*Matt:* All right. So this is the 2020 Alliance Editors Panel. This is going to be the most information dense part of the week, I think. You're going to get a lot of stock picks, a lot of good investments. Normally, we start this off by looking at last year's performance and seeing who did what, how well everybody did. We certainly want to be accountable. Sure. Yeah, we are missing –

*Doc Eifrig:* Ferris.

*Matt:* Yes. Where's Dan Ferris? Dan Ferris. He must have turned bearish on us just before the panel. All right. Well, he'll be out. So normally, we go through all the picks from the previous years and see how everybody did. But we don't have time for that anymore. We've just grown too much. This used to be Porter, Steve, Doc, and Dan. And last year, we have 22 different top ideas that we delivered.

So we can't go through them all. But I do want to make sure you know who did what. So I found a time-saving device here. I've compiled all the returns and we're just going to display them while people are talking so that you know what you've done. So, Doc, if you can just go ahead and wear this for the rest of the afternoon for me, do you mind?

*Doc Eifrig:* Someone's gonna pay for this.

*Matt:* All right.

*Doc Eifrig:* You still work halftime for me.

*Matt:* That is true.

*Doc Eifrig:* Or I should say you did. I gotta put this on?

*Matt:* Yes. We've got to get these out to everybody. Okay. I've also got one for Eric Wade.

*Doc Eifrig:* What is this? This is performance from –

*Matt:* That's performance for last year. Yeah.

*Doc Eifrig:* Oh, Okay.

*Matt:* And if I set the end date one day later, it would have been positive, so I had to move it back just in case. This one is for Eric Wade. This one took a little bit of engineering. I'm going to have to put my mic down. Can you see that?

*Bryan Beach:* That's not fair.

*Matt:* I'll leave it here.

*Doc Eifrig:* Is Eric Wade in the house?

*Matt:* Please do not applaud. We all know that crypto does not count. Okay.

*Bryan Beach:* Crypto don't count

*Matt:* Doc, what do you think of that?

*Doc Eifrig:* What?

*Matt:* What do you think of that? Eric got 3,000.

*Doc Eifrig:* 3,200 to 3000. It's incredible.

*Matt:* You have anything to say?

*Doc Eifrig:* I do. Sit down.

*Matt:* On stage or can I stay up here.

*Doc Eifrig:* Sit down. The young folks. So the key for me is really long-term investing, right? That's what I've preached. So we've got to go and look and compare me to 'sugar rude' and compare me to Porter.

So let's do that. Let's go back to 2016. I have five years, I would say that's good for long-term investing. Steve's pick, Naspers up 51 percent. Porter. God. That was Porter's pick up here five years ago.

*Bryan Beach:* That was actually my pick. I do most of Porter's picks.

*Doc Eifrig:* Okay. All right. You get off stage and that's –

*Dave Lashmet:* Way take a hit for the team.

*Bryan Beach:* That's not.

*Doc Eifrig:* All right. So I'm just gonna take this off. There we go. Five years ago.

*Bryan Beach:* What do you want, applause?

*Matt:* Okay. So Doc is obviously defending himself and we are long-term investors. And that was certainly a good thing to point out. But I think he brings up an important lesson. So this one percent, I could only do that because that was a joint pick. I liked that with Cerner Health. I liked it then, I still like it now. But the story just didn't happen this year. But what we knew going in was that Cerner Health was never going to deliver 3000 percent, right? It's just not possible.

So I want to point out to you that this is not a highest returns competition, right? There is a strategy to win a highest returns competition, and that is to pick something very risky. And if you win you win, and if you're a second place, 20th place, it doesn't matter.

But it does matter for you out there who may be investing in these ideas. So we do not come and say, please come give us the highest return for the year. We say, give us your best idea, give us your highest conviction idea. And your highest conviction idea could be a really solid 20 percent gain.

It could be a value stock that could double, but has a good margin of safety, right? It can be a speculation. It can be something that takes five years to play out. Although we only really have a one year window here. So I just wanted to point that out. We're doing that for you. We like to have fun. We like to be competitive. But we are trying to take care of your capital. Of course not every pick is going to be 3000 percent.

Okay. But we do want to look at last year for real, we've been joking around. If you take all the positions, there are 22 positions recommended last year, the average return was 191 percent. There's definitely a skew from the crypto pick. Or if you're not a crypto person, average return was still 47 percent versus the S&P is 32 percent.

So I'm really satisfied with that. We're going to try and do it again this year. And I know this is probably a small slide, you can look at this later on. This is all the returns from last year, and I do feel some guys deserve to be noted for at least their triple digit gains. Bryan here recommended MicroStrategy for 344 percent.

There you go. Jeff Havenstein had an options play that returned 165 percent in five months. Whitney Tilson and Mike DiBiase had really safe value stocks that went on to double. And Greg Diamond who's supposed to be our short-term technical trader came up with Zscaler, which is a cloud security company that returned 102 percent.

And there's plenty of other good gains there for you to look at later on. But we're going to try to do the same thing for you this year. And we're going to start with value stocks, and we're going to start with Dan Ferris. I don't see him. So I guess we'll move on to – Who is up next? Is it Doc?

*Doc Eifrig:* I might be up next.

*Matt:* Okay, Doc?

*Doc Eifrig:* That's okay. That's the first question. \_\_\_\_\_

*Male Participant:* He was backstage.

*Dave Lashmet:* He was backstage?

*Doc Eifrig:* Is Dan Ferris okay? He was backstage with you guys?

*Bryan Beach:* Yeah. We'll go.

*Matt:* I hear footsteps. No. He's coming.

*Doc Eifrig:* I'm going to start. He's coming. All right.

*Matt:* So we're going to jump ahead in the slides here to Doc. Doc has promised not to talk about anything philosophical. He's going to go right into his stock pick. He has promised me, so here we go.

*Doc Eifrig:* Can I have the clicker?

*Matt:* Oh yes.

*Doc Eifrig:* Do you want us to get up there or is?

*Matt:* Yeah, it'd be nice. Go ahead.

*Doc Eifrig:* Okay. So I kid you not, I come here, I mix and mingle and people start asking me questions. Am I going to talk? Am I going to talk? How come I'm not on the first two days, yada, yada.

The presentation I had was just a simple stock pick, but I'm inspired by a couple of different things that have happened and gone on in the last week and thinking about this, and then your ivermectin thing, you couldn't have been a better plant in the audience. What I want to do, and I think what you pay me for is to make you think.

I don't want you to agree with me. I don't want you to disagree. I want us to listen to each other's ideas and then you figure out what works for you and what makes sense. So the stuff at the beginning, if your feathers are getting ruffled, because you come on a different side about it, you're in the different religion, don't worry about it. It's okay.

We're all humans and I have ideas. And for me, liberty is not about skin color, liberty is not about sex or preference, liberty is about ideas. And that's what I think America is great at, and we have to maintain that. Okay. So before I get to my pick, which we will at the end, I –

*Doc Eifrig:* And this means you, you have to be open-minded about – No, I love me some Lashmet, man. All right. We have how much, five minutes? Okay. So I got to fly. Hans Rosling, anybody ever read his book about fact fullness and about –

Anyway, it's sort of the point that the press and the clickbait stuff is not real. The world's getting better and better and better and better. Okay? Now, I showed this slide last year during the Corona. And I want to point out, this is – What you should look at – Oh, one more, sorry.

Oh, well, you'll read the Hans Rosling quote. I'll read it as well in case you can't see it. "When we are afraid, we do not see clearly. Critical thinking is always difficult, but it's almost impossible when we are scared. There's no room for facts when our minds are occupied by fear."

So let that fear go for a minute. Just trust me, I'm sharing with you some thoughts and ideas. If you listen to Matt and I when we did our Corona, I think we did, how many of those?

*Matt:* 17.

*Doc Eifrig:* 17 Corona conversations. We would talk beforehand and disagree about stuff, but then we would still do this thing and try to hear each other's sides. And it was fantastic. One of the slides I showed is a picture here. What it shows is each line is a Corona virus, a different species of Corona virus. The vertical is a year.

So each one of those vertical peaks. And what you should know is in gray, the gray peaks in every single Corona virus is the same cause it's the total for that year. This is over eight years of Corona viruses that year. So you can see in the first year, it was the red Corona virus and the blue Corona virus. There was nothing down in the green and orange.

In the next year after that, there was orange, some blue, a lot more green, and it goes on and on. Corona virus and viruses have been around for a long time. These Corona viruses killed people. These Corona viruses were lumped in a category called influenza-like illnesses. Why? Because back then 15 years ago, it costs a million dollars to do genome on stuff.

So we couldn't identify, we just lumped it, we gave you the best care we could in the ICU and people died. Okay? So it's not like this Corona virus is some crazy out of the blue thing. Now, what I want to point out to you is this question. And I think it's important to think about this, because it relates to what we were talking about with Tom and healthcare. How much money do you want to spend on healthcare?

Before I saw the government just create money out of thin air, I would have said, we're limited, now I don't know. So my argument is not as strong as it was when I actually believed that we couldn't spend unlimited amounts of money on stuff. But let's look at this, what this is – People have heard about relative risk reduction and absolute risk reduction. And what you heard in the press was vaccines all dead like 94 and 95 percent. Those are the first two upper left, 95, 94, 91. These are different vaccines.

And then the numbers below that 119, 81, 108, 84, 78. Those are numbers that are how many people you have to vaccinate to prevent one recorded illness. All right? So the vaccines are effective, but you have to vaccinate a whole bunch of people. So again, the top number is what we like to call relative risk reduction.

Now, let me show you a picture, which I hope many of you will go, oh. Here's how you look at it. And this is not for COVID specifically, but this is a diagram showing you how you get these numbers. Look in the Placebo column.

If we went out and looked at 100 people and I'm going to make this up that it's COVID, and if two people only got COVID and we give the vaccine to another group in a true randomized controlled trial, standardize across the world, which has not happened with COVID, and one person still gets the disease for whatever reason, right? What does that mean?

It means that the absolute risk reduction, since you went from two people to one is a 50 percent reduction, and that's the number that's in the '90s, right? So two to one, 50 percent reduction. That's pretty good. You cut in half the risk of doing it.

But the absolute risk is there were two people and now there's only one. So you reduce the absolute risk of you in that 100 people population by one percent, right? So one less person. And you take that number, one over the ARR, gives you the number of people you need to vaccinate.

So just remember, you got to vaccinate a whole lot of people, vaccines suddenly – Drugs didn't become magically safe for everybody. And the debate is now who should you vaccinate? Should you vaccinate teenagers, five-year-olds, infants? All right?

Now, Matt told me I couldn't put any philosophy stuff on here, so I did. "Not that you lied to me, but that I no longer believe you, has shaken me." Look, in March 2020 Fauci in a 60 minute interview, said masks were unnecessary.

Did he lie? What did he know that you and I don't know? Well, I went and looked at the literature and it turns out at that time there were around 21 randomized controlled trials for influenza done at healthcare centers, randomized controlled trials at healthcare centers with really good masks. And they didn't make any difference.

So Fauci who I think is smart, probably knew the literature and you'd have to say that, that would be what he would know. Now, when you study masks and look at masks and see and engineers and people can say about it stops the particle.

I saw something the other day had three pieces of different size masks and showed – I think David put that up. And that's true, but the question is, does it work in practice as it work in real life? I'm going to speed up because I'm probably running out of time. There we go, Matt sent out.

So the CDC said this, "Once you're vaccinated, nothing changes." In June, they were claiming that adolescents were getting in trouble and getting infected, when in fact they were citing data from February. I think that's a political eye, I think that's a mistake. You can't trust politicians, you can't trust government if they're citing something from six months ago.

And there's this idea floating around that vaccines are better than real immunity. What? No, I'm serious. We laugh, but don't let anyone get away with that. Really? We have technology that's better than the human body for creating immunity? No. Sorry, not possible. It will not happen in my lifetime guaranteed.

Government racket. Just be careful. Agent Orange, for years and years and years and years and years and whatever you think about Vietnam, caused leukemia. Okay? If anyone's not seen burns, this thing on Vietnam or read a bright shining lie, or if you served – Look, government in general, gotta be careful. Mercury in vaccines.

That was the CDC. Denied it for years and years and years and years and years. And the fact that vaccine makers can't be sued, that came out through Gerald Ford when the swine flu vaccine put people, gave them Guillain-Barré disease, killed people. All right. That's all I'm saying. It's not political. It's just something to think about. All right. How much time do I have? Am I over by –

*Matt:* You could go. Yeah. I mean, wrap it up.

*Doc Eifrig:* So here's another – There's a PerkinElmer, it's a picks and shovels. COVID and testing created this huge cashflow pop, right? Crazy. Look how cheap it is still. And this company invests in the future. They're involved in a bunch of different businesses. They buy stuff up.

They're thinking not just about COVID and COVID testing, they've been doing this for a long time. This is another one of these things. I think we look at each other and go, how do we discover this? Charles River from five years ago. It's like, wow, this is really interesting. So love the stock. This is my pick and questions or am I my done?

*Matt:* Yeah. We'll do questions at the end of this group here.

*Doc Eifrig:* I'm done. Thank you.

*Matt:* All Right. Thank you, Doc. So just to let the guys know, so they get them in order. We're going to do Dan next, who doesn't have any slides then Bryan Beach and Dave Lashmet. So it's hard to introduce Dan. He's been here for 20 years. Many of you know him for 20 years. We asked him to come give a value stock, but we may get a reason to be bearish or libertarian rants, and you just roll the dice. So come on up Dan.

*Dan Ferris:* Well, I'll pick up where Doc left off. And now that we're all reporting to Matt, I want you all to notice what a smart good-looking guy he is.

*Matt:* Well, my face is bigger than it's ever been up there.

*Dan Ferris:* Yeah. I'll take a check by the way. Anyway, I want you to buy Sturm, Ruger, the gun company. See, I put the libertarian ranches right in with the pick, isn't it? And I want you to do it because I think it's like a tobacco stock. Except with a tobacco stocks, what you had to do is except this ongoing kind of single digit decline in smoking. Right?

But they were still great bets, because everyone was always saying, they're going to go out of business. And they were priced right and had high yields and gushed cashflow, and produce great returns. But with gun stocks, you don't get that. Guns are growing.

If you look at the chart of FBI background checks, there's a cyclical component to it. We got a big bump up last year, right? But overall, it's a secular bull market and I think it'll continue that way.

In fact, the narrative on either side of this, the anti-gun people who are basically just children, right? And the fanatic they're coming to get my guns guy, they're both dead wrong. They're all wrong. The fact is it's a better time. I'll be 60 in a few weeks here. And it's a better time in my lifetime than ever to own and carry a concealed handgun in the United States. 20 states now, 20, have some form of what you call constitutional carry. Does anybody know this term? Right?

Some people call it Vermont carry. Because Vermont has had it since literally since 1787. And it just means that you don't need a government permit to carry a concealed handgun. And now we've got 20 states that are doing this. I have a license in Oregon, I'm getting one in Arizona. And those two together get me like 33 states of reciprocity where I can legally carry it. And other states would get you even more like 40 some.

So it's a really good time to be a gun owner if self-defense wherever you may travel is your goal. But also shooting sports are on the rise. Now of course, look, in the summer Olympics, there's 45 track and field events and 37 swimming events, but there's 15 gun events.

And if you look at the list of the number of events in each category, 15 is a pretty good number. Pistol, rifle, and shotgun events. And the shooting sports are on the rise throughout the United States. And the demographics that are buying all these guns for the first time and getting into shooting sports are not my group, old guys with gray hair, they are young people, women, and minorities.

Sure. There are people that buy a cheap handgun, they throw it in the top of the nightstand and that's it. But lots of people are winding up like me. I was a first-time gun owner in 2020 and six guns later, I'm planning to buy three more because I want to do this sport called 3-Gun. 3-Gun competition.

So I think there's going to be more of that. I think both categories, the people who are interested in defending themselves. And by the way, part of that narrative is the United States is this very violent country, number three in the world out of 297 countries, excuse me, for gun violence. Yeah.

I mean, that statistic is true as far as it goes, but it doesn't go very far. The country is like almost basically 2 billion football fields big. And if you took, 100 or 200 of these football fields size area out of five major cities, those most violent places, all of a sudden this huge country is number 294 out of 297 most violent.

It's a very peaceful place, no matter what anyone tells you. Even in areas of most big cities. And the people who carry concealed handguns, they commit crimes at a way minuscule lower rate than the rest of the population. So this idea about guns and violence, all the extremes on both sides, it's just all false, it's all wrong. It's not true. So I think as a kind of a macro play and a long-term hold, it's a really great idea. Sturm, Ruger, RGR.

Another thing about this is the stock itself. Traditional analysis that is aware of valuation and cycles would look at this thing and say, ten times earnings, five percent trailing dividend yield with sales at an all-time high and earnings at an all-time high. This is a cyclical stock and it's peaking.

I'm not going to buy this. I know what this looks like. And we've written about this in Extreme Value. That's exactly what a peaking cyclical looks like. And the cyclical component may be there, but I think you can still do the tobacco stock number with this and hold it for ten years.

Will you get 5 percent yield over the next 12 months? No, but I bet you're going to get a lot more than what the market thinks by letting it be at this five percent yield price. You see what I'm saying? Good dividend policy, 40 percent of net income paid out in dividends, pristine balance sheet, no debt, great management. The stock is a ten bagger since 2006.

New management took over, changed everything, adopted all the Toyota manufacturing policies, and became very much more in touch with their customer base, developed a lot of new brands. It is one of the brands I find it impossible as a now avid 'gun guy' to avoid.

I couldn't avoid it for my first pistol. I wanted a .22 pistol. I had to buy the Ruger Mark IV. It was unavoidable. I wanted to buy a .357 Magnum there out of Smith & Wessons. And I looked at that first, right, because cleanness would put Smith Wesson on the map so many years ago, but I was like, I'm glad I wound up with a Ruger because it's a brilliantly engineered piece of machinery. It's a gorgeous gun. It shoots every bit as smooth, this giant hand cannon shoots like a little .22-piece shooter.

 So they're great products. And I think there are a lot of people like me who are embracing shooting sports. And we're sort of, I don't wanna say addicted, I don't want to take the tobacco analogy too far, but addicted in a good way I think.

I think it's a very beneficial hobby. I wish more people had it. And if you don't buy the stock, I think you're missing something. As Alec Baldwin might say, "You miss 100 percent of the shots you never take." Too soon? No, too soon.

*Matt:* Thank you, Dan. Are we recording this? Bryan Beach is up next. Brian Beach is the editor of Venture Value. The small cap value arena is clearly the best place for great returns, but you need to know how to work there and Bryan does. And I think that wasn't even enough for him. He's going to go even deeper into some even higher opportunity things today. Is that a good way to say it?

*Bryan Beach:* I think so.

*Matt:* All right. Let's hear what you got.

*Bryan Beach:* I didn't get the memo, I thought we were supposed to talk about stocks. You come here to get a different range of perspectives and I should confess, I am a fully vaccinated non-gun owner.

*Doc Eifrig:* Bryan can I just interrupt you for a moment? So folks, you need to know this about Bryan Beach. I love going to dinner with him in Vegas and I did last night. And he is trying to become a comedian and he's fantastic at this. He had all the wait staff cracked up last night. I wanna create the context for his talk. Go ahead, Bryan.

*Bryan Beach:* That's why I carry a mic too around the stage. I feel like a comic. Yeah, this isn't a joke. I really am vaccinated and I don't own a gun, but I appreciate your thoughts. So yeah. I just want to talk about a couple of stocks, a couple of companies really, and a couple of things that I look for in value investing, this being a value investing panel.

So I've already written about this company, and it's just boring. It's just used airplanes AerSale. Okay. And I'm almost apologetic about it, because that's kind of what value stocks are. They're kind of boring sometimes.

So the thing about AerSale is they take a used airplane and they can make money off it in all kinds of different ways. Sometimes they just flip it, but usually they'll disassemble it, they'll rent out the components or they can disassemble it and sell the components. They'll scrap it out.

What they've been doing a lot in 2020, which is making a ton of money, is they're buying these things and then they're retrofitting them for cargo planes. Whereas a huge deficit for cargo planes right now, as you and I are all shopping more online, our packages need to be flown around. So a lot of these airplanes are coming.

And this company is making a ton of money, but the market hasn't really caught on. It came on in a speck and the market’s not entirely sure how to value it yet. The tickers ASLE. And just three hours ago, some hedge fund guy that we sometimes talk about in my letter, Prescience Point Capital, just put out like a $47 price target on it for a lot of the reasons that we wrote up a couple of months ago.

And so the stocks up a bit today. The stock is actually already up 20 percent since I had to make my submission. But one of the things I want to tell you about, because I know I'm not allowed to come here and talk about stocks I've already recommended. Because I know you guys are hopefully all reading Venture Value. But I can't write about warrants. I'm going to talk more about that this afternoon. There's some warrants associated with this stock, and if you're bullish on it, you're very illiquid, don't go out and put in a $10 or $20,000 order today.

There's just not that much liquidity. But warrants are a great way with these little specks. We're going to talk much more about this, this afternoon to make money on a bullish stock. So if this thing goes from 20 or 21, wherever it is today to 47, which is where the one of the Hedge fund price targets, your warrants are going to make a lot more two or 300 percent as opposed to 150 percent in the stock.

So that's my unofficial advice. I had to give something that I didn't write about. So I don't know, however you want to do my official recommendation, but I'm going to say the AerSale warrants. But because they're already – Those warrants are now up 40 percent from when I submitted the idea. I'm going to give you a bonus pick and then pass it off to Dave.

So this is also something I've been writing about a lot over the years in Venture Value. Dan, one of the things Dan and I always talk about is, I think the market is basically efficient and it's getting more efficient all the time. More information. Someone had a slide up yesterday about Warren Buffett's quote about how he could make 50 percent a year in small caps.

And I think that's true. I think it was Joe. I've used that quote, but he also said that in the mid '90s, I think, to a group of students. And I think that the market's a lot more efficient now even than it was then.

So it's getting harder. But one of the things I like to look for is those companies, those pockets that the market isn't really watching yet. And one of the ways you know you found one of those pockets is when there's big news happening, either good news or bad news, and the stock doesn't move.

So it's a little company, it's really illiquid. I'm going to give you the ticker in a minute. It's really illiquid, it's based up in Canada. And I recommended it a couple of years ago and it's actually down. But every six months, Corona crisis with accepting, it just keeps ticking the boxes.

The news just keeps getting better for this company. They keep signing up big contracts. It's a software company, so sometimes as you guys know, if you read our letters, software can take time for the revenue to build up.

So the financial statements don't yet reflect the potential here. The company is a software company that helps detect weaknesses in pipelines. Okay? So natural gas pipelines, oil pipelines out in the future. Maybe even water and sewer. But just on the basics of what they've got so far, they just signed up a huge customer last month and the stock is somehow down. This means I know that the market hasn't found this place yet. This is one of those pockets of inefficiency.

And that's a good reason. It's a Canadian microcap that sells only a few thousand shares a day maybe. So be careful loading up on this. Please don't load up on it. Take your time. Be very careful. Here's the ticker. It's OSS, but it's got to be the Canadian OSS.

There's another software company that trades here in the US with that ticker. It's actually a pretty good company too, but I'm recommending the one soft OSS shares that trade up in Canada. It's been in my portfolio for two years, it's not a new pick. But if you haven't yet, I'd really take a look at it because the news keeps getting better and the market is ignoring it.

*Doc Eifrig:* But Brian, do you remember when you wrote that up? You said two years ago how – Do you remember?

*Bryan Beach:* I don't, I should have checked.

*Doc Eifrig:* So you could send people to another story.

*Bryan Beach:* Yeah. Oh yeah. The story is still out there. I hope you guys can access Venture Value and I hope you do regularly. But yeah, I should get you the dates. Maybe I'll look it up while Dave's talking and I'll let you guys know. But the whole story is out there from a couple of years ago. But I'm just telling you, everything I was a little bit worried about back then, those boxes have been ticked and the stock is still in the same spot. I'm going to hand it over now to Matt or Dave and –

*Dan Ferris:* Wait. All we get is a couple of stock picks?

*Bryan Beach:* Yeah, it's a value panel. You should've gotten the politics out of the way last night.

*Matt:* All right. So next is Dave Lashmet. Again, you know all these guys, it's hard to introduce him. He's got a brilliant mind that he only applies to the most complicated industries he can find. And he's been working on a new one a lot more recently, and I love to hear him talk about it, because clearly his areas of expertise are biotech, technology, samurai swords, and this industry he's going to talk about today.

*Dave Lashmet:* Thanks. So given what else has happened on this panel, I'd like to now reply. And I'm going to reply to Matt one Shank. So last year at this panel, I picked Intel, which I picked at 44. And until Friday, I was up like 15 percent. But on Friday, something happened. The new CEO who was the old chief technical officer who came back after running VMware, a guy named Pat Gelsinger, said that he was going to spend more to build more chip fabs. And the stock fell ten percent on Friday. And that costs $20 billion in market cap.

For the CEO of Intel to say that he wanted to build more fabrication facilities in the U S and Europe, and that increase in expenditure means less payout to shareholders, which is why it was a hit. Some analysis we read and laughed at on Friday from Wall Street said, well, we're going to move all our chips to AMD because they don't have fabs at all. They get all their chips from Taiwan.

So if you've read any of my stuff in the last year, you might notice a flaw in that argument. And just with that as a lead in, I think I'll start my presentation.

So this is the current status. There's a global chip shortage due to COVID-19 that particularly affected the auto companies. There's lots of pictures of nearly completed automobiles. I like this one. It's from Troy, Missouri. It's from my hometown newspaper, the Detroit Free Press. This is acres of Ford F-150s and Dan quite likes Ford F-150s. They're missing a bunch of chips. There's about 200 chips per car.

And when COVID first hit, global automakers said, we have a just-in-time supply chain, we don't need any supplies. What that meant was that the chip fabs had no orders from automotive companies, so they made other chips because they're agnostic, they just make the silicon. When demand kicked back in, the auto companies said, "Hey, where's all the chips that run our air conditioners." And the chip fabs said, "We received no orders." So there were no chips.

What's happening now is sort of a blowback. Toyota's the largest single manufacturer. They make about 11 million cars a year. They need 200 chips per car. So when they put in an order, it's for 2 billion chips. And guess what, musical chairs start and lots of other electronics companies, can't beat a two-billion unit order. Larry, can we take a two billion unit order? No. Can we take it at three times the normal price? Yes.

Okay. So that's why there's disruption in the chip market. Okay. So the simple conclusion is our chip supply matters. So let's see how this will play out in the future.

China wants to take Taiwan. They've expanded in every other direction and built a blue-water navy. With a blue-water navy, you can also take South Korea, you can also take Japan and less opposed. The Republic of Taiwan is home to 23 million people. They make 25 percent of all the world's silicon chips.

That's just at TSMC, not counting the other chip fabs in Taiwan. They make 50 percent of all smartphone chips and 100 percent of the five nanometer chips that are cutting edge for Apple products. Taiwan's population primarily lives along the coast.

This is a pretty cool map done by a professor in the UK that uses population as a third dimension on the map. So as you can see, everybody lives – The high rises are not quite that high since the island's about 100 miles long, but that's showing off where the population density is in Taiwan, but it's not self-sustaining in food. In order to get water up buildings, they pump it surprisingly enough, and if they have no electric grid, they have no water to run wells. That would be a problem.

*Doc Eifrig:* Hey David, can I ask the obvious question? Why are they only on one side of the island? Do you know?

*Dave Lashmet:* Apparently as you can see there, it's where they catch the sunrise.

*Doc Eifrig:* Come on, you can say it. I don't know. It's okay.

*Dave Lashmet:* China dominating chips between what they make and what Taiwan makes would make all electronics, all technology and most of the world economy, a Chinese company town. We sort of respect that Taiwan is an independent player with South Korea and Japan in the global economy. And we probably will not let China take over Taiwan.

One risk in the multi-verse is that the US and China get in a global nuclear war, that's bad. So there's a new technology called hypersonic weapons that we have in March, 2020. We launched from Kauai, which is the farthest west of the populated Hawaiian Islands.

This particular missile, this missile went 1200 miles in an hour. That's Mach 15. And it hit where the cameras were set up for it to hit, which meant we had essentially pinpoint accuracy of something going Mach 15. In flight, it can steer, and because it steers in flight, it doesn't follow a flat trajectory like a nuclear missile.

So you can't really track it. We talked to some astronomers who said there's two things you can do with your own meteor, one is to make it come in at a 90-degree angle and then it burrows deep and heats all the surrounding air to 6,000 degrees Celsius or 10,000 degrees Fahrenheit.

The other thing you can do is hit at below of 15-degree angle, and then it's a snowplow. So we can use these conventional weapons and not start a nuclear war to defend South Korea, Japan, Australia, and Taiwan. And as you can see, that's the first working prototype. Okay. The big point is that we don't risk losing Texas to save Taiwan. I quite like Texas, cactus is fairly committed to Texas. It's not a nuclear trade we want to do, but a non-nuclear trade we definitely use to defend Taiwan.

Here's how we're going to do it. It's one thing to have a missile, it's another thing to have a missile that your enemy can't surprise attack first. This is the new Block V Virginia-class hunter killer submarine. The Oklahoma and Arizona and Barb are now officially in build as of about two weeks ago on the US Navy website. They're built in Newport News, near Bryan's family's house. And also up in Maine.

And the big orange things in the middle are – It's a cutaway. There's actually eight supplementary tubes. You can put three hypersonics per tube. So that's 24 missiles per sub. And so far we've announced the names of the Oklahoma, Arizona, Barb Tang Wahoo and Silversides. I said that really fast because at the end of the Trump administration, they kept sort of rolling through secretaries of the Navy.

And at the end, they were announcing Wahoo and Silversides on a windy pier, almost like it was a TickTock video. But we were really trying to express that we're going to make a lot of these submarines in the current proposed budget.

We're building more than two a year. It's a bonus if you have a second survivable platform so that it's not just tied to submarines, submarine shipyards, and submarine bases. And so we're planning a second survivable platform to actually launch hypersonics from high altitude.

This is the new Stealth bomber it's called the B-21 Raider. It's in ground testing now. It's about to take off. I said April, 2022, it could be March, 2022, but then you'd say I was wrong in March so I pushed it to April.

Also a few weeks ago, DARPA announced that a scram jet hypersonic missile, which launches out of this Stealth bomber was successfully tested. There's a common theme here and I'll show you what it is. Northrup Grumman. So Northrup Grumman bot orbital ATK, which bought Morton Thiokol, which makes solid rocket boosters. If you're going to leave something in a submarine, you don't fuel it last second with liquid oxygen and liquid nitrogen, because they have to be super cold and they're volatile liquid-oxygen. So use a solid rocket booster.

So everything that launches out of a submarine is going to launch because of Northrup's booster. This is a picture of the B2 also made by Northrup, but that's why they won the B-21 contract. There's no photographs of the B-21 in the world yet.

Sorry, that's up in Iceland two months ago. And then the scramjet engine that we know works was tested first in Tennessee, built by Northrup. And the engine that's currently used in the current hypersonic is also from Northrup. So here's some key stats on Northrup. Market cap, 64 billion, but there's also another 10 billion in debt that the company carries.

Its price to earnings ratio is only 14. It's free cashflow is 3.3 billion. So it could pay off its debt in three years if it so chose. It also yields 1.5 percent. It typically makes 12 percent margins and it has $77 billion enlisted backlog. But what's important to understand is that everything I showed you just now is not listed backlog.

So there's $150 billion to buy 150 B-21s at 800 million each. That's not included in their backlog. So hypersonic missiles are not only how we're going to defend Asia and Europe for the next three decades, but it's going to be at least $150 billion and unlisted backlog to support hypersonics or Northrup Grumman that Wall Street can't see. And so I thought you should know about. Thanks.

*Matt:* Thanks, Dave. Alright, we're going to have time for two questions here. And while the microphone guys come down, I want to let we also have a fifth presenter, Bill McGilton is stuck in the Ukraine because of COVID. He's got a wonderful short idea. We have that as a video he sent in. It is going to be available where you get all the one-page summaries of all the picks from today. So please watch that on your own time. And we're going to try and find to any questions, one or two questions before we go. I see one right there. Go ahead. Yep.

*Male Participant:* How do you see General Dynamics in this picture of submarines?

*Dave Lashmet:* So I run a small speculative cap newsletter. Nevertheless, I wrote an entire issue about General Dynamics about two weeks ago or two months ago. So it's in the current VentureTECH portfolio, General Dynamics. So I just wrote 6,000 words on it. They're definitely part of the story.

*Matt:* There's enough money for everybody, I think, in that industry these days.

*[End of Audio]*