*Announcer:* Ladies and Gentlemen, we welcome you back to Las Vegas for our annual Stansberry Conference. It has been over two years since we got together last as a group. We are so glad to be back here live, in person. Before we get started we have a few announcements for you. Stansberry Research LLC and its affiliates do not endorse or recommend the views and opinions expressed, information shared or the products and services offered by the sponsors, speakers, vendors or attendees that participate in the Stansberry Conference and Alliance Meeting.

The views and opinions expressed and information shared at the conference are for informational purposes only and are solely those of the individual third parties. While recommendations will be shared with the audience throughout our three-day event, we stress that individuals do their own analysis before making any investments based on their own personal circumstances.

We'd like to thank our sponsors this year for their support. Our event wouldn't be the same without their partnership. We'd like to personally recognize First Majestic, TradeSmith, Altimetry, Empire Financial, Chaikin Analytics, David Hall Rare Coins, International Coin Alliance, Stansberry Asset Management and OneBlade. Please stop by their booths during the week to see what products they have to offer. If you need Wi-Fi access, please go to the network Stansberry Attendee 2021 and the password is research in all lowercase letters. Please turn off all the ringers on your devices because we are about to get started.

Our first presenter had a personal conflict before he arrived in Vegas, a legendary investor and analyst of the markets for over 20 years. Was he worried that he had run out of investible ideas for his followers to make money on? Had he lost his edge on what investing strategies work in certain market conditions? Had he lost his ability to identify capital efficient businesses, the ones that made him a legend in the first place? In his own mind, the answer to all of these questions is, of course, no. What kept this man up at night leading to this conference was what to wear.

You see, this man has been retired for some time now, hasn't worn a shirt with a collar for years. For today only, we are truly blessed to peel this man away from spearfishing wahoo in the Keys just 48 hours ago, and there's a pretty good chance he'll be right back there tomorrow. So we will enjoy this short amount of time that we have with him. Of course, we are talking about our founder and this year's keynote speaker, please welcome to the stage Porter Stansberry.

Good morning, everybody, it's very, very nice to be with you again after a couple years of absence, and apparently everybody knew that I was gonna be talking about the importance of goodwill accounting because the room's half empty. I thought at 8:00 what we should really do is sit down and talk about the intricacies of a financial accounting concept that has really no real world application whatsoever. It's a line item on a balance sheet. We've got to put a number there, we'll call it goodwill.

Most investors really don't have any idea of what goodwill means and truly, very, very few investors have ever thought about it for 20 years in a row like I have. I am convinced that goodwill and goodwill accounting is the most important advantage that you have as an investor and I'm relatively sure that you've never even thought about the idea before. So why am I such a huge proponent of understanding exactly what goodwill is and how it works? Well, it's because the most famous investor of all time, Warren Buffett, laid it all out for me in a letter in 1983 that's published on the Internet. Anyone can read it but very few people ever have and it's sort of written in financial jargon, it's not easy to understand.

But that's the secret that lies behind capital efficient investments, and I do think with all the information that is now on Bloomberg, the idea that the most important information on a company's financial statements is a number that most people don't understand is a really big advantage. It's not something that you can easily scan for on a Bloomberg so most investors don't even know it exists.

So the secret is the nature of goodwill and the nature of goodwill accounting, and to try to make it very simple for you to understand, I thought I'd start by just talking about what it means in terms of this hotel. So how many people here know that the Wynn used to be called The Desert Inn and it was here for many, many years? You know, built probably originally in the '40s or '50s. So the idea about goodwill accounting is when you pay for something, when you acquire something for more than its net asset value the difference in that value goes in the goodwill slot but there's a couple of interesting rules about it. The most interesting rule about it is that some kinds of assets never appreciate on your balance sheet. So, for example, accounting rules say that you cannot revalue higher things like land or buildings, but as everybody knows, real estate investors make a lot of money over time because the value of land goes up, and in this case, the value of the land has gone up quite a bit. So, let me get to the numbers here.

When Wynn bought the Desert Inn in 2000 he paid $270 million for the hotel and the land but the hotel was basically a teardown, so $270 million for the land. Today, the valuation of this land is 1.3 billion on Wynn's books. But if you think about that for a second, think how much more valuable this asset is than just the 1.3 billion. So it's on Wynn's books at 1.3 billion but it's worth something closer to 10. Okay.

So think about that for a second. If you went and bought this business, you went and bought all the debt and all the shares and you took Wynn private, your new balance sheet would say something like $10 billion on that line item, not 1.3. So is that – where did that money come from, where did it go, well, it's all goodwill, and right now on Wynn's balance sheet it doesn't even exist, but of course, it's an enormous asset. So if you're looking to value this business and you just look at the financial statements, you're missing a huge, huge, huge asset. You're missing this goodwill value because the accounting does not allow for the value of this asset to appreciate over time even though it certainly does. Now, does that make any sense? No. How about this, it gets even more complicated. They do allow you to write down to depreciate the value of the buildings, so over time this asset is getting less and less valuable on the books when, of course, in real life it's getting more and more valuable.

Now, when it comes to something like a hotel or a resort, that's not a hard thing for analysts to figure out. You can look at comparable properties in Las Vegas, you can come up with a line item that's a lot more realistic, but for most businesses it isn't easy to compute at all. For example, what do you think the value of Coca-Cola's distribution network in branding is and where do you find that on its balance sheet? Or think about this, what's the most valuable asset that Wynn has? Is it really this hotel and this property? Okay, probably, but what else is really valuable? Well, how about their customer list, right. They know the names, e-mail addresses and phone numbers of every big gambler in the world, what's that list worth?

By the way, I like to call gamblers losers, and I don't mean it in an insulting way, I mean it as an actual description, right. Everyone who gambles at a casino eventually loses. So imagine having a list of the world's richest losers. Yeah, I'll rent that list, sell 'em some newsletters. So that asset, of course, doesn't appear on the balance sheet or any other financial statements at all but it's actually one of the company's most valuable assets. And so if you were scanning for a discounted stock on a Bloomberg you wouldn't find it because it's not in those statements and that is a huge advantage to you if you know where to look to find this hidden asset.

Again, if you want to go back and read Buffett's letter that's fine, it's in 1983. He also wrote in his most recent letter this quote, which is the best results occur at companies that require minimal assets to conduct high margin businesses and offer goods and services that will expand their sales volume with only minor needs for additional capital. Okay, companies that can do this I call capital efficient. What Buffett said was that they have a very special kind of asset called economic goodwill. We're talking about exactly the same thing. So companies that have the ability to grow their earnings dramatically over time without comparable capital investments are capital efficient and that's a description of what they're doing. The ability to do that is goodwill and it doesn't appear on their balance sheet.

So let me give you an example. In 1972, Buffett paid $25 million for See's Candy. That was the first time he made an investment above book value, and so he bought that business at about – I think it was around three and a half times net tangible assets, so three times book, and he bought it at about 12 times earnings, which isn't cheap. A value investor wouldn't really be attracted to that deal. But what Buffett saw in See's is the same thing that I have been writing to you guys about since 2007, he saw a company that could grow its earnings over the very long-term without additional capital investments and that is a dramatic advantage to have as an investor, especially if you are willing to be lazy. As Buffett says, I prefer sloth-like investing. If you just do nothing, See's is gonna compound your wealth at a higher pace year after year after year.

So when he bought the business it had about a 25 percent annual return on net tangible assets. Last year it had over a 200 percent return on net tangible assets, and the result of that is massive amounts of cash that it throws off every year to its owners. Buffett's taken over a billion dollars in cash out of See's, a $25 million investment. If you can do better than that then you shouldn't be in this room, you should just retire.

So interestingly, my first capital efficient recommendation to you guys was Hershey, and I did my best, if you go back and you read the issue, you'll see I did my best to explain – you know, try to grab your attention. This is not a normal investment. If you buy this investment and you sell it in 18 months or 24 months you'll never get the point of it. I have no idea what the performance will be in the next three years but I can tell you in the next 20 years it'll make you 20 times your money because it's so capital efficient that it's going to be able to increase its returns on net tangible assets over time. It's inevitable that it will.

Now, you know, the SEC would – I get in a lot of trouble for saying anything in finance is inevitable. Obviously, if there's a nuclear holocaust or we discover that Hershey is the cause of cancer, well, you know, it's not gonna happen, but you know, bearing those kinds of outlying events, this is an investment that you can literally hold forever and it will make you an enormous fortune, and you don't have to do anything. There's no options to trade, there's no taxes to pay 'cause you don't have to sell. The best thing about this company is it has – there's a law against the management fucking things up, pardon my language, and it's true. In Pennsylvania they passed a law that said that Hershey's trust is not allowed to ever do any kind of transaction that would render its control over the business obsolete, so they're not allowed to sell and as a result, they can't screw things up because all they've got to do is just hold.

So, you know, the total return on Hershey now is over 500 percent, and if you look at our returns, every year they're getting better and better and better. Why? Well, because we're reinvesting the dividends and we're compounding and because the company itself has a higher return on net tangible assets over time, just like See's.

So since 2007, I have recommended 34 different companies that have this really special quality. There is something about them that makes them much more capital efficient than their peers. And the results are truly extraordinary. I mean people don't really recognize how good these results are 'cause no one's gone back to look at them and I haven't given a presentation like this ever before just about capital efficiency. So 34 picks, you can see the numbers, the average annualized gain is over 30 percent. Again, if you can do better than that you don't need to be in this room, you should already be retired like I am and fishing with me.

Like this is the path to wealth. This is the best way to get there. If you just do this you don't have to do anything else. Save as much of your income as you can, buy these stocks when they're relatively fairly prices and forget about it. You're never gonna lose money on any of these recommendations and you're gonna compound your wealth at 20 to 30 percent a year. Can anybody do better than that anywhere with any strategy? Well, I bought bitcoin, well, okay. I mean there's just no way. These stocks are so dramatically less volatile than the market, they're utterly safe in many cases, like Hershey, and they will make you incredibly rich. All you have to be is a sloth, that's it.

But how do we know it works? Maybe I just got lucky, right. Maybe I picked 34 stocks over 15 years and the annualized return is over 30 percent but it was just luck, just throwing darts. Okay. Well, what we did is we looked at the actual results and we thought, inside a portfolio of capital efficient companies there's still some that are gonna be extremely capital efficient and some that are only gonna be marginally capital efficient. Is there a difference in how they perform? And so we broke them down into a quartile. So we took 25 percent, 25 percent, 25 percent, 25 percent, and we said the very most capital efficient stocks, there were 17 of them, and the returns on those were over 40 percent annualized and you can see the results below.

So not only does it work in absolute terms but inside the portfolio itself, the more capital efficient companies also performed the best, and to me, that's very indicative that it isn't chance. That is, what we were looking for and what we were expecting worked both outside the portfolio and even inside the portfolio.

From there we said to ourselves, okay, this is great, we have really found an enormous advantage for outside passive investors. If you just buy capital efficient stocks you're gonna make a lot of money over time. But is there an even better way to do it? And as we got more experience we saw that there's some industries where the entire industry itself is capital efficient, that structurally it's just way better than an average business. And the first one that we thought of, of course, went back to Buffett, is property and casualty insurance. And you want to put an audience to sleep, go from talking about goodwill accounting to property and casualty insurance. I mean we could talk about this all day long. Brian Beech is my best insurance analyst and he will literally talk to you all day long about insurance and you won't understand a single word he just said.

But the advantage is very simple. As you guys know, insurance companies get paid upfront. They pay claims going forward. But what if there aren't claims, they keep the money and they keep all the money they make from the money and those premiums paid upfront are called float. And the fun thing about the accounting is when you go to look at these financial statements, these premiums which are cash are – on the financial statements they register not as an asset but as a liability. So again, this is a part of the market that you can't easily plug into a Bloomberg machine and get a sensible answer. It's not something that's very easy to automate because the goodwill in these companies is all found and their ability to underwrite at a profit.

For the companies in this industry that can underwrite at a profit they're the most capital efficient companies in the world. For the ones that can't, they're a disaster investment and you can't find their history of underwriting on the Bloomberg. So we picked 11 stocks in the sector since 2012. Two of them are very new, and this is important because as you'll see, with capital efficient stocks the compounding over time is a big part of the magic. So this portfolio is still relatively young. Why are there only 11 stocks, Porter, if you know insurance is so great why don't you pick more? Well, because the industry, as a whole, loses money on underwriting. This ain't Lake Wobegon, all the kids are not above average. So very few of them are worthy investments, and the big problem is, guess who has sucked up all of the capital efficient underwriting in the sector, you'll never guess. It's our friend, Mr. Buffett.

So, Buffett's float is, you know, now several hundred billion dollars and he makes money on underwriting 16 of the last 17 years for a total net income to his business of over $20 billion. So Buffett made $20 billion on underwriting. He got – and the float, I can't remember the total number now, it's like $300 billion in float, he gets to keep all the profits from that money and he got paid to hold it. It's an incredible, incredible advantage.

If you want to know the real secret to Berkshire-Hathaway's equity performance over time, which ironically is about 20 percent a year which is what we see in all of our capital efficient investments, but the real secret for Buffett is that he's got this enormous advantage through insurance. Anyways, our results in insurance – can I go back, yeah. Our results in insurance have been remarkably similar to Buffett's, again, 20 percent a year, 11 stocks. Interestingly, I want to tell you, two of those stocks we lost money on because we thought they were good underwriters but they weren't. So even though we made a mistake in a relatively small portfolio, we still did very, very well.

A new area that is very capital efficient, that we're just getting started in is software as a service business and these stocks are really hard for people to buy 'cause they always trade at such large multiples, and trust me, like, it's scary when you're buying a company that says, you know, you're buying at like 50 times earnings or something and you're like, oh God, you know, is this Amazon in 2000, am I gonna get creamed. And so you really have to understand what is missing from these financial statements, which is the economic goodwill or what I would call the capital efficiency. And our results in this area have been truly extraordinary. Now, listen, it's been a bull market and tech stocks, obviously annualized gains over 100 percent are not sustainable and this is a very small portfolio, only six recommendations, but I want to call it to your attention because I want you to be willing to be an investor in these companies too, even if you have to hold your nose because the valuations look so high.

All right. Again, part of this presentation was I wanted to try to find a way to convince you that what we've done in this type of investing and using this strategy is very special, very special, it's not normal and it's an advantage that I believe is sustainable over your entire lifetime as an investor. It's not luck. One of the things I hear all the time when I talk to actual investors at conferences like this about how come you're not doing this, how many people in this room have told me I should have bought Hershey, I didn't and now it's too late? I want to see a show of hands, 'cause I hear that all the time from you guys. Ah, I should have bought Hershey.

Well, I put together a portfolio in 2018 where you could literally just paint by numbers. Here are the stocks you should buy, here is the percentage of the portfolio they should be, the first stock on the portfolio was Hershey. And not surprisingly, in three years this portfolio has gone up over 20 percent annually, there are no losers and Hershey, I think, was the third or fourth best performer in the portfolio. So my point to you guys is it's not too late. Buffett didn't buy Coca-Cola, which is a tremendously capital efficient business, until he was 55 years old. It's not too late to start investing in the right way and it will work for you.

So here is that portfolio. You can see the results for yourself, they're truly extraordinary, and yes, I know it has been a bull market but these are not the kind of stocks that should give you any hesitation. I mean you're not a big risk taker when you're investing in Hershey and in Walt Disney and in insurance, you know, and Apple and Home Depot, but the results can be extraordinary, and it's because of the way these companies are able to grow their earnings without a comparable investment in capital.

So, what are you gonna do now? Porter, it's great to see you, I appreciate that you're retired. I hope you're enjoying your success, but I need help. I want to invest this way, I love the idea of buying 20 stocks and never touching my portfolio ever again and waking up in 20 years and having tens of millions of dollars, how do I do that? Well, I programmed everything that we know about capital efficiency, everything we've learned. There is a nine factor test that we use now. I've got some good analysts who have done a lot of work.

We scan the markets every day and we rate companies based on capital efficiency, and then we look at what they're trading at and we have – there is a stock that are in buy zone and stocks that aren't. And I put this all into an app. You can actually download it on your phone. It's called the Kings of Capitalism and it's the 25 best businesses in the world that are the most capital efficient and it's really complicated. You have to open the app and if it's green you buy it, if it's not green you don't. That's it. Now, if you can handle that, you can be a capital efficient investor and be very successful.

When we back tested this app over the last ten years the results are really extraordinary. I want to make sure I get them right. And I also want you to realize that all the results that I gave you in this presentation, none of that was back testing, all of those results that I showed you, those are all real-time. In other words, those are things that we recommended in the newsletter at the time, and now, 15 years later, can show you how they've done. This app we only put out on the market about a year ago, so these results are back tested, okay. So they're not quite as significant as real-time track record. But the results are so good it's extraordinary. Let's see.

Yeah. So we back tested this algorithm to figure out how it performed over the last ten years and the total return for this portfolio – this system was 331 percent, which was 28 percent annualized. Again, almost exactly what I would have expected. So using this strategy you're gonna make between – I would estimate, between 20 and 30 percent every year, and the longer you hold these stocks the better the performance will become.

So if you look at the last year's performance, or the last two years' performance with this algorithm, you're beating the market but you're only beating it by like 17 percent a year to 15 percent a year, it's not much. The advantage grows very significantly over time. And again, it's tricky to use, you have to open the app, you have to look and see whether or not it's green or not. If it's green you buy it, if it's not green you don't. Well, when do we sell? You don't, you just hold these stocks, and I think that's one thing that we haven't done a good enough job of in the newsletters is stressing that you don't necessarily have to diversify all at once.

So if you receive something like a giant payout from the company you started 20 years ago and you have a giant lump sum of money I don't have to put it all in the market at once. I can diversify over time and so that's what I'm doing with my own money is, you know, every couple of months, every quarter, every time I see the market fall 5 percent I'll open up my app, again, this is the hard part, I look and see if it's green and I buy it. And if you just do that habitually, quarter after quarter, month after month, year after year, in five or ten years you're gonna look back and you'll own a dozen world-class businesses and you'll see that your wealth has appreciated by about 25 percent a year and you literally don't have to do anything else or worry about anything else. And if you can beat that then you don't need to be in this room, you can come fishing with me in the Keys. I've got five minutes and if anybody would like to ask a question, if I can answer it I will. If you ask me something like should I buy Hershey, I'm gonna pretend like I didn't hear you 'cause you apparently didn't hear my presentation. Any questions? Yep, in the front.

*Off mic.*

What's the impact of inflation on capital efficient companies? Well, that's the very best part. A lot of people think that the way you handle inflation is buying something like a gold company or an asset rich business but the problem with those companies is they're always liquidating their balance sheet, and yeah, their balance sheet value is gonna go up but when they sell that gold in the ground what are they gonna replace it with? Well, they've got to go find more gold and that replacement asset has gone up just as much in price as the assets in their balance sheet did.

So, there's not much operating leverage in an asset rich business tilted towards inflation. On the other hand, imagine how valuable Hershey's brand is when the cost of a chocolate bar is gonna be $3.00 instead of $1.00, and they don't have to ever replace that goodwill value of that brand, it just sits there on their balance sheet, it doesn't require any capital investment. So what you'll find is if you look at periods of inflation, these kinds of companies actually do the best and they do the best because they don't have to have the higher cost of replacing assets from their balance sheet. And again, if you read Buffett's letter in 1983, he talks about that idea specifically, just about how good the 1970s were for See's Candy and how inflation impacts these capital efficient companies. Any more questions? Oh yeah, in front.

*Off mic.*

The man wants to know about are there capital efficient companies in China. Absolutely. And if you open the app you'll find them. Yeah.

*What are your thoughts about it with the Chinese \_\_\_\_\_?*

Well, I don't have any insight at all into the Chinese political system or the Chinese government. I don't. I think that's just a risk that you take as an investor, and if you want to avoid that risk then when that one's green you just don't buy it. Yep.

*Off mic.*

The digital dollar, that I don't know anything about. I do know that I am one of the major owners of a business in Iceland called Hive and how I became a major owner of the business in Iceland named Hive is a heck of a story. My friend, Doug Casey, called me in 2014 or 2015 and said, Hey, Porter, hey, Porter, how you doing, it's Doug. Hey, Doug, what's going on? Well, I got a mine I want you to invest in. You've got a mine? Yeah, it's in Iceland. Okay, well, my standing rule with partners is if you have money in a deal I'll put 100 grand into it because I don't want to be a dick. And you'll never guess how many times I've gotten the 100 grand back, *[sound effect]*. So I figure, oh well, Doug's a good friend, I'll give him 100 grand, maybe I'll get it back, probably won't. So I'm like, sure, just text Maria, we'll wire you the money. Well, I want to tell you about this mine. Doug, I'm sorry, man, I got to run a publishing company, I got no time for mining. Talk to you later.

So anyways, I thought I was buying a mine in Iceland. What I was buying was a crypto miner. I had no idea, I truly didn't. And so Doug calls me in 2017 or 2018, when bitcoin first went parabolic, and he's like, hey, we know, are you gonna celebrate, are you buying a new plane. I'm like what are you talking about? He's like, Porter, the mine that we bought at two cents is now trading at 7.50. I'm like what? What kind of mine is this? It's crypto. Oh, wow. So I'm the accidental crypto millionaire. And by the way, I'm not recommending that stock or that business. I truly know nothing about it. I ended up owning it by accident and I have no idea if it's a good buy or not. I've been trying to sell it for years and the only thing harder than buying a mine is selling one. I've got two minutes left, one more question. Yep, right here.

*Off mic.*

How is my OneBlade doing? It'd be doing a lot better if everyone would go buy a razor from me, so go get your OneBlade today. Since I retired, I haven't been shaving very much and I think that's impacted the financial results of that business. No, OneBlade's doing great, actually. We've been growing that business by about 20,000 to 30,000 customers every year for about four or five years now. We started sales in 2015, so six years in total, and not surprisingly, think about it, I know a little bit about this, this is a very capital efficient company. So I'm hopeful it will continue to do well.

Thank you, guys, very much. It was a real pleasure to see you all. *[Applause]*

*[End of Audio]*