumentum, and Credo—these are for premium income, stopping losses, and protecting profits. Both strategies have been working well in 2026 because of high option premiums.

3. **November 2026 and January 2027:** Invesco QQQ Trust, Series 1 ETF (QQQ) puts—I have bought these as pure insurance.

TRADES

Bought an initial 25% of Cognex Corporation (CGNX) for $61.75. Long-term core holding: I plan to steadily accumulate more of this high-quality robotics infrastructure pioneer.
Bought an initial 25% of Zeta Global Holdings Corp. (ZETA) at $32.75—a strong "Martech" (Marketing Tech) player with a partnership with Palantir; could be a secular growth story.
Bought 50% of On Holding AG (ONON)—the premium footwear and apparel brand selling to the high end. I should have an article on it this week.

To summarize, earnings season gets underway and the sheer force and growth of earnings could take the markets higher. The influx of funds into the money market is a little bit of a bullish, contrarian indicator because it keeps rates from skyrocketing; a 5.3% 10-year Treasury note backed by the *US* government is attractive to a lot of institutional managers, especially for those who see convulsions across the pond. Still, even during these *three* weeks, I continue to hedge and mitigate risks with covered calls, cash-secured puts, and a high level of cash and puts purchased on the Invesco QQQ Trust, Series 1 ETF (QQQ).

TRADE ALERTS 10/15/2026

I did try to catch the falling knife with non-AI and data center stocks:

Trade Alert: Bought initial 50% of Klaviyo (KVYO) $18.07 – Marketing Tech, this is 18% owned by Shopify and is used by Shopify's clients amongst others for email and text marketing.

Trade Alert: Bought another 25% of On Holdings (ONON) $35.36

The new show company in town, this is a high-quality, shoe aimed at the high end of the market.

Trade Alert: Bought another 25% of Shark Ninja (SN) $191.63 – Shark Ninja is a long-term buy, deserving a premium for its market leadership, brand recognition, and younger customer base.

SN has become the choice of a new aspirational generation and redefined the home products category, with growth driven by constant product innovation, aggressive category expansion, and a strong social media presence, particularly on TikTok. Despite a current P/E of 26 and a 54% 1-year return, earnings growth is expected to lower valuation multiples. I expect SN to continue growing its market leadership and grow in international markets.

TAIWAN SEMICONDUCTOR MANUFACTURING

Taiwan Semiconductor Manufacturing's (TSM) latest quarterly results and outlook provided no indications of a slowdown related to the artificial intelligence infrastructure buildout, as its most advanced node capacity continues to rise.

"Without giving any details, TSMC management sees potential for AI accelerator revenue growth to be above the current guidance of mid- to high-50s CAGR in 2024-2029," said Needham analyst Charles Shi in a Thursday investor note. "To support AI buildout, TSMC said it is now adding four new fabs for N3, including two in Taiwan, one in the U.S. and one in Japan."

Needham maintained its Buy rating and increased its price target to $560 from $530.

"We expect 2027 is likely a banner year for TSMC in terms of reaching record revenue and sustaining high growth," Shi noted. "We are also raising our CapEx estimates for 2027 and 2028 to $90B and $100B, respectively, to account for additional N3 build-out and potential TX expansion."

Nearly every business segment demonstrated solid revenue growth during the third quarter at TSMC. High-performance computing increased 22% quarter over quarter, smartphone revenue climbed 10%, IoT rose 5% and automotive gained 23%.

TSMC expects fourth-quarter revenue of $52.3B to $54.3B, which is well above the analysts' consensus of $50.48B.

TAIWAN SEMICONDUCTOR MANUFACTURING

"Management characterized AI demand as extremely robust with no sign of a slowdown and noted that its own diligence (which now includes sending teams to check the progress of U.S. data center build-outs and power supply) continues to indicate demand well above TSMC's ability to supply," said Wedbush analyst Matt Bryson in a note. "Asked about its AI accelerator revenue CAGR (mid to high 50s from 2024 to 2029, a narrow definition that excludes CPUs), management indicated growth will 'probably be higher.'"

Wedbush reiterated its Outperform rating on the stock.

Susquehanna also retained its Positive rating and increased its price target to $600 from $430 as capacity continues to increase.

"N2, annual capacity is expected to more than double in 2027," said Susquehanna analyst Mehdi Hosseini in a note. "N3, another Tainan fab (volume production 1H28), on top of the one already scheduled for 1H27. Arizona Fab 2 volume production now begins in 3Q27, slightly ahead of schedule. US expansion is broadening beyond Arizona, with Texas under evaluation. A14: risk production on track for 2027 and volume production for 2028. Early activity is running ahead of N2 at the comparable stage. Advanced packaging: TSM is in production at 5x reticle size and is working toward 9x and 14x."

TAIWAN SEMICONDUCTOR MANUFACTURING

Despite the near-perfect execution by the world's largest foundry, TSMC shares declined about 3% during early trading on Thursday. However, virtually the entire tech sector was down due to an array of investor concerns around AI. During the earnings call, TSMC CEO C.C. Wei indicated there is no sign of a slowdown.

"According to management, the feedback is so far so good, and cloud providers are well-prepared," said Seeking Alpha analyst Julia Ostian. "When asked about anything AI-related, like power, memory, and other bottlenecks, Wei said they put all of it into their assessment, and they still see demand higher than supply. I really trust them because they have high accessibility, and they are using it to be sure their business will continue booming and, if not, to be the first ones to know when something is off."

AI CAPEX AND DEBT CONCERNS

Gartner Says Over $3.5 Trillion of AI Infrastructure Spending Could Be Exposed to Impairment by the End of 2030

By 2030, 80% of Neocloud Providers Are Expected to Cease Independent Operations

This could happen if AI providers continue their current pace of capital spending, according to Gartner, Inc., a business and technology insights company.

"In 2026, **AI providers** are expected to spend nearly $1 trillion on **AI infrastructure**, and are forecast to invest an additional $6 trillion between 2027 and 2030," said **Will Sommer**, Sr Director Analyst at Gartner. "However, our research indicates that enterprise and consumer AI revenue will be insufficient to support profitable returns on all planned AI capital expenditures during this period."

"Through 2030, AI data center owners would need to generate a cumulative $8.5 trillion in revenue to cover announced capital spending, financing costs, and a 12% return on invested capital (ROIC), which we assume to be the hurdle rate of investment capital," said Sommer. "However, total enterprise and consumer AI revenue that can be attributed to AI data centers during this period is forecast to reach no more than $3.6 trillion. Because most AI-native providers operate asset-light business models, we predict that less than half of AI revenue will be earned by providers that own significant AI infrastructure."

AI CAPEX AND DEBT CONCERNS

Failure to achieve sustainable ROIC on rapidly depreciating assets would almost certainly necessitate write-downs. Based on Gartner projections, a continued AI infrastructure investment trajectory could leave more than $4 trillion in asset value exposed to write-down risk through 2032. In this scenario, Gartner does not expect the 12% ROIC to be achieved until the end of 2032 at earliest.

By 2030, Gartner predicts that cost pressure and a lack of a differentiating business model will force over 80% of neocloud providers to cease independent operations.

Neocloud Market to Consolidate by 2030

Neoclouds will be among the most exposed to the imbalance between revenue and capital spending. Hyperscalers, for example, have massive and highly diversified revenue sources that could plausibly sustain AI investments for years. On the other hand, neoclouds must soon earn returns on AI-optimized IaaS and associated platforms to sustain operations.

Gartner estimates AI-optimized IaaS spending will grow from $66 billion in 2027 to $174 billion in 2030.

“The growth in spending on AI-optimized IaaS will be too low for most AI compute providers to recover their AI investments before the current generation of AI semiconductors is replaced,” said Sommer. By 2030, Gartner predicts that cost pressure and a lack of a differentiating business model will force over 80% of neocloud providers to cease independent operations.

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AI AND NEOCLOUDS ARE WE COURTING DISASTER?

Just to be clear – Gartner is forecasting consolidation because there won't be enough revenue to justify the smaller neoclouds - it is predicting that the larger players will consolidate and increase market share at the expense of the neoclouds. The markets are assuming the worst and brought Coreweave down by 30% and killed the AI trade in the last 5 days.

I do agree that there could be a serious shortage of revenue, but I don't believe that neoclouds will not get help from folks like Nvidia who want see Neoclouds succeed.

I think open-source models will take a large share of the pie at OpenAI's expense, which means neo-clouds offering different AI models and not walled systems to the mass market will be growth drivers and not hyperscalers.

I don't see the need to panic just yet, I don't own Coreweave.

I continue to hold Nebius - I am staying with the stronger player and not the laggards or those holding more expensive debt

AMPHENOL

Amphenol's brilliant entrepreneurial management structure has led to two decades of growth with a whopping 21% annual return for shareholders.

Acquiring and integrating 70 companies since 2000 has led to 16% annual revenue and 19% profit growth in the past decade.

It stands to grow significantly with data center connectivity, where it has a deep product depth moat.

The stock is underpriced and primed for another decade of outperformance.

I own Amphenol, and the current drop looks like a great opportunity to add more shares of this wonderful company with its strengths.

AMPHENOL

Amphenol's entrepreneurship management model is a huge competitive advantage

They have a decentralized management structure with an entrepreneur's mindset.
130 business units each run by a General Manager who owns the business and its P/L - taking full responsibility for disciplined acquisitions, pricing, product development, manufacturing, sales, and customer relationships.

The strategy is to keep decision-making close to customers and local markets with substantial flexibility and without any micro-management from corporate headquarters.
The brilliant integration and execution of 70 acquisitions from 2000 bear testimony to this model.
Interestingly, 10 businesses were acquired in 2023 alone - foresight for the data center Tsunami?
It sticks to its knitting, buying adjacent interconnect and sensor businesses, keeping the target's customers, engineering, and management in place (similar to Warren Buffett's model). Amphenol brings scale, its own customer relationships and financial heft to the acquired businesses. The CommScope acquisition expanding fiber-optic connectivity is a great example of adding more adjacent products to its already impressive data center arsenal.

COGNEX (CGNX)

Cognex stands to benefit from expanding machine vision and industrial automation, with the RealSense acquisition deepening exposure to high-growth robotic perception markets.

CGNX expects revenue growth of 15% this year and 11–13% over the next five years, driven by logistics, packaging, semiconductors, and AI-enabled product adoption.

RealSense is projected to generate $80–90M in revenue in 2026 and long-term growth above 25%.

With CGNX up 37% YTD and trading at 40x earnings, a slow, steady accumulation is advised.

Cognex has a deep quality moat, which will keep it as a market leader with strong margins.
The durability of Cognex's margins stems from a capability that resists commodification: the ability to see reliably in chaotic industrial environments. In logistics hubs, packages arrive with wrinkled labels, glare from plastic wrap, and inconsistent orientations. **A ninety-seven percent read rate versus ninety-nine percent sounds trivial until calculated across millions of daily shipments; those two percentage points represent thousands of manual interventions, each costing time and labor. Cognex charges five to ten thousand dollars per system because the alternative,** human inspection or cheaper vision systems with higher error rates, costs more in operational friction.

COGNEX (CGNX)

The stock is not cheap at 31x earnings with just 15% annual growth in the next 4 years, leaving the PEG ratio relatively high between 1.5 and 1.9. Similarly, 8x sales growing at 11% is pricier than what I usually pay. I try to avoid going beyond a P/S growth of 0.4; Cognex needs to grow to that.

Given the difficulty of finding robotic pure plays, Cognex could likely keep a premium valuation unless it doesn't execute. That is a risk I'm willing to take given its quality moat, strong customer base, and anticipated growth in physical AI. I believe they have a sustainable first-mover advantage in this evolving market.

It has already moved 37% in the past year, so a slow and steady accumulation would be good. I started with 25% of my planned investment and will continue to accumulate.