10/29/2026

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 SEMI ETFS HAVE REBOUNDED STRONGLY FROM THEIR 200 DAY MOVING AVERAGES

	10/23/2026	10/29/2026	Change	52 Week High 10/06	Change from top	Distance From 200 Day Moving Average	Note	50 DMA	89 DMA	200DMA
S&P 500	7,623.6	7,731.9	1.42%	7,816.7	-1.1%	5.74%	Below 50DMA	7,680.0	7,590.0	7,312.0
Nasdaq Comp	29,555.3	26,283.7	-11.07%	27,722.8	-5.2%	4.59%	Below 50DMA	26,624.0	26,248.0	25,131.0
QQQ	706.4	717.7	1.60%	762.9	-5.9%	5.23%	Below 50DMA	728.0	716.5	682.0
SMH	527.2	564.3	7.04%	671.8	-16.0%	9.37%	Below 50DMA and 89DMA	583.0	570.4	516.0
SOXX	478.2	517.0	8.11%	656.0	-21.2%	8.84%	Below 50DMA and 89DMA	542.0	530.0	475.0

THE SEMI ETFS HELD THEIR 200 DAY MOVING AVERAGES

The two biggest ETFs that reflect the ongoing weakness in semiconductors, AI, data centers and neoclouds are the SMH and the SOXX, which found good support from within 1% of their 200 Day Moving Averages indicating strong investor interest on big pullbacks.

SMH and SOXX had dropped 22% and 27% from their 52-week highs and a recovery from these levels is a sign that investors are patiently taking advantage of lower prices.

I did add to some semiconductors Bloom Energy and Vertiv, once I saw these support levels holding, and will continue to add selective stocks at lower levels will go a long way.

The QQQ 5.2% and the Nasdaq Composite are 5.2% and 5.9% higher than their 200Day Moving Averages.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

For an investor, the conundrum of a bubble because of overbuilding with debt compared to phenomenal earnings is real, with solid facts on both sides. Here is my analysis.

The overbuilding with debt:

Cash Flow - The capex spenders have run out of operating cash flow. Alphabet's negative $9Bn for the 3rd quarter was a clear indicator - Alphabet increased Capex for 2027, as well. This was known and expected for the past 6 months to a year, and Meta's capital raise of $90Bn and Tesla's debt raise of $40Bn for in the past week shows that they need outside investment.

Alphabet's Chief Financial Officer Anat Ashkenazi confirmed that those investments would "increase significantly" in 2027. Alphabet has $924 billion in future purchase commitments as of the end of the third quarter.

Capex already exceeded Alphabet's substantial cash flow from operations last quarter, and Wall Street expects that to continue into 2028. As a result, the company has now gone three straight quarters without any share repurchases for the first time since 2015, according to FactSet.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

The overbuilding with debt:

Hock Tan's intervention to get Anthropic's data center off the ground is another confirmation that debt is getting harder for foundational model makers.

The CEO of Broadcom had to personally intervene and convince lenders and add layer extra interest. Broadcom is backstopping the deal should Anthropic fail to pay it in exchange for using its chips.

Microsoft is going to borrow $25Bn, for the first time since 2017, 1.35% above treasury, according to Bloomberg, around the same as the other hyperscalers such as Alphabet.

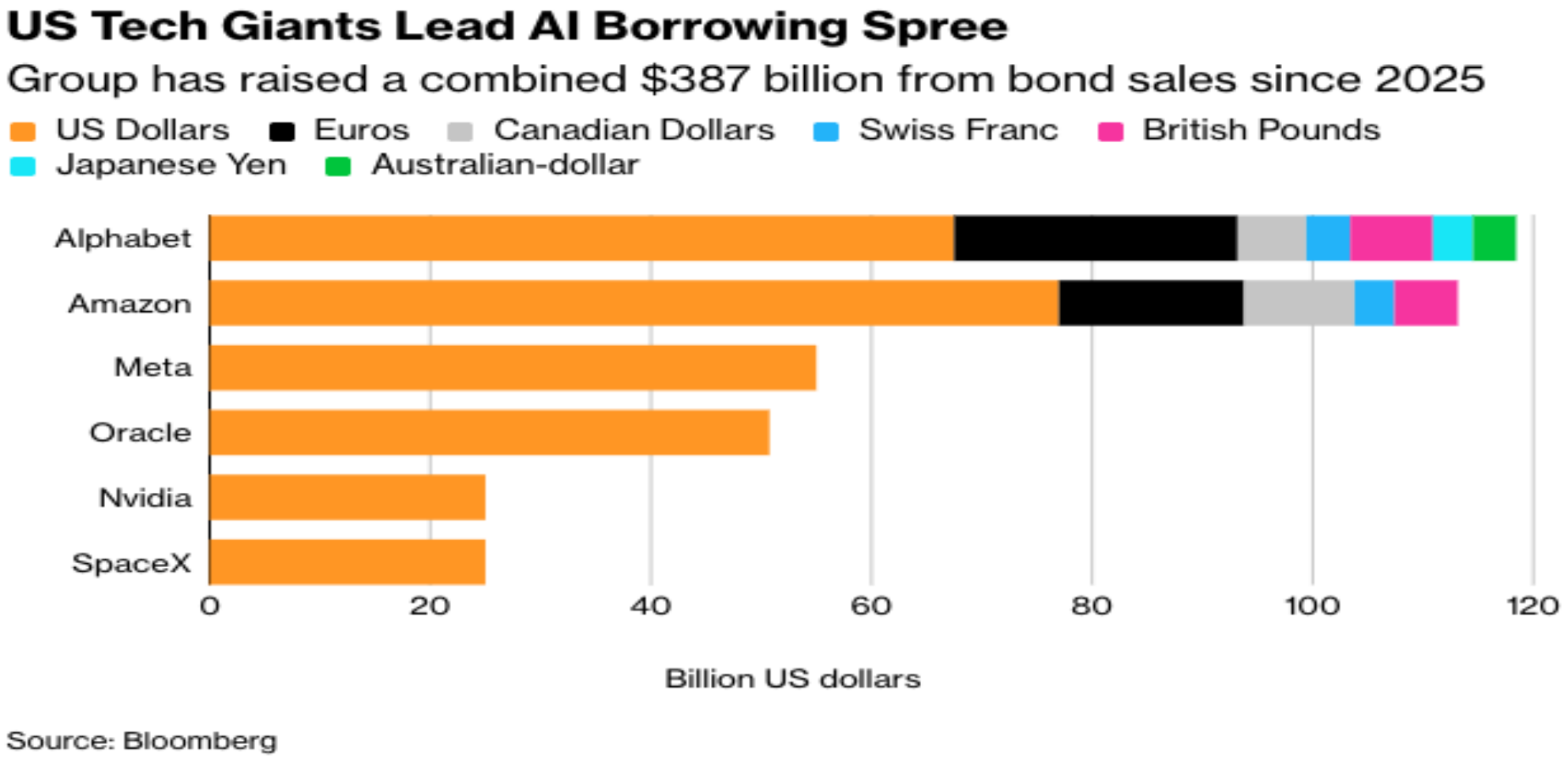
Hyperscalers and data center developers have raised more than $313 billion through investment-grade bond sales globally this year, almost three times more than in the full year of 2025, according to data compiled by Bloomberg. The sector has catapulted global bond sales to a record $6.61 trillion this year, with two months still to go.

Credit spreads have shot up as we can see in the next slide.

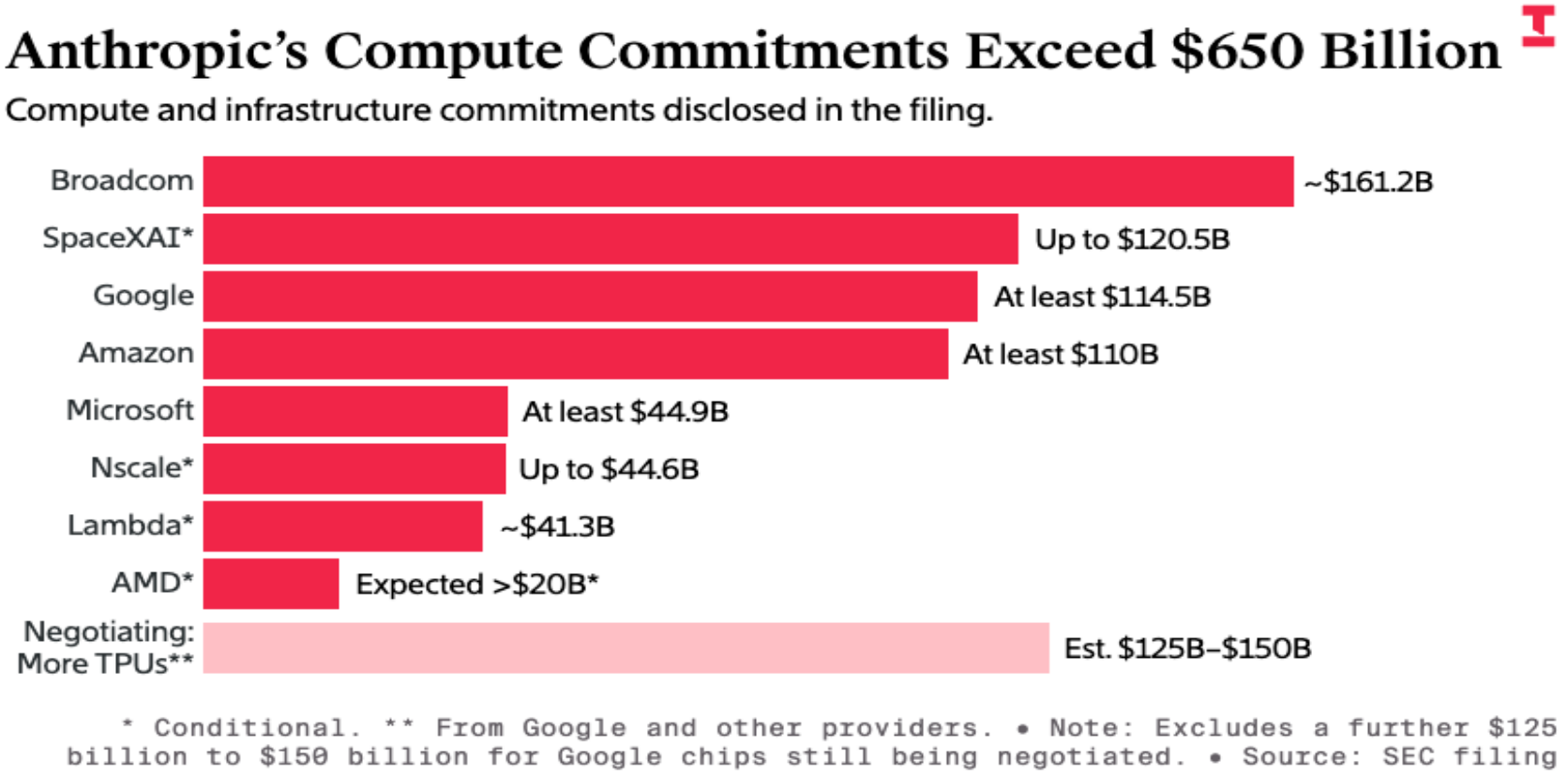
THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS



THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS



THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS



THE DURATION MISMATCH

In my opinion, this is one of the biggest risks to the whole Artificial Intelligence buildout and the key reason for the the Great Financial Crisis:

Anthropic S-1's "risk factors" section, had the following to say about the company's sales trajectory:

"Our ability to meet the substantial and growing financial obligations of [purchase commitments and lease agreements] to secure compute depends on our ability to generate significant revenue growth. **We must grow our customer base and expand revenue rapidly in order to generate the cash flows necessary to satisfy these commitments**. **However, our revenue is primarily consumption-based, and much of it is not subject to long-term contractual commitments, while our compute and infrastructure commitments generally extend over multiple years.** As a result, we may enter into these obligations based on revenue expectations that may not be realized. If our revenue growth does not keep pace with our compute-related payment obligations, if we are unable to successfully convert our compute into revenue or raise capital, or face adverse developments affecting our liquidity, we may be unable to satisfy these obligations."

THE DURATION MISMATCH

That's a better summation of the AI bear case than you'll get from any analyst. That's how it all goes wrong. Demand for consumer-facing AI applications doesn't materialize as planned, leading to a cascading series of broken promises.

There's an embedded maturity mismatch here: Anthropic's funding long-term contractual commitments with subscription revenue that could prove flighty, particularly if agentic AI services become commoditized.

Put as a question: **What percentage of consumers will actually require frontier models to get the job done? If the "accept no substitutes" share of Anthropic and OpenAI's customers turns out to be small as non-frontier labs improve their offerings, that's a problem.**

Anthropic's committed to more than $415 billion in new purchase commitments and lease agreements this year.

Some of those commitments obligate the company out two decades.

THE DURATION MISMATCH

Simply, fixed long-term contractual obligations without fixed or guaranteed revenue.

During the years leading to the Great Financial Crisis of 2008, **the banks would lend home-owners 30-year mortgages at a fixed percentage, while borrowing commercial paper with a few months' maturity and even fixed deposits on call!**

Besides shady and weak borrowers, the mismatch should have been obvious, and worse non-banking institutions from Wall Street led to the binge.

The results were too earth shattering for those who saw the Great Financial Crisis, the bailout, the following recession and the jobless recovery which lasted 5-7 years, the S&P 500 took that long as well to get back to its old high.

This is a huge risk in a difficult business and worse it is a competitive one with Amazon, Alphabet, Meta, Microsoft, SpaceX v the foundational models Anthropic and OpenAI, and a few neoclouds jostling for space. **In my opinion, Oracle, Coreweave and OpenAI are the three most vulnerable ones for the shakeout.**

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

How does it affect the market?

Buybacks from corporates were one of the biggest reasons for stocks going up.

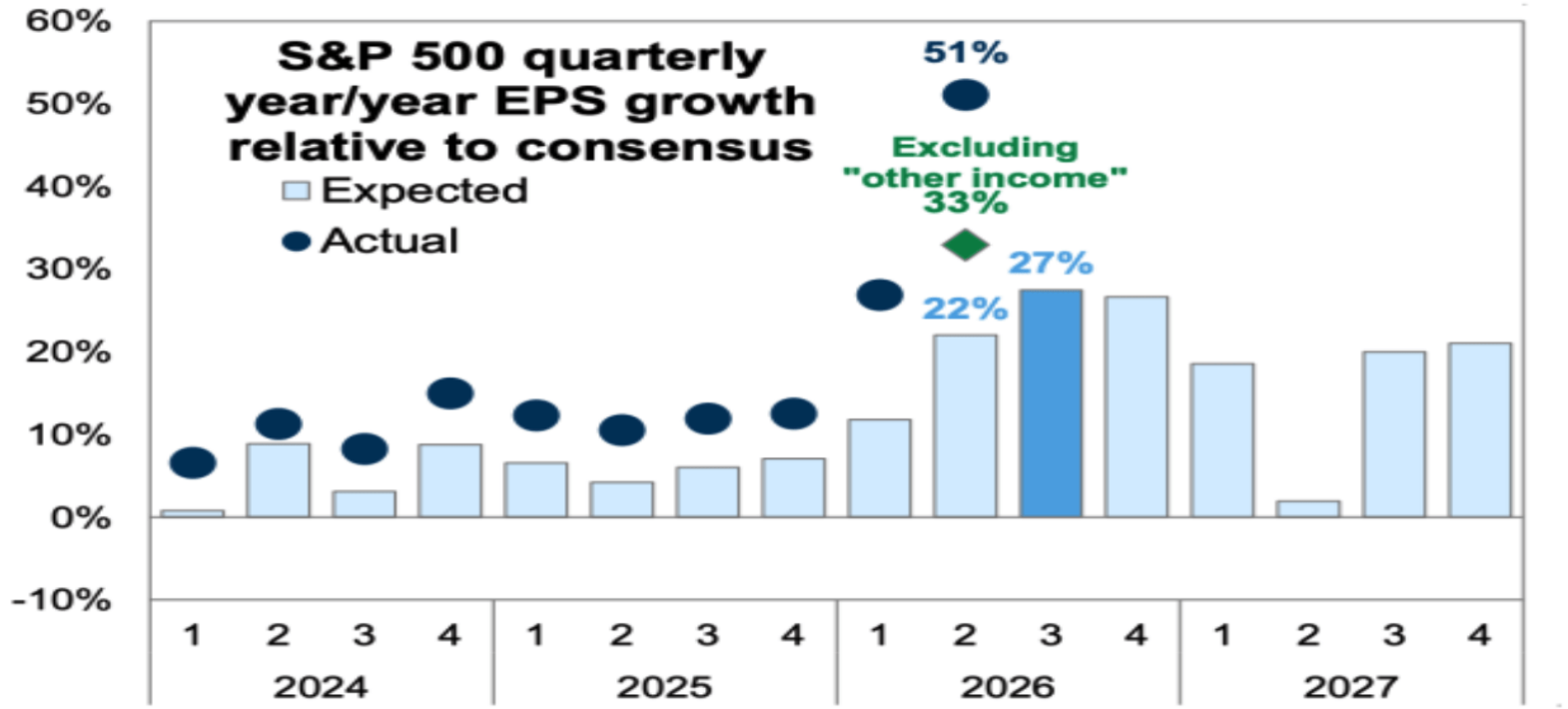
There is one more important bearish factor for stocks - there was $1Tr worth of buybacks in the past year, now that money is going for Capex, leaving less for buybacks.

If investors flee, or reduce because of fear and corporates have no cash left to buyback stocks, it will lead to more declines.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings: FactSet usually does a marvelous job on earnings, these are very strong earnings for Q3-2026

Exhibit 3: Bottom-up consensus estimates show S&P 500 EPS growth of 27% year/year in Q3 2026



Source: FactSet, Goldman Sachs Global Investment Research

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

As the chart above shows, Q3 earnings growth will be a huge 27%. **A quarter back, Q2 clocked an insane 51% EPS growth, and if you exclude other income, it was still a very strong 33% YoY growth, crushing estimates of 22%.** The strong earnings were based on sales growth of 17% and EPS growth of 30% because of 6-7% increases in operating margins (read *Nvidia*'s and Micron's huge profits here).

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.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

2027 earnings are forecast to grow another 16% for the S&P 500.

This could be a historic season blowout and has kept investors in the market in spite of high borrowing.

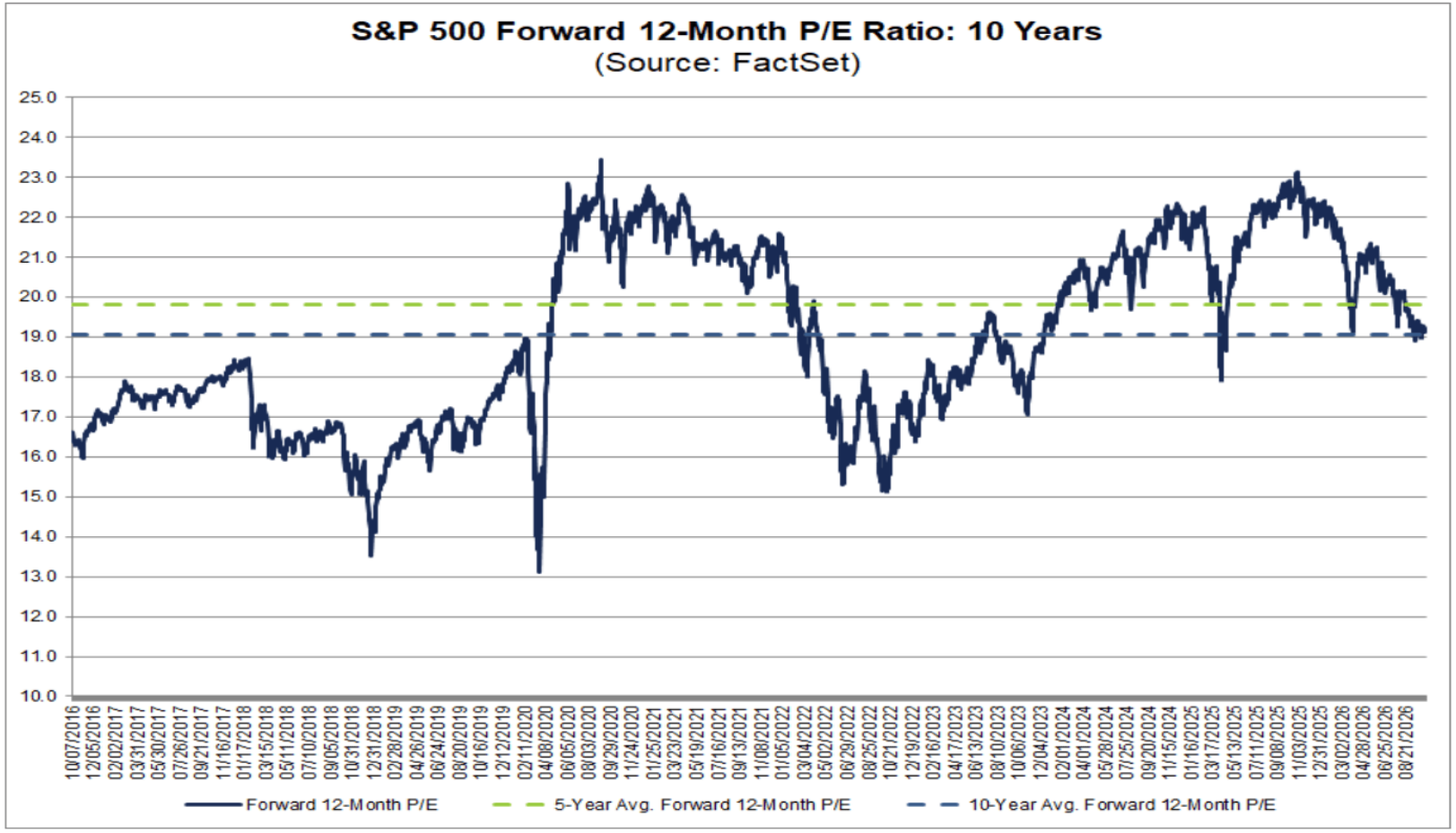
Because of the high growth in earnings, the forward S&P 500 multiple has come down to 19, which is around its 10-year average.

FactSet's latest estimates show an EPS of $363.41 for 2026 and $420.59 for 2027, growing a whopping 32% and 16%, respectively.

Bulls will make the argument that this relatively inexpensive.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:



THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

Exhibit 5: Top 10 contributors to S&P 500 Q3 earnings growth
* indicates company has reported Q3 results

			Contribution to consensus y/y SPX EPS growth (excludes "other income")					
			2026					
Name	Ticker	Expected report date	Q1	Q2	Q3	Q4	2026	2027
Micron Technology, Inc.*	MU	September 30	10 %	14 %	19 %	22 %	17 %	14 %
NVIDIA Corp.	NVDA	November 19	21	15	15	15	16	25
Meta Platforms Inc	META	October 29	8	(1)	7	(0)	3	1
Alphabet Inc.	GOOGL	October 27	5	3	6	5	4	6
Broadcom Inc.	AVGO	December 11	3	4	5	6	5	6
Exxonmobil Holdings Corp.	XOM	October 30	(2)	4	4	4	3	0
Amazon.com, Inc.	AMZN	October 30	3	2	4	3	3	4
Boeing Company	BA	October 27	0	0	3	(5)	(0)	1
Chevron Corp.	CVX	October 30	(1)	5	3	3	3	(1)
Marathon Petroleum Corp.	MPC	November 3	0	2	3	2	2	(1)
Top 10 contributors			**47 %**	**48 %**	**68 %**	**54 %**	**55 %**	**55 %**
AI infrastructure ex. hyperscalers			**52**	**48**	**54**	**58**	**53**	**58**
Hyperscalers			**20**	**7**	**19**	**10**	**14**	**14**

Source: FactSet, Goldman Sachs Global Investment Research

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

SpaceX beat by a huge margin and they've guided higher.

Meta beat forecasts and also guided higher.

Alphabet missed by a small percentage. But the Google Cloud/AI revenue grew 103% - that is a huge number for. Alphabet fell short of capacity and had to use a neocloud for compute just to meet demand.

Microsoft beat forecasts - Azure grew 48%.

Amazon revenue and earnings came inline with estimates, but AWS grew 39% to $46Bn – that is a very impressive number for the market leader.

AWS had its fastest growth in nearly five years—to a $184 billion annualized revenue run rate. (Take that with a pinch of salt though, Anthropic is a large customer)

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings: AI and Semiconductor companies are seeing strong demand ahead

ASML: CEO – “As customers shift focus to their needs beyond 2027, our order momentum continues to build. We are increasingly receiving orders for 2028, and customers are also expressing interest in placing orders for 2029 and even 2030.”

SK Hynix: **SK Hynix profit jumps 632%, memory chipmaker sees shortage lasting until 2030**

SK Hynix said more than 50% of its 2027-2028 capacity is already committed under long-term agreements. It reiterated that the AI memory shortage will persist through 2030 as adoption expands beyond cloud providers to enterprises and physical AI applications, including robotics and autonomous driving.

RBC Capital Markets analyst Srini Pajjuri sees a credible path for the cycle to extend another five quarters.

"Robust AI demand, coupled with a shift toward memory-intensive agentic AI, continues to outpace supply, which is constrained by structural headwinds," Pajjuri wrote on Monday.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

Lam Research: Lam stated that component shortages are delaying equipment shipments: "I would mention that this revenue guide would have been a bit higher if not for some near-term supply-chain constraints that we are actively managing." Management also noted its 2027 forecast for WFE spending of more than $200 billion is constrained by available cleanroom space and equipment supply, suggesting these constraints could persist into 2027. Management also highlighted advanced packaging as an area where demand for certain equipment components is growing particularly quickly with advanced packaging revenue expected to grow 70% this year. This significantly outpaces Lam's overall systems business.

Lumentum: Lumentum Holdings Inc.'s optical components are "completely sold out" through early 2029 on demand from tech companies clamoring for faster AI data centers. "Lumentum is unable to meet about 70% of demand for some products through next year and won't be able to address 30% of demand for some other products through 2028", Michael Hurlston said in an interview in Tokyo Friday. "Customers are already starting to lock in orders for 2030", he added.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

Taiwan Semiconductor: Q3-2026 earnings call

“We are moving full speed ahead to increase our capacity to meet our assessed demand and stepping up our Capex investment to support our customers' future growth. TSMC is expanding at an unprecedented pace with nearly 20 fabs worldwide in progress. We are building 13 leading edge and advanced packaging fabs in Taiwan over the next several years, and another six fabs overseas.”

In his prepared remarks, CEO Wei addressed AI industry demand:

“Next, let me talk about the AI-related demand outlook. The AI market continues to be very strong. Recent developments are very positive to AI's long-term demand outlook. We observe increasing AI demand, fueled by the rising adoption of Agentic AI as we transition from chatbots to AI assistants. In addition, we are observing greater adoption of open-source AI models. This will drive greater efficiencies and help lower the barriers to future AI usage, and result in more and more demand for leading-edge silicon.”

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

“Thus, AI-related demand is being supported by strong underlying demand for AI accelerators. In addition, the emergence of agentic AI CPUs and continued demand for networking chips are driving further silicon demand. Therefore, semiconductor will remain essential in the AI megatrend. The value of semiconductors in the global supply chain is set to continue to increase in our view. This will create more value opportunities for our customers to capture, and more value opportunities for TSMC as well.”

Since TSMC has many billions of dollars at stake in its plans to expand wafer production to support AI-related semiconductor demand, the company is not taking it on faith that the future demand will be there. Wei outlined the company’s expansion strategy:

“Next, let me talk about TSMC's capacity expansion strategies. As a foundry, our first responsibility is to provide our customers with the best technologies and effective capacity support to unleash their innovations. To address the structural increase in the long-term semiconductor market demand profile, TSMC collaborates closely with our customers and our customers’ customers to plan for our capacity.”

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Excellent earnings:

“In addition, we are now going one step further and sending our own teams of people to check on the data center build-out progress and power supply situation in the U.S. The feedback is so far so good, and the CSPs have been well prepared. Internally, TSMC employs a disciplined capacity planning system to assess the market demand, from both a top-down and bottom-up approach. This is a continuous and ongoing process.

Given the fundamental complexity of leading-edge technologies and the design-in and lead time involved, we already have a very good idea of customers of multiyear product roadmap and production plans. Thus, we continue to hold a strong conviction in the AI megatrend.”

Despite the apparent thoroughness in TSMC’s investigation of their customers’ long-term needs, this did not entirely reassure analysts, as one might expect. In the past, TSMC has characterized the AI accelerator CAGR to be about 50% by revenue. Wei was asked to reiterate that, and Wei indicated that it would probably be higher. This certainly correlates with the growth in the HPC segment.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Investment strategy:

I am convinced that there will be a shakeout in AI and semiconductors for several reasons, and I suspect it will emanate from debt covenants. I would not try to categorize it as a bubble.

There is a lot contingency booking – that will reduce as more supply comes online – that will hurt the smaller neoclouds first. Gartner had predicted that 80% of neoclouds would consolidate or go out of business by 2032.

That's just industry dynamics as bottlenecks ease and results into over capacity. The fallout will affect weaker companies – that is not just an AI dynamic, that's just how industries slow down after tearing growth, we saw that in the several booms and bust, including the dotcom boom and bust.

At some levels I also see opensource models eating into LLM's as software and customers become smarter, the neoclouds who have smaller nimbler customers with specific needs are catering to this segment – Nebius' token factory offers 60 models, for example.

The markets have already become cognizant of high debt levels, and we are seeing borrowers scramble the way even Anthropic had to with Broadcom's CEO stepping in to close deals.

My point is there is a market mechanism of weeding out in process already and that will continue to the extent where the overcapacity may not get built after all.

THE CONUNDRUM BETWEEN OVERSPENDING AND EXCELLENT EARNINGS

Investment strategy:

I also see power, capital and regulatory bottlenecks reduce the breakneck speed of buildouts, the CEOs of Nvidia, Nebius and Broadcom have talked about capital constraints.

Semianalysis also lays out a more gradual pace of data center build outs so there are market mechanisms also working to reduce bubble like scenarios.

Given that we are at a crossroads, the first rule would be to draw a line in the sand and keep a limit on your AI exposure. That would be the first risk mitigation tool.

The second rule would be to weed out weaker companies from the portfolio within the AI buckets. I mentioned Oracle, Coreweave and OpenAI as weaker companies.

I have proactively started adding other sectors such as consumer discretionary, software, cyber security and industrials

I plan to keep cash at least 12% and take it higher in the next 6 months.

TRADE ALERTS AND LIMITS

Consumer Discretionary

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

Shark Ninja (SN) Recommended and bought between $160-$195 the stock has jumped to $206, buy on a pullback.

On Holdings (ONON) $32-33. Still a good price to buy.

Cybersecurity

Fortinet's slower growth has dented some high-quality names

Palo Alto Networks (PANW) – Buy on Declines - The stock is around $370, expensive but a quality name, one can accumulate slowly on declines

Rubrik - (RBRK) Buy on Declines - Same strategy as PANW, one can accumulate slowly around $130

BUY THE DIP IN INDUSTRIALS, SAAS AND HEALTHCARE

Industrials

Amphenol $80-82 (APH) - 6 other segments besides datacenters this is less volatile. This company has returned 20% in the past 21 years.

Excellent results brought back this market leader from $73; it is still worth buying.

Eaton (ETN) $390 – It has a similar profile to Amphenol and should be accumulated.

SaaS (Software As A Service)

Zeta Global (ZETA) $32-33 – Partnered with Palantir and OpenAI, strong growth ahead.

Klaviyo (KVYO) $20-$21

SELECTIVE BUYING THE DIP IN DATA CENTER INFRASTRUCTURE

AI/Data Center Infrastructure Stocks – These are high quality, less volatile companies that have become very cheap and can be bought and held for a 5–10-year period.

Arista Networks (ANET) – $170-$180

Advantest (ATEYY) $210 – $220

Vertiv (VRT) $200 –$210

Nebius (NBIS) $155-$165

Lumentum (LITE) $800-850 possible merger with Marvell, can add.

TRADE ALERTS

10/26/2026

Trade Alert: Bought 20% more of Mercado Libre (MELI) - $1,590 Sell off due to Brazilian elections looks like an opportunity

Trade Alert: Bought 20% more of Reddit (RDDT) - $139 The sell off looks like an opportunity

Trade Alert: Bought 10% more of Bloom Energy (BE) - $207 - I don’t see power shortages being resolved for 3 years at least, this sell off is an opportunity.

Trade Alert: Bought 10% of Vertiv (VRT) $199 - I see little downside risk from these levels,