2026-07-12 - SSN - Kinross Gold Long, VISN Special Sit Long, New Iran War Escalation, Memory Selloff, SK Hynix Listing - 01

Transcript

Introduction & Market Overview - 00:00

Right. So happy Sunday everyone. Uh, hope you all had a good week after the *4th of July* holiday. Um, you know, as we speak, futures are down about 50 bips for **Nasdaq**, 30 bips for **S&P 500**. Remember these are futures, overnight futures, and a bip is a 1/100th of a basis point. Ten-year bond yields are up two basis points because of higher oil prices as well to 4 spot 59. In commodities, oil is up, 73 spot 73, almost $74 for **WTI**, 78.46 or almost 78.50 for for **Brent**.

Geopolitical Update: Iran Conflict - 00:39

This comes as Iran basically denies uh that there is peace and they have started bombings uh across the Middle East, which I expected, um, after you know, the US retaliated uh and bombed them 80 times in one day and then 90 times the second day and Iran said that, you know, the three cargo vessels that were attacked uh in Asia, um, you know, was a mistake and then there's no reaction. So, um, who knows, who who really knows what what the truth is here. Um, all we can say is that uh both sides have escalated and this is uh becoming an absolute shit show.

Um, you know, especially going into the midterm elections. I really don't understand um how anyone could um, how, you know, this is going to be bad for the country, this is going to be bad for for Europe. Um, and if they don't get this under control very soon, um not only are the Republicans going to lose the House, they're also going to lose the Senate. My base case was they're only going to lose the House.

Um, the US says that it began launching more strikes against Iran at about 5:00 PM Eastern. Um, and that uh in response to their attacks. So now it's tit for tat, the Strait of Hormuz is effectively closed again. Um, and that's why oil is higher.

It's frankly quite unfortunate. Um, you know, they're pretty close to at least abiding by the 60 days, which would have given us some peace until they actually struck a deal. I mean, there never was a deal to begin with. Um,

Upcoming Earnings and Economic Data - 02:37

In other news, um, we are going to be talking about earnings season starting again for the second quarter, um, which is obviously very, very important. Um, and we also have a really big uh economic outlook or we have a big day uh a big week, um because we have uh Philly Fed and CPI. Um, so I do think that you know, this is going to be a very important, um, a very, very important week. Um both on the inflation front. I do think that inflation, the readings for CPI, PPI will be lower than expected. Um, but if this war uh accelerates, the market will um look past that, unfortunately.

Detailed Economic Calendar Breakdown - 03:28

So if you guys um open up the the PDF, um you know, on page two, we we talk about the new earnings season and in large cap special situations. Let's start with um, let's start first with the economic calendar on page one. So the most important economic events next week are CPI, PPI, Philly Fed, retail sales, industrial production, and UMich sentiment. Um CPI is going to be on the *14th*. Um, so on Tuesday with expectations of CPI falling by 0.1%. Um, and and that is why, you know, the market has been rather buoyant despite the AI sell-off. CPI year over year is supposed to drop from 4.2% to 3.8% and core CPI is supposed to be relatively flat because it excludes food and energy at 2.9%.

Then you have PPI on the *15th*, which is Wednesday. Uh so you're going to see PPI um, final demand month-over-month drop from 1.1% to zero. Um on a core basis, they're supposed to see it fall from 0.4 to 0.3. And on a year-over-year basis, you're supposed to see it drop from 6.5 to 6.2. But core, strangely enough, is supposed to increase from 4.9 to 5.2. I I I doubt that will actually happen, but we'll see. Then we on the *16th* we have retail sales. Uh they're actually supposed to drop due to a weak consumer down from 0.9% to 0.3%. Remember outside of AI, the economy has actually been slower uh than people expected in terms of growth. Um then we're going to see continuing claims on the *16th* as well, pending home sales on the *16th*, housing starts on the *17th*. And then, you know, to close the week you have UMich sentiment and inflation expectations.

Earnings Season Preview by Day - 05:15

Earning season is starting again and as you guys all know, banks are the first ones to report. Earning season, you know, Monday is essentially a dud with just First Bank, but on Tuesday we have **Citigroup**, **Goldman Sachs**, **JP Morgan**, **Bank of America**, **Wells Fargo**, uh **DNB**, **Equity Bank Shares**, all reporting on Tuesday. On Wednesday, we have one of the most important AI companies in the world reporting and that is **ASML**, the king of lithography for creating the machines that effectively laser etch the chips that we all use today.

After **ASML** you have **Progressive**, also pre-market, **BlackRock**, uh the biggest asset manager in the world I think with 13 trillion of AUM. On the investment banking side, you have **Morgan Stanley** pre-market on Wednesday, **J&J** pre-market on Wednesday, **Elevance Health**, **PNC Bank**, **M&T Bank**. And after hours you have **United Airlines**, **JB Hunt**. **United** being one of the first airlines to report, we'll see what they have to say about lower oil prices. And even though oil's bouncing over the weekend, it's still effectively down 30% from the highs of this spring.

After hours we also have **JB Hunt**, **Great Southern Bank**. On Thursday we have the insurers, we have **United Health Group** and we have one of the other uh biggest semiconductor names reporting. We have **TSM** or **TSMC** pre-market reporting. Then we have **US Bancorp**, **GE Aerospace**, **Abbott**, **State Street Bank**, **Citizens Bank**, and **Prologis**. After the close we have **Netflix**, uh which is starting to look cheap, **Alcoa**, **Intuitive Surgical**, **Cullen/Frost Bankers**, **First National Bank**, **Simmons Bank**, **Independent Bank** and **Wise**, **TransferWise**. It's a money transfer company. On Friday we have **Regions Bank**, **Truist Bank**, **Fifth Thirds Bank**, **South Plains Financial Bank**, **Travelers Insurance**. Um and that's it. That's how we're starting earnings this week, okay?

Special Situations and Stock Analysis - 07:16

In terms of special situations, um, we have, you know, the **Kinross** model to talk to you guys about today, which is more of a value miner. Then we have **Vistance**, um which is a real special situation. is going to pay a six um dollar dividend. and then we also have we talked about **Redwood**. **Redwood's** been a great trade. We bought it at 4.23, it rallied to 5.10 basically in a week. We thought the market was overselling it after it got kicked out of the **S&P** 600 small cap index. It was trading at a 42% discount to book. It then rallied like 10% in a couple days uh with a 16% dividend yield. We had a 35 basis point position. Um we sold it down to I think 25 or so we still have two thirds of the position because it's still a 15, 16% dividend yield. I think it was 17% at 4 spot 23.

Um okay, so it's been a busy few months for corporate spins. So to recap, you know, this is large cap corporate spins. So **Mtel B Madera**. Um, you know, the stock has has is rallied 20% in the in the last two trading sessions, which is quite impressive. It's already trading at a premium to one of its comps **JBTM**. **Madera** closed at about 12 times 27 EBITDA versus **JBTM** at 11.7 last week. **Madera** also has lower leverage and is seen as an M&A uh roll-up candidate. The other spinoff uh this year that has done well, **Honeywell** and **Honeywell Aero**. Um they closed yesterday at almost identical market caps. The biggest piece of feedback from investors was that **Aero** would have traded closer or at a higher multiple to **RTX**. Currently it's 17 times versus **RTX** 18 times, so there might be some juice left in that.

S&P Mobility Global (**MBGL**) also spun off from **S&P**. One of the reasons why **S&P** shares have rallied 12% since the spin to trade at 17 times 27 EBITDA, which on our math um is close to in line to the SOTP multiple um for **Moody's**. Um, **MSCI** for index and **FDS** for market Intel. Um, mobility shares closed last week at 11 times 27 EBITDA, one times discount to the peer 12 times multiple, so it should have a little bit of juice left, but not super compelling.

M&A and Rumor Mill - 09:34

Okay, in other news, shares of uh **Qgen** closed up 10% at the end of last week. Uh there's some rumors that a private equity firm is going to buy them. Uh if a private equity firm does buy **Qgen**, there's likely more upside in the shares, but you would have to substantiate that bid. Um **Qgen** is sold uh had sold off in *May* all the way down to $33 a share. It peaked at about $56 a share in *January* and it's currently at 41. So if you get a bid at $50 a share, that'd be a 20% upside. Uh so if anyone wants to do some work on **Qgen**, and you know, we're just starting our work on that one.

Um **Netflix** is also considering strategies to boost user engagement ahead of earnings. I don't know if that means that they're going to have a weaker earnings print. So we're not adding **Netflix** ahead of earnings. We're going to wait till they actually report earnings and if they do miss, we'll add after. It's starting to look cheap, but the fact that they're announcing they're considering strategies to boost user engagement before earnings doesn't sound that good to me, um but it's just my gut feel.

The proxy for **NED** was filed. Um and the **Caesars** uh go-shop expired. Um now multiple media outlets are um reporting that state AGs may sue **Warner Brothers**, **Paramount**, uh as soon as next week. Separately, Oregon's AG Dan Rayfield has requested a 60-day delay to investigate the transaction. A hearing at the Multnomah County Court in Oregon is set for Monday at 10:00 PM uh 10:00 AM uh Pacific time, where the AG is requesting the production of certain documents and an injunction. For its part, **Peace Sky**. Now this is a pretty fat merger arb spread of 15%. **Peace Sky** is committed to not close the merger until at least *July 22nd*, which is also the date the EC phase one investigation is set to conclude. Key questions include, number one, where does **Warner Brothers** trade if there's a lawsuit? Consensus is 25, 26 is where it would fall if there is a government lawsuit, uh alleging you know, antitrust. It's already trading at 26.59. That and the spread is pretty pretty fat. So let's say there's like 5, 6% downside to 25. Um, you know, have a 20% spread there. So could be interesting if they file a lawsuit. Um, you could fall further if there's any surprises in the complaint, but we're not we're not sure about that. Number two, is there any chance uh request for a temporary restraining order are are denied and the three in terms of the timeline. Most seem to believe a final decision likely would occur in the first quarter of 2027, but will depend on the judge's schedule and litigation path, preliminary versus permanent injunction.

In other news, **Bloomberg** is reporting that **Baker Hughes**'s acquisition of **Chart** (**GTLS**) is set to receive conditional approval and **TPG Blackstone** are seeking to sell a **Hologic** surgical unit.

Detailed Stock Situations (SKX, QGEN, Netflix, etc.) - 12:31

So the details of these trades, um so **SKX**, uh hedge funds are fighting to lead a suit over the **Sketchers** 9.4 billion uh dollar deal. There's a link to that on **Bloomberg** Law. Several hedge fund managers are competing with each other to home a proposed class action lawsuit challenging **3G Capital**'s 9.4 billion buyout of **Sketchers**, saying that it was too uh low of a price. In one, multiple investment firms are challenging the price of the deal asking a judge to decide a fair value. The other uh is a possible class action by investors accusing **Sketchers** management of breaching their fiduciary duties.

Um, **Qiagen** is is said to attract early interest from two private equity firms, **EQT** and **Advent**. It is a European molecular testing company that generates a good amount of cash flow and uh if these rumors are true, it could trade 20% higher. Um, now, um, **Netflix** um is exploring live uh TV bundles as subscriber uh engagement shows signs of a decline according to the Wall Street Journal. Um, we have linked that article. Um, last week the Wall Street Journal reported top **Netflix** executives are seeking to boost subscriber engagement and are considering adding live channels like sports and bundling other subscription-based streaming services like **NBC's Universal's Peacock** into its offerings, which would be interesting.

Uh **Dominion** and **NextEra** find their filed their preliminary S4 last week. Uh **Armats** has its definitive proxy filed. **inMode** has confirmed uh unsolicited proposal. Remember, we had a long in I N M D, just considering how much cash um the company had on its balance sheet. And you know, since that, you know, the stock has bounced from 13 uh 25 to 1528 in just um the last month. Okay, and the business effectively has about 555 million of cash. I'll just post their summary financials in the SSR Q&A tab, but you know, the company had not done a good job of uh realizing shareholder value in the past, but you know, now that they're getting a bid, it's real. You know, so they have half of more than half a billion of cash and a 400 uh net uh net cash enterprise value. And if you take that 421 and you divide it by, you know, their EBITDA of around 80 million, it trades at about five times. So it looks quite cheap. Um and so this unsolicited bid uh bid uh confirmed was confirmed by their board of directors and the acquisition was from **Steel Partners**, which is a US activist hedge fund that was received on *July 9th, 2026*, which is why the shares were up. Now, if the market starts ignoring this and it trades below 14, I think we would add more to the current position. The special committee remains committed to acting in um the best interests of all shareholders and will evaluate this bid um and see whether it is frankly appropriate. Um so we are pasting this um this proposal as well in the value, um and in the activism uh folder so you guys can look at it in posterity. Um, okay, now, **GTLS Baker Hughes** uh is to win continued EU approval for their 9.6 billion purchase. Um, the link to the to the uh the lawsuit article for for the **Paramount Warner Brothers** deal is also there. And the **TPG Blackstone** 4 billion **Hologic** sale link is there as well.

Geopolitical Deep Dive: Iran & Strait of Hormuz - 16:20

Now, um on the following page, we discuss attacks between Iran and the US restart after Iran uh supposedly attacked three civilian vessels. Then on Friday, Qatar effectively said that they were in talks with Iran and the US to de-escalate, but unfortunately, new attacks have started over the weekend, which is why equities are down, oil is up, and bond yields are up.

Now, the US midweek said they had struck over 80 targets during their latest strikes on Iran and revoked a license allowing the country to sell oil after the three tankers were hit, and as a result, Trump said that the memorandum of of understanding was finished. He said that diplomacy between Wikoff and Iran negotiators could continue, but, you know, on Polymarket, if you look at betting markets, you know, will the Strait of Hormuz traffic return to the *February 28th* normal levels by *August 31st*? That's now only a 20% chance, which is looking quite bleak.

Iran's foreign ministry said the US strikes on its southern coast um officially killed the deal. Published by Tasnim, the Iranian text is on page five for anyone who wants to translate it. Traffic through the Strait of Hormuz had remained steady on Monday and Tuesday with 36 vessels crossing on Monday and 41 on Tuesday, but those numbers have actually fallen. Um, the three separate attacks on ships marked the highest number since the US and Iran actually signed the interim peace deal last month, underscoring the continued risk to ships crossing through Hormuz. Iran has repeatedly said it won't allow vessels to transit the waterway without its permission, which is why them denying these attacks is quite sus.

A handful of ships transited Hormuz using both Iranian and Omani routes on Tuesday. You can see how those routes differ. Um, you know, the Omani routes are in blue on page six and the Iranian routes are obviously in yellow. Um, basically Iran was pissed that they're using these Omani uh uh routes and, you know, I'm sure that they damage these vessels. The Qatari vessel that was damaged owned by the nation's state-owned shipping company **Nakilat** is the first LNG tanker from the country to come under attack since the war began and marks a significant setback for its efforts to revive exports after months of near paralysis. The incident comes at a delicate moment for diplomacy with Qatar serving as a key intermediary in negotiations between the US and Iran over ending the conflict. Qatar's foreign ministry spokesman said Iran should cease all practices that harm regional security. Any attacks involving Saudi oil tankers could also raise concerns in oil markets. While the kingdom can export some crude via its Red Sea terminal at Yanbu, basically about 70% of its crude, it still relies on Hormuz to fully restore flows to normal levels. Saudi ships have been amongst the slowest in the Gulf nations to return to the waterway and exports have remained uneven, occasionally nearing pre-war levels. The strike has already raised fresh concerns around ship owners, Al Areesh, another LNG tanker that loaded in Qatar and was heading out of the Persian Gulf appeared to turn before the strait on Tuesday before sailing in circles, according to shipping data. It has been signaling Pakistan's Port Qasim as its destination. Other traffic continued to flow, however, at least two Japan-linked super tankers were sailing through the strait on the Iran approved route. They probably paid the bribes, together with a Chinese bound liquefied uh gas carrier, which, you know, China is Iran's biggest customer, so obviously they're not going to mess with China. To the south, a convoy of at least six ships including three very large crude carriers of VLCC uh was approaching the Omani coastline on Tuesday.

The attacks came as President Trump headed to a NATO leader summit in Ankara, Turkey earlier last week. The US war with Iran is expected to be a major topic of was a major topic of discussion. And then on *July 10th*, Qatar said that it was in talks with the US and Iran to de-escalate, but effectively on *July 12th*, the United States and Iran exchanged heavy fire today on Sunday with both sides striking numerous military targets after Iran announced the closure of the Strait of Hormuz and disabled another civilian container ship. The US said that attacks started again at 5:00 p.m. The US rejected Tehran's claim of control over the strait with President Donald Trump uh saying the strait was was actually still open to commercial traffic and the US had bombed uh Iranian targets in response to their actions. Iran's armed forces fired missiles and drones at US military bases across the Persian Gulf in retaliation for the US bombing and the US military said that it had launched strikes on Iran after the IRGC had a container ship attempting to transit the Strait of Hormuz. It looks like Iran was lying because they've done it again. Uh new attacks, this is from Thursday, increased tip yields, which is an inflation uh leading indicator. So the tips yield basically has spiked from 2.7 when the peace deal was signed all the way up to 2.88, uh which is frankly not a good sign.

Kinross Gold (KGC) Analysis - 21:48

On page eight, we talk about **Kinross Gold**, um which we're adding to our value gold miners in addition to **Alamos** and **Barrick**. Uh and then one more uh which we'll talk about with you guys next week. So **Kinross Gold** is a major Canadian-based senior gold mining company founded in *1993* and headquartered in Toronto, Ontario, but it also owns assets all over the world including very high quality assets in the US. It is one of the world's largest pure play gold producers trading publicly on both the Toronto Stock Exchange and the New York Stock Exchange. Uh **Kinross** focuses primarily on extracting gold and silver ore via large scale open pit operations across the Americas and West Africa.

Kinross produces roughly 2 million gold equivalent ounces per year. Following a strategic exit from Russia and Ghana in 2022, lowering its geopolitical risk, its core production is concentrated across five primary operating mines and complexes detailed on the following page, uh in the US, which is tier one, Canada, Brazil, and West Africa. **Kinross** is a lower risk gold miner after it de-risked from Russia and Ghana, as it has over 1 billion of net cash and we forecast another 3 billion of cash generation this year to give it 4 billion of gross cash or net cash by the end of the year. It has the highest free cash flow to ounces of gold mined out of all the large gold miners, and we think it will be increasing its dividends and buybacks soon to over 40% of total cash flow.

Kinross is highly liquid, benefiting significantly from the strong macro environment for gold. As of their latest financial reporting period, Q1 ended *March 31st, 2026*, **Kinross** holds 2.2 billion of gross cash when including their undrawn credit facilities, the company's total available liquidity sits at 4 billion and it will generate another 3 billion of cash giving it total liquidity of 7 billion by the end of the year. The business is a heavy cash generator posting a record single quarter attributed free cash flow of 800 million in a single quarter in the first quarter of this year. You can see the KGC NAV below. In terms of its operating gold mines, uh that uh Tasiast in Mauritania is worth roughly $5 a share. Paracatu is worth $6 a share. La Coipa in Chile um is worth about $2 a share. Paracatu is in Brazil. Fort Knox, uh named gold mine in Alaska, is worth a dollar. Round Mountain in Nevada is worth about $2. Bade Mountain in Nevada is worth about 160 and Mancho in Alaska is worth 25 cents.

They have a huge Great Bear mine in Ontario, which is a big source of alpha. They have new gold that they found there that's worth about 5.40. Um, and so that gives you about $23 a share of total operating asset value, but then they have these exploration assets of new gold they found in Lobo Marte in Chile, Kettle River in the US gives you another 25 cents. And then when you add the cash that they'll generate this year, that's another $5, um which gets which gets you to about a 27 NAV. Now, because these are premium gold assets, right? US and Canada especially, um, you know, and and, you know, their new Curfew gold asset in Washington State, you know, they should trade at a premium to other gold miners. So if you use a 1.3 times uh total NAV multiple, which is kind of the bull case, you get to something like $34 a share. Um and then once you account for um minority interests and new cash generation, you can get as high as $38 a share.

Um if you look at **Kinross**'s share price, you know, with the gold price, obviously it's down from about, you know, high 30s all the way down to 24. And like I said, we think it's worth somewhere in the mid to high 30s uh with the current gold price. If obviously if gold price goes higher, it's worth more. Now on the following page, you can see the comps and a price to free cash flow basis, it is the cheapest gold company out there. It's cheaper than **Agnico Eagle**, it's cheaper than **AngloGold**, it's cheaper than **Barrick**, it's cheaper than **Harmony Gold**, uh **Gold Fields**, **Newmont**. And this is on the cash metric.

Um this is from the company's *July* investor presentation. You can see at the bottom of the page, on a price to next 12 months forward earnings, **Kinross** trades at 7.7 times, uh cheaper than the minor average of 9.7 times, which includes large cap and small cap. Then if you look at on EV to EBITDA, it trades at 4.4 times versus the gold miners at 5.1. Um on the following page, you can see, you know, the biggest mine complexes Paracatu, which is open mine in Brazil. It is the largest gold mine in Brazil and **Kinross**'s absolute cornerstone asset. Usually responsible for about 25% of the company's total annual production. Tasiast in Mauritania, West Africa is a massive lower cost operation in the Sahara desert. Very low cost mine. Then you have the Fort Knox mine in Alaska, which is open pit. It's locate located near Fairbanks and has been a reliable gold producer for about 25 years. It's one of the older US gold mines. It now processes higher uh grade ore uh trucked in from the newer satellite Mancho project in Alaska. Um then you have the Round Mountain mine in Nevada, which is one of the world's premier uh gold mining jurisdictions and Bald Mountain in Nevada as well.

Um now its Canadian growth, um is one of is is basically what's going to be driving the growth for this company. They have this project called the Great Bear project located in the Red Lake on Ontario in Canada. It was acquired in 2022 and they're aggressively moving this high-grade tier one asset through advanced exploration and engineering. It's slated to become one of **Kinross**'s flagship assets anchoring it in the next decade, eventually pushing their total annual gold production from 2 million ounces a year to 2.3 million ounces a year, so up 15%. So **Kinross** is currently trading at a premium valuation relative to its historical multiples and several mid-tier peers, primarily because it's grown into a large cap company and fundamentally re-rented its financial profile over the last three years by paying off all its debt. It has evolved from a heavily debt burdened gold mining company to a highly efficient cash printing machine. Institutional investors including big hedge funds like **RenTec** have heavily backed the stock due to several distinct factors that make it stand out.

Number one is it's had a major geopolitical de-risking. In 2022, **Kinross** uh made the aggressive and costly decision to completely exit Russia and Ghana following the war in Ukraine. The market used to slap a heavy jurisdiction discount on **Kinross** because a massive portion of its profits came from Russia, but now that's changed. Today its core production is completely anchored in safe, highly stable mining jurisdictions, predominantly in the US, Canada and Brazil. Um it also has a very strong balance sheet turnaround like we mentioned earlier. The company has actually paid off debt uh in 2022 had 2.2 billion of net debt. Now it has 1.4 billion of net cash.

They've also started to return cash to shareholders. Many mining companies and gold have a bad reputation for wasting cash when gold prices are high. Here, management has a strict framework for buying back company shares and it's basically committed to returning about 40% of the company's uh cash flow to shareholders in 2026. Over a trailing 12-month window, they've already returned over 1 billion via dividends and share buybacks, effectively shrinking their total outstanding share float by 3% this year already.

In terms of its unprecedented free cash flow generation, while general mining inflation has pushed **Kinross**'s all in sustaining costs to about ASC 2 1732, which all gold gold mining companies have seen, their uh their cost is also still much lower than many peers. Just in the first quarter because of the low cost, **Kinross** did about 837 million of free cash flow and their operating margins rose by 92% year over year to about $3,476 per gold equivalent ounce sold. and that was also because gold prices peaked in the first quarter, but still very positive. Uh visible high-grade organic growth pipeline, the company has several assets that are growth assets. Um and its biggest growth asset as we mentioned is the Great Bear project in Ontario, Canada, slated for first production in 2029. This will be one of the top tier gold projects in the world in a top tier country for government stability.

If you look at on the bottom of the page, um the company is known for operational excellence, six mines, very well diversified, 2 million ounces a year, uh over 21 million ounces of PMP reserves. Um rigorous cost and capital discipline has record margins, free cash flow, uh 1.4 billion of net cash, 1.5 billion returned since 2025 to shareholders, targeting a 40% free cash flow return. Um has a free cash flow yield of 12%, one of the highest in the gold universe. Um very liquid, trades about 400 million per day. Um and it's on track for a 30% reduction in uh GHG intensity by 2030, so it's also leading in ESG.

On the following page, um you can see it has some very high quality assets. You can see it's about 30% Brazil, 25% Mauritania, uh 11% Chile and 34% US. And then by 2029, it will be roughly 15% Canada. Okay, so that's a big growth engine. At the bottom of the page you can see uh their relative costs, outside of **Agnico**, they have the lowest costs, uh all in sustaining costs. And um they have very high cash flow growth uh in the first quarter and a 34% return on capital, which is very strong on the following page. Uh we're now on page 13. Um you can see that it's LTM free cash flow versus total gold production, uh and the LTM free cash flow per ounce. So it does a 1,488 dollars per ounce of gold mine, which is the highest out of all the big peers including **Newmont**, **AngloGold**, **Agnico**, and **Barrick**. Um and the balance sheet, you can see they went from net debt to positive net cash since 2013. Um you can see that they have agreed to return 40% of cash flow in the form of dividends and buybacks in the table on page 14.

Mid-Year Market Outlook and Fed Policy - 32:34

Now, on page 15, um we talk about briefly, we'll do this more next week. You know, we've shared several mid-year outlooks with you. We'll have a few more for you next week. Um and we'll we also have to talk about um **Vistance**, VSN special situation after this. But the first half of 2026 saw fantastic positive earnings revisions in the early months of the year. The stocks um did not appreciate these positive revisions until *April* when the markets began to celebrate the ultra powerful earnings growth coming from the AI infrastructure trade despite the Iran war.

This awareness that following up success is often tougher than achieving the success in the first place is a helpful way to appreciate the dynamics of the second half of 2026. The first half of 2026 had multiple record-setting streaks such as the best positive earnings revisions uh when already in an expansion. Earnings revision are usually the most positive when you're emerging from a recession, but this was the biggest earnings growth in an expansion, a 100th percentile run in high beta momentum stocks until last week, meaning this cohort of stocks had one of the best winning streaks on record, and the best two-month returns for semiconductor stocks on record. The strength was chased and/or propelled by record-setting flows into leverage ETFs and a historic drop in demand for downside production or puts either through options or cash.

Now first, we detail how the second quarter 2026 equity outlook is hinging on one key factor, the willingness of hyperscalers to continue to raise AI infrastructure CAPEX guidance, which has been fuel for the market's earnings growth given semiconductors' outsized weight. Markets tend to rally when when earnings estimates are being revised higher. The fate of the semiconductor performance has never been more important for the US equity market as the industry has grown to a 19% weight uh in the **S&P 500**, up from 2% 15 years ago, so basically up 10x, and has been a dominant force behind the robust earnings growth in recent years as seen in the chart below. You can see the 12-month forward earnings growth since 2023 for the **SPX**, **SPX** equal weight and semiconductors. Semiconductors earnings are up 261%. **SPX** earnings are up 63% and **SPW** equal weight are up 34%, still impressive. So we're hesitant um, you know, to continue to believe in this momentum rally, but given how powerful AI infrastructure earnings revisions allowed the first half equity market to shake off any and all kinds of challenging developments, we must appreciate that this tailwind persisting or fading will be one of the utmost importance uh for the second half of the year.

Second, we highlight that the strong first half for stocks and earnings was not reflective of the US economy. Through the first half, GDP forecasts were trimmed in the face of an energy price shock. GDP nowcast uh results show tepid at best growth and the labor market remained resilient but not robust as displayed by anemic wage growth that has not keeping pace with inflation. The reason for boom-like earnings growth and stock performance in contrast to an uninspiring economic backdrop is well appreciated uh by the idiosyncratic driver of AI infrastructure spending, which has massively boosted corporate profits, mainly for semiconductor companies but not boosting GDP as much because semiconductor imports drive down GDP statistics thanks to the ever trade growing trade deficit because we import so much from Taiwan etc.

This combination of sticky inflation and middle-through growth has certainly clouded the outlook for Fed policy as well with the new Fed Chair Warsh growing a taciturn um approach to communication, not hawkish or dovish, but a convenient withdrawal of guidance in a particularly uncertain time. Whether it is using the sticky inflation higher uh rate environment to optimize cash portfolios and build top-quality muni bond portfolios or using periods of amplified market uncertainty to execute volatility strategies or using the distinct second-quarter underperformance of high quality, strong cash-generating equities as an opportunity to build exposures like we added to **Microsoft**, or finding ways uh of low-vol strategies like REITs and preferreds given our view that rates are peaking. This market continues to present ample opportunities to take advantage and benefit from disruption. At present, the consensus on Wall Street of those who expect the Fed to hike rates points to a relatively modest tightening campaign with many economists expecting only a single rate increase, possibly soon in *September* before the Fed pauses to reassess economic conditions. Now, if the Iran war was ending, uh we would say that, you know, that is very silly that we're not going to see hikes this year. But, you know, with this war continuing, you know, one hike frankly now is possible. I still think **BofA** with three hikes is is almost asinine.

Um, historical analysis suggests that how quickly the Fed and by the way, one hike's already priced into the long end of the curve, so it's not like it's a new thing. Uh historical analysis suggests that how quickly the Federal Reserve raises interest rates can be just as important as the hikes themselves. What we think we are going to see this year is a non-cycle. Um so if you look at the chart in the next page to see how equities should react in that event. Um the pace of rate increases can be classified in three categories: rapid cycle rate hikes like we saw in 2022, slow cycle hikes or non-cycle hikes. A rapid tightening cycle occurs when the Fed raises rates at a cadence of more than one every two meeting on average. A gradual or slow cycle features long intervals between hikes, while limited or non-cycle consists of only one or two increases before the pivot back towards cutting. Historically, the market has responded very differently to each scenario. Aggressive tightening cycles have been the least favorable for equities with the **S&P 500** posting an average decline of 4% for the first year. Stocks have generally struggled most during the early phase of these faster tightening campaigns. By contrast, markets have fared considerably better when the Fed has moved at a more measured pace. During the gradual tightening cycles, **S&P 500** has actually gained about 10.5% over the year following the first hike, while limited tightening cycles have produced average returns of 11.5%.

Sector leadership has also differed. Faster tightening periods have tended to favor more defensive areas of the market while reducing the performance of cyclical and growth. Slower and shorter tightening cycles on the other hand have generally provided a more constructive backdrop for broader equity leadership. **Deutsche Bank** on the biggest market uh paradox. Sector leadership uh I'm sorry, even as futures price in 2026 Fed hikes, other assets aren't pricing in the usual consequences of a hawkish Fed yet. If the Fed really is uh about to restart a hiking cycle, then financial conditions are remarkably loose. Equities are around record highs, credit spreads remain tight, and broader risk appetite looks fine. This is quite different to recent occasions um of the Fed hiking, including the last couple times in early 2022 and again in late 2025. Indeed, **Bloomberg's** financial conditions index is currently at one of its most accommodative levels since the last decade.

Moreover, it's very rare for um to it is very rare for the Fed to just deliver a token move and then reverse course as market pricing implies. Overwhelmingly in recent decades, the Fed tends to deliver a full-blown hiking cycle once they start hiking rather than simply one or done. But in this case, that could very well be the case. In both respects, the market pricing seems paradoxical. Fed rate hikes are being priced in, but financial conditions remain highly accommodative, and it would be historically unusual if just one hike occurred given the Fed's tend to launch multiple rate hikes once they start. So DB is saying maybe no hikes, I'm guessing. Um you can see the graph below where the **S&P 500** returns um are shown relative to how fast the Fed hikes. Obviously, the worst is the fast tightening, the second best is slow tightening, and then the one and done is the best. Um the outlook for the US economy, the recent agreement extending the ceasefire between the US and Iran has reduced the downside risk to the **Goldman Sachs** forecast for the US economy according to John Hatzius. They project **Brent** crude oil will trade at about $80 a barrel by the end of the year, uh compared with the peak of about 118 in *April* during the war between US, Israel and Iran.

The risk to **Goldman Sachs** research uh cuts both ways. Iran's announcement of the renewed closure of the Strait of Hormuz, a vital artery for energy shipping, served as a reminder that oil flows may only slightly recover slowly. On the other hand, the near-term glut could develop as oil is released quickly into the market that was already oversupplied before the war if there is actually peace. **Goldman Sachs** research reduced its estimates of a US recession risk from 25% to a long-term normal of 15%. This is below the economist's estimates of 20% on the eve of the war. Hatzius points out that because that this is because the labor market improvement since then indicates greater underlying resilience. While **Goldman Sachs** still expects growth to remain moderate, not hot, the team now nudged up its forecast for global GDP growth in the second half to 2% if the war were to abate. The slightly stronger path reflects a boost to real income from lower gas prices. Without it, you know, global growth will slow down again. The global economy is also benefiting from the AI boom via higher equity wealth as well as strong capital expenditures.

IPO Market Boom - 42:22

The IPO market has been booming. The IPO market in the US is booming after a four-year stretch of muted public offerings since the SPAC bubble burst. Around 50 companies have gone public in 2026, about double the number during the same period last year according to **Goldman Sachs** research. Even more remarkable is the size of the deals. At just a halfway mark of the year, 2026 is roughly tied with the full year record set in 2021 with about 120 billion of of gross issuance. A surge in offerings reflects positive sentiment on part of corporate management as well as equity investors. The real concern from investors is is this indicative of a kind of a euphoric environment that marks a peak of a stock market bubble? There are some similarities to the IPO rush at the turn of the century. Equity valuations are high, are very high, although not quite as high as 2021 or 2000. Investor confidence is elevated and there's a focus on technological change amid advances in AI. A key difference between 2026 and previous peaks in the market is the number of IPOs. These are just big IPOs, not a high number. Over the last 25 years, the market has averaged about 100 deals per year, which is close to the pace so far this year. In contrast, there were more than 250 public offerings in 2021 and there are nearly 400 offerings in 1999. It's just that the best companies are issuing equity now. So although the dollar volume is quite elevated and we're seeing acceleration in activity, it still looks like we're a far cry away from that level of euphoric sentiment that we saw in those two episodes.

Market Reflections & Samsung Sell-Off - 43:53

We look at reflections from last week, the Mag 7 became the Lag 7, almost down 20%. Um, uh prior to last week across a number of indicators, valuation look expensive, strong earnings expectations are supporting high valuations. Tech stocks have become the dominant sector in many metrics and after a long period of trending, a period of ranging is overdue. Overall, the bullish rotation theme remains in place as Mag 7 loses and SP 493 wins. You can see the chart from top-down charts on uh page 19. and you also see uh **MSCI** uh world EPS estimates for 2027 uh going up quite sharply. Um on *July 8th, 2026*, the software IGV outperformed semis or software outperformed roughly 22 percentage points over the last four trading days, the largest four-day relative out performance in our data going over the past 20 years according to **Mizuho** TMT, but that was after literally a year of software selling off versus semis.

Samsung missed by side earnings expectations last week but will earn about 40 years of cumulative profit this year. So the real issue why the market is wobbly is there's so much good news priced in, you know, the market needs even more AI spending from the Mag 7 names to justify bigger and bigger rallies. It's more and more difficult to rally on good news. The CEO of **Samsung**, Kim, basically said that this year's profit alone will exceed the cumulative profit generated over the past 40 years since **Samsung** entered the semiconductor business. Since **Samsung** officially committed to the semiconductor business in the early 1980s, it has navigated multiple memory cycles including the dot-com boom, the smartphone transition, and the 2017 cloud supercycle. The sheer pricing power of the 26 AI boom means a single year of operations is on track to outearn the net nominal profits of all those decades combined. **Samsung** was expected to post a 2Q operating profit of 84.6 trillion to 86 trillion won or 55 to 56 billion USD and over 200 billion for the year. The official earnings did kind of meet those numbers. It was just the outlook that was not as strong. If you look at the current price of 64 GB DDR4, DDR5 modules, you know, memory prices are up like 5x. Uh DDR5 server contract prices also recovered in *June*. Um you'll see in *June* prices basically doubled compared to the end of last year levels uh for SSD as well. because all forms of memory uh have seen big price, big price hikes.

If you go to the following page, page 21, uh **TrendForce** revised its 3Q26 DRAM ASP forecast to up 13 to 18% quarter over quarter, um which is quite interesting. It looks like memory prices will continue to increase through this quarter. Um but **TrendForce** revised down its 2Q26 NAND ASP forecast um slightly, um to 55 to 60% growth from 70 to 75%. Um you can see DRAM spot and contract prices at the bottom of the page. And then we talk about the **Samsung** sell-off. So a good example of the over-exuberance in AI is uh **Samsung**, well, even though it looks cheap, um, sold off after earnings. Now, it saw quarterly profits, um, up around 19x to about 50 uh one billion in basically a quarter, and 6% above expectations, but the stock was still down 14% because of it was lower than buyside expectations. So next week we'll go through the **BofA** weekly update on memory, but before we do that, just have to get a glass of water.

Memory Chip Market Update - 48:57

So, despite all the fear around memory, there were stronger orders from **Meta**. You know, if **Meta** were to really slow down its AI build, the purchasing team hasn't realized it yet. According to the semi supply chain, **Meta** orders for AI have been stronger than ever.

Um, Chinese tech inside **Apple**, another market allegation which has no solid footing but **Apple** is investigating **CXMT** memory chips with the US government. Um, it may be a bargaining chip to assuade **SK Hynix** and **Micron** to lower pricing with with respect to **Apple** after **Apple** raised prices, um, by 20, 30% in the iPad and iPhone. You know, China currently has restrictions on **CXMT** exports anyway.

Memory cycle is not at its peak according to **BofA**. The Korean government led an investment uh spree, uh that they, you know, and given how conservative these Asian countries and management teams are, they wouldn't be spending so much on CAPEX if they thought it was a peak. Um, but I think the *2033* uh, you know, year that they give is quite ridiculous.

Lower than expected numbers from **Samsung**. Um, one of the reasons why earnings uh, were a little bit less robust in the full-year forecast is because **Samsung** did the right thing, is basically giving workers that were making like 52,000 like a 400k bonus so that they can share in these windfall profits of like 19X. Um, and you know, while that's a short-term hit to earnings, it's probably a good thing to ensure worker loyalty, because these are pretty specialized workers.

Um, DDR4 is now inverted above DDR5. All in all, demand is broadening across HBM, LPDDR5, eSSD, and So-DIMM. Supply has been disciplined and **BofA** sees continued shortage risk for memory into *2027*. A bear case would be if **Meta** CAPEX actually falls and there's some deal announced between **CXMT** and **Apple**. Little to no noise so far.

You can see **Micron's** earnings as well. This year's profit made about 35 years worth of combined profit for *2026* based on estimates.

Semi Analysis on AI Spend Forecast - 51:53

Um, **BofA's** piece, um, you can see on page 23. Then on page 24, we have **Semi Analysis** on the AI spend forecast. **Semi Analysis** basically put together a cumulative AI CAPEX, IT plus data center CAPEX spend of roughly 11.1 trillion from *2024* to *2029* with annual CAPEX exceeding 2 trillion by *2028*, which is absolutely bananas. If this is true, then this AI sell-off has been overdone.

Um, I don't know whether to believe them or not, but they've been spot on for *25* and *26*. **Amazon's** borrowing spree. The biggest risk is just the debt. You know, because for their numbers to be right, these companies need to borrow like three or four trillion worth of debt, and that just seems very, very uh, difficult to find that amount of capital to borrow.

Amazon just borrowed, you know, about 100 billion over the last few months. **Alphabet** has borrowed about 90 billion. **Meta** has borrowed basically 50 billion. **Oracle** has borrowed 50 billion. **Nvidia** and **SpaceX** have both raised over 20 billion. It's just, I just don't think 3, 4 trillion is in the cards unless they can show earnings growth.

There's been a generational transfer in free cash flow. You know, we've seen it happen just in the last couple quarters. Hyperscalar free cash flow is now like very negative across all the hyperscalars versus semiconductor companies that are benefiting from all this spend. The Mag 7 P/E ratio versus uh premium versus the S&P 493 is actually the lowest it's ever been. The, the premium, you know, is only about 20% versus the S&P 500 and it was, you know, it was as high as, you know, during COVID, it was over 100% premium to the S&P multiple.

If you look at the **SK Hynix** IPO, um, its listing was more than seven times oversubscribed. Even though, you know, they they shrunk the offering. But there's a sale of 178 million American depository receipts for the new listing in New York. The offering would raise about 25 billion and the IPO was priced quite richly and then it it rallied another 14% off the break, uh, to allow the company to trade closer to **Micron**, which is the arb. So you should have effectively bought **SK Hynix** shares um, overseas before the IPO.

Impact of AI on Consumer Hardware and Memory Prices - 54:28

Demand destruction in phones and PCs continues to be an issue. **Citigroup** projects that soaring memory prices will lead to a widespread demand destruction, forecasting *2026* PC units falling 15% in *2026* and smartphone sales falling 12%. **Citi's** report highlights a major turning point in the tech hardware cycle for consumers. The industry is shifting from a supply-driven memory boom straight into a classic phase of demand destruction uh for the consumer side.

The numbers reflect the immense pressure facing consumer electronics. Um, AI has effectively starved the supply chain. So DRAM and NAND flash prices have seen multi, massive multi-year surges, heavily driven by high-margin AI data center demand and specialized high-bandwidth memory production. Because major memory fabricators like **Samsung**, **SK Hynix**, and **Micron** are allocating maximum capacity to enterprise AI, standard consumer-grade memory supply has dried up and set component costs skyrocketing.

Impact on hardware manufacturers um, is quite large. So in early *2026*, memory costs surged to account for nearly 60% of the entire component cost for budget smartphones, which is absolutely insane. Um, original equipment manufacturers like **Lenovo**, **Dell**, **Xiaomi**, **Oppo** can no longer absorb these costs. Uh, I mean **Apple** as well. They're forced to pass on the hikes directly to consumers by raising retail sticker prices or quietly pulling low-end, low-margin hardware from the market entirely. So you won't be able to buy these budget smartphones.

There's been a widespread demand destruction. The projected 15% drop in PCs and 12% drop in smartphones indicates that the price has finally pushed beyond what consumers and enterprise IT departments are willing to pay. Instead of initiating standard hardware upgrade cycles, buyers are aggressively extending the lifespans of their current devices and delaying refreshes until component pricing cools off.

Um, AI impacting inflation. You can see the CPU, uh, personal consumers and peripheral uh index, and then the import price index for computers, peripherals, and semiconductors on a two-month lag at the bottom of page 27.

Meta's AI Chip and Vistanc Special Situation Overview - 56:49

In other news, **Meta** fell on the report that AI chip is heading to production. So **Meta** appears originally sold off 2.5% pre-market trading after **Reuters** reported that the **Facebook** parent plans to start manufacturing its AI chips in *September*, citing an internal memo from the company. **Meta** is working with **Broadcom** to design and **TSMC** to manufacture and it has multi-year agreements with **Samsung** for memory chips, **Sandisk** for flash storage, and **Sumitomo Electric** for fiber optic equipment. It also released the new version of its AI and after that, the stock did actually rally.

Um, the **Vistanc** special situation. So if you take to the surface level look at the raw stock chart of **VISN** over the last few months, it looks like a disaster. Shares are down from 20 to 12.38, but while that looks bad, in in reality that was because of a special dividend and the stock's actually um, done quite well when you adjust for that dividend. Um, this isn't an operational failure. It's a highly aggressive, meticulously planned liquidation of a large conglomerate that's paid off all its debt.

Vistanc Networks (VISN) Post-CommScope Divestiture - 57:57

So there's a great reset. This used to be the old **CommScope**. It was a distressed debt company. Um, and let's understand why the stock is trading at 12 and a half bucks today. Um, so on *January 9th, 2026*, the heavily indebted titan known as **CommScope Holding Company** finalized the deal of a lifetime. It sold its connectivity and cable solutions business, CCS, uh, to **Amphnol Corporation** for a staggering 10.5 billion in cash, allowing it to pay off all its all of its debt.

As part of the transaction, **CommScope** name, um, and brand transitioned to **Amphnol**. The remaining listed entity changed its corporate name to **Vistanc Networks** or **VISN** and hit the **Nasdaq** under its new ticker. Faced with a literal mountain of money that it was getting, 10.5 billion, management executed, executed a balance sheet cleanup of a scale rarely seen on Wall Street. They completely wiped out the company's debt. They fully redeemed outstanding senior secured notes due *2031*, terminated credit agreements, and bought out preferred equity uh from firms like **Carlisle**.

Then they had a monster dividend payout on *April 27th, 2026*, shareholders were paid a massive $10 a share in a special cash distribution, classified for tax purposes via IRS Form 8937 as a return of capital and not on capital, so no tax paid. This massive $10 distribution is the sole technical reason why the stock chart appeared to crash overnight. The company transformed from a highly leveraged zombie to an agile entity with zero net debt.

Now, the second thing they did was they sold a business they own called **Ruckus** for 1.84 billion. Just as mainstream analysts were rewriting their financial models for the new **Vistanc**, um, they're expect, they were expecting it to operate as a twin pillar tech firm running the Aurora Broadband segment and the **Ruckus** wireless business. Management basically said they were selling that business as well. So on *April 30th, 2026*, **Vistanc Networks** announced a definitive agreement to sell its **Ruckus Networks** supporting segment to **Belden Inc.**, **BDC**. It's not a BDC, but it's, it has a ticker. It's called **Belden** for 1.846 billion in cash.

Um, and this was a great deal for three reasons. One, **Belden** paid about 13 times multiple on EBITDA for **Ruckus**, and before this announcement, the market was pricing the entire **Vistanc** company to that to trade at only 7 to 8 times. **Vistanc** perfectly exploited **Belden's** strategic urge to acquire a high-density Wi-Fi 7 and enterprise switching tech to bridge their IT/OT architecture. And gave the company even more dry powder after taxes and deal-related friction, **Vistanc** will net approximately 1.7 billion in new cash upon the closing, slated for the second half of this year, likely potentially to happen in *August*.

This will allow the company to pay another special dividend after the $10 special dividend they paid in *April*. Potentially in *August, September*, it will likely pay an additional $6 a share. Management left no room for speculation, explicitly declaring in the official announcement that they intend to distribute a significant portion of excess proceeds to shareholders in the form of a special dividend within 60 days of closing the new deal.

The brutal math of the arbitrage trap. So let's lay out the basic arithmetic because the numbers highlight a massive disconnect between the stock price and the underlying corporate actions. So the current stock price 12.38, market cap of 282, expected new cash of 1.7 billion. The cash alone flowing into the company accounts for more than 60% of the market cap. As the board allocates just 1.2 to 1.3 billion of those proceeds to the next special dividend, that could be, you know, roughly conservatively $4.5 to $5 a share. By buying the equity at 12.38, you are effectively positioning yourself to recoup nearly half of your principal investment as a return of cash, not on cash, before the year is done.

Vistanc's Core Business: Aurora Networks and the DOCSIS 4.0 Super Cycle - 1:01:50

So what's left? Uh, the hidden value of Aurora Networks. So once the **Ruckus** transaction closes, **Vistanc** completely sheds its legacy conglomerate entity. It emerge as an ultra-focused, niche, pure-play infrastructure company operating entirely under the banner of Aurora Networks, formerly the access network solution arms under **CommScope**.

So what exactly is the remaining core and why is the market spot creating a massive blind spot here? Aurora is the physical and digital architecture powering modern broadband. The segment provides the high-tech machinery of the last mile of data transmission, advanced hybrid fiber-coaxial HFC systems, passive optical networks or PON systems, physical optical nodes, and intelligent line uh amplifiers. This isn't a low-margin commodity cable manufacturing business, which it trades like. It is a specialized hardware integrated with proprietary software managing immense data flows. In the first quarter of *2026* alone, um, the core segment uh beat earnings, showing that it's not a, you know, low margin declining commodity business, it's actually a growing business that cable companies are actually paying a lot of money to, to upgrade their networks.

So the quarterly revenue for this stuff, the remaining core business was about 471.8 million, beat consensus estimates by about 10 million. Um, adjusted earnings per share were .34 versus estimates of .22. And what's driving these beats and what could drive future beats? The **DOCSIS 4.0** super cycle.

Um, so the multi-year catalyst anchoring Aurora is a massive non-negotiable architectural upgrade currently sweeping North America uh cable, and that's the switch to **DOCSIS 4.0**. So there's a major multi-system uh operators in the US that are basically cable companies, **Comcast** and **Charter**. **Comcast** is our biggest customer, at um, at **Vistanc**. Um, they desperately need to deliver symmetrical multi-gigabit speeds and ultra-low latencies to counter their competitors, which are fiber-to-the-home buildouts like **AT&T**.

Instead of spending hundreds of billions ripping up physical ground infrastructure and laying new fiber, what these guys are doing is they're taking a drastically faster, capital-efficient route, simply by upgrading their existing hybrid fiber-coaxial networks using Aurora's state-of-the-art equipment. So Aurora is a foundational vendor driving **Comcast's** massive multi-city deployment of full duplex amplifiers or FDX. The order book heading into the back half of *2026* is swelling as the wider industry moves out of testing into mature mass-market rolling deployments.

The broadband infrastructure sector is highly fragmented. Following the **Ruckus** sale and subsequent dividend distribution, **Vistanc** is poised to retain several hundred million dollars of unallocated cash. Management has basically stated that their forward strategy is to use some of this dry powder to aggressively acquire very small, high-margin, niche hardware and software players in the **DOCSIS 4** upgrade market, positioning Aurora as the undisputed, unified consolidation platform for access network technology.

Investment Thesis and Execution Risks for Vistanc (VISN) - 1:05:05

Investing in special situations, you know, has some execution risks. So, you know, if Aurora does not pay a super high special dividend even though they said they would and allocates more cash to these acquisitions, right, that would be a negative. That's why probably the market is not giving them full credit yet.

Um, there will also be stranded corporate costs because they've sold two large businesses. You know, they need to fire a lot of people to get their cost structure down at the at the HQ level. So dismantling a legacy corporate giant means the slimmed-down Aurora initially inherits a structural overhead, redundant real estate, large-scale IT enterprise systems, legacy administrative burdens from the old **CommScope**. Management must aggressively slash these legacy costs over the next two quarters to protect operating margins.

The initial phase of transitioning clients away from legacy tech out to the new manufacturer **DOCSIS 4.0** complicates component sourcing, which naturally carries tighter early-stage gross margins before manufacturing hits peak volume efficiencies and margins expand. This explains why management's current Q2 *2026* guidance projects relatively flat quarter-over-quarter growth, even though there should be more growth in the industry.

Uh, so this is basically a free option on broadband infrastructure. Uh, broader market has evaluated, you know, **Vistanc**, um, is one of the leaders in this space. Um, and here you have hard capital downside production due to the impending 1.7 billion dollar cash injection from **Belden** on a 2.3 billion market cap, creates an absolute floor to the asset. The potential for shares to sustain a fundamental drop to 11 to 12 from here is heavily insulated by the cash value of the deal.

When you net out the explicit value of the **Ruckus** deal, the market is effectively valuing the remaining profitable Aurora Broadband business at nearly zero. Investors are being handed a leading player in the domestic **DOCSIS 4.0** cycle virtually for free. At 12.38, **Vistanc** is a compelling high-conviction play on pure capital arbitrage and deep asset mispricing.

Valuation and Peer Comparison for Aurora Networks - 1:07:04

Aurora, um, you know, Wall Street will likely not rerate the equity quickly to its structural fair value until the second special dividend is cleared by regulators and Aurora displays the full unencumbered operating leverage of its independent margins later this year. Aurora basically specializes in infrastructure in the infrastructure broadband operators use to upgrade their existing coaxial networks, and access platforms. Um, **DOCSIS 4.0** nodes and amplifiers and virtualized access products. In simpler terms, Aurora basically sells upgrade kits to large cable companies to extract higher speeds from their aging coaxial networks.

Recently, cable internet providers such as **Comcast** have come under immense pressure from the expensive fiber buildouts by **AT&T** and **Verizon** that offer significantly faster symmetrical upload and download speeds and blazing fast over-the-air 5G home internet offered primarily by **T-Mobile**. The bottom line is cable internet providers have realized that $99 a month for 50 megabytes internet via their coaxial networks is no longer an attractive offering for consumers, and they need to increase speeds and performance to keep clients from leaving. The cable momentum has transferred into an immense tailwind for **Vistanc** Aurora Networks cable segment. Cable companies are unwilling to commit to the massive CAPEX of a full fiber buildout, but they will spend money on Aurora.

Um, now that 5G home internet is rapidly taking market share and instead, they want to get the most out of their existing coaxial network via upgrades to the new **DOCSIS 4.0** standard, which is delivery speeds of up to 10 gigabits down and 6 gigabits up via coaxial cable. Aurora Networks is one of the only fully integrated providers of the **DOCSIS 4.0** products and a surge in **DOCSIS** upgrade interest from providers such as **Comcast** and **Vodafone** has resuscitated this seemingly dead segment back to life. Aurora Networks Q1 revenue surged about 31.6% to 298 million.

Um, and EBITDA jumped 31.7% to 50.3 million driven by record demand for amplifiers and nodes, as well as a new multi-year contract wins with some of its um, some of its biggest customers. We're doing a couple expert calls um, with the with the uh supply chain of uh of players like Aurora. So we'll update you next week. We're going to be speaking with some engineers to understand, you know, what this **DOCSIS** upgrade is. Um, so we'll hopefully we'll have an update for you next Sunday.

Final Thoughts on Vistanc (VISN) and Market Update - 1:10:09

Um, so you know, they had a huge revenue surge of 32.6% and EBITDA of 32% in the first quarter driven by record demand. The results lend credibility to management's bullishness uh from last year where they indicated large contract wins would drive *2026* results higher. Basically, they said in their earnings call, yes, I don't think we're going to give the precise number, but a meaningful dollar amount. It's tens of millions of dollars of opportunity that comes with that win, according to the CFO about winning new contracts. The point is **Vistanc** uh, Aurora Networks segment is not a melting ice cube and it's like which it's trading like. The backdrop is extremely favorable in *2026*, *2027*, and *2028* as these multi-year cable upgrades continue, yet the market is seemingly describing Aurora Networks very little value at **Vistanc's** current market price.

Vistanc is currently sitting on 250 million of cash before the 1.8 billion coming in after paying out the $10 special dividend. Um, with the pro forma cash of about 1.85 billion, the implied valuation of the Aurora Network segment is just about four times EBITDA, which is extremely low. The company has indicated that it intends to pay out a significant portion of the excess cash from the **Ruckus** sale and analysts have already modeled a $5 special dividend. I don't think **Vistanc** is likely to become a value trap where the company has a load of cash and refuses to return it. Instead, we are likely to see a sizable special dividend and for analysts to increasingly focus on Aurora as the main entity.

Bears have expressed concern about a lawsuit filed by lenders who basically say that **Vistanc** owes them at least 150 million as a penalty for paying down debt early, but even if **Vistanc** is found wholly liable for the 150 million, which is only about 63 cents a share, it isn't material to the story and Aurora Networks would still be trading at 4.7 times EBITDA instead of 4.1. So adjusting for that $150 million lawsuit, you basically get this sensitivity table. If the company were to trade at 7 to 8 times, which it definitely should, if not more, you get about $15 a share versus 12, but you know, arguably if it can really grow at 30% a year, the multiple could be even higher.

Um, using management's *2026* Aurora Networks EBITDA endpoint of 237.5 million and an EV to EBITDA ratio of six, the implied share price is about 13.60, which is very conservative, representing an upside of only 10% from the current price, but peers like **Harmonic Broadband** actually trade at 20 times, which would mean the stock trades at $30 a share, almost a triple. Um, then **Vincima** is around the same multiple and **Tellabs** is slightly higher at eight. Uh all trade um, at a significant premium to Aurora at 4.7. So even the lowest comp, **Vincima**, trades at a 50% premium to **Lessate**, basically trades at a 70% premium, and **Harmonic** would imply a triple on the stock.

Vistanc has actually been winning contracts from these peers from **Vodafone** and **Comcast**, which means that the product's actually better. So why should it trade at such a big discount?

So this, this trade is not obviously uh risk-free. The company has announced, you know, a credible $100 million share repurchase, um, which is positive. But the sale of **Ruckus** to **Belden** still needs to pass regulatory scrutiny and the rising DDR4 memory prices that they they have to incorporate into their upgrades uh may hurt margins because memory prices are up so much. Still, the market is seemingly pricing Aurora's Networks below five times EBITDA, which represents a rare opportunity to buy a growth company at a value multiple. Uh, given the extremely attractive multiple the sub is trading for, **Vistanc** is quickly becoming a high conviction trade.

Um, that we're adding below 12 and a half. Um, all right. So on the company's investor relations page, you can see they paid out all the debt and preferred equity. So they ended the quarter with cash on hand of 2.5 billion. They paid out 2.26 billion or $10 a share on *April 27th*. They signed a new $300 million ABL and $100 million share repurchase program was begun. Then they entered a definitive agreement on the next page to sell uh **Ruckus** for 1.85 billion. That is expected to close this year and they're going to expect to use most of the proceeds to pay a cash distribution, conservatively $5 a share, if not more.

Um, you can see the performance up 33% on the Aurora business, which is the, you know, the fastest growing business uh at the company which they kept. And then, you know, we're going to continue to follow this and do some expert calls next week and give you an update.

Market Overview and Hedge Fund Activity - 1:14:54

Um, one, you know, negative thing we saw last week was uh **France's** 30-year bond yield hit its highest level since the global financial crisis, around 4.75%, at a big premium to **Germany**. **France** is in a really tough stagflation environment with unemployment that is likely going to hit basically double digits while growth declines.

Um, the graph below is very, very interesting. **China** versus **Japanese** vehicle exports, you know, 8.64 million. **China** is basically selling almost 9 million cars a year whereas **Japan** has been flat. On the following page, hedge funds have been dumping Asian stocks. Um, actually now we're looking at futures. Futures for **Nasdaq** are no longer down half a percent. They're only down about 0.2%. Let's see if there has been any news around the around conflict announced overnight.

Okay, nothing on **Bloomberg**, nothing on **Reuters**, nothing on **FT**. Let's see **Twitter**. Um, maybe the market is just assuming that by 9:00 a.m. there will be another um, peace deal or something announced. Um, all I see is video footage which allegedly shows the launch of ground-based missiles, possibly **ATACMS** by uh mobile mobility artillery rocket systems uh from Kuwait in the direction of Iran from a US base. I don't see why, um, the market is now flat, but, you know, let me know if you guys see anything.

So hedge funds basically have been dumping Asian stocks after a huge rally of Taiwanese and South Korean stocks. Hedge funds sold Asian equities at the second fastest pace in *June* in the last five years, uh only below *March*. **Japan** actually led the outflows, posting the largest monthly outflow on record. **South Korea** followed, reversing all of this year-to-date inflows with net flows falling from a peak of plus five uh to to roughly flat for the year. **Kospi's** at the same time forward 12-month P/E ratio is the lowest in its history because of how fast **Samsung** and **SK Hynix** earnings have been growing. They're both roughly about 60% of the index now. And you can see how fast foreigners are exiting the South Korean markets in the graph on page 36. I mean, Korean **Kospi** effectively entered a bear market on *July 8th* with a 28% downturn.

Uh, then the following page, you can see who's building uh memory DRAM and NAND capacity from *2026* to *2028* share. You can see **Samsung**, **SK Hynix**, **Micron**, **CXMT**, and then DRAM capacity share bridge at the bottom of the page.

Um, Chinese model use is out-pacing US model use. Um, you can see that with **Microsoft**, for example. Um, uh, weekly token usage of the top models on **OpenRouter** indicates that the number of tokens processed by US models have risen 5x this year to about 20 trillion, convincingly outpaced by a 13x increase from cheaper models to about 26 trillion. Interesting as enterprise companies grapple with the surgeon, surge in token costs.

Circle's Stock and the OpenUSD Stablecoin Threat - 1:18:12

Um, as of Tuesday, there, you know, the six best performers of the S&P 500 were actually down quite a bit. Like **WDC** was down 33% from all-time highs. **Sandisk** was down 30% from all-time highs. **STX** was down 29% from all-time highs. **Micron** was down 26% down from all-time highs. We bought it uh Tuesday, Wednesday, and it's since rallied from there. **Intel** was down 18% from all-time highs and **Dell** was down 15% from all-time highs.

Uh, so things worsened in *July* for, you know, it was the worst momentum crash in years with space stocks, memory stocks crashing. The unconstrained momentum **GS**, P-R-H-I-M-O, was having its worst 5-day sell-off since COVID on the momentum stocks. And then, you know, another pressure was that AI giants **OpenAI** and **Anthropic** and others were offering extremely discounted prices to win business from startups, um, which is definitely not a good thing. And then **China's DeepSeek** was reportedly developing its own AI chip to cut dependence on **Nvidia**. So a lot of bad things happening at the same time with **Apple** started testing D-RAM chips from uh, **ChangXin Memory Technologies** or **CXMT**, that also put pressure on the space during the week.

In other news, **Strategy** sold about 3,588 Bitcoin um to increase its uh reserves to pay its uh pref shares. We massively benefited by buying uh the **STRCs**, you know, in the low to mid 70s. They they rallied, you know, to the high 80s. We sold um, a lot of that position. We kept the **SRDs** at 60. Um, you can see that **Blue Owl**, another private credit manager, is continuing to underperform. **JPM** and **BAC** are both betting on rate hikes along with **Morgan Stanley** and **BNY**. But **BAC** has toned down its rhetoric a little bit recently. And because of that, the Euro hit a one-year low, um, on the Fed ECB divergence with, you know, the ECB will likely have to stop hiking given the recession risk, whereas people are betting that the US will be more hawkish this year. You guys can read that uh piece um, you know, on page page uh 43. On page 46, you can see hedge funds have been selling aggressively, um, selling equities for the second week in fastest pace since the duration day driven by short and long sales in single stocks, partially offset by covers in uh macro products. You can see that in the Royal Blue line on page 44 and then the prime book uh US Infotech, uh also selling off on page 45.

Then this, you know, on the following page, you can see the structural disruption of the stable coin monopolies. Uh triggers a capitulation in **Circle** stock. Last week, **Circle Internet Group** shares um, underwent a severe intraday correction, trading down 14% to 65.39, uh following the morning announcement of OpenUSD, which is a new competing dollar-pegged stable coin backed by a massive cross-country, cross-industry consortium of over 140 corporate heavyweights including **Visa**, **Mastercard**, **American Express**, **Stripe**, **Block**, and **Coinbase**. Um, so, you know, if you look at where **Circle** ended up trading on on Friday, basically traded down all the way, you know, uh to 63 and then bounced a little bit on Friday to 66, but, you know, from, you know, *July* of last year when the stock was trading at 235, the stock's basically down, you know, about $170 a share to 66.

Um, you know, the key analyst takeaway are the consortium's zero-fee open utility model developed by Open Standard. OpenUSD represents the most formidable institutional alliance assembled in the digital asset space to date. It's like the Zelle for um, you know, for stable coins. So there's zero friction. OpenUSD will help feature zero minting and redemption fees, uh completely removing volume cap restrictions and for enterprise adopters. Um, unlike proprietary stable coins, governance and ents will be distributed across the board of collective enterprise partners rather than an isolated corporate issuer.

So the existential threat to **Circle** is structural, not macro. **Circle's** core business monetization relies heavily on capturing the interest income or yield generated by short-term US Treasuries and cash reserves backing USDC. OpenUSD completely upends this framework by returning nearly all reserve earnings back into the ecosystem partners and paying back interest, retaining only a small nominal fee, transforming the stable coin from a proprietary profit center into a shared yield-yielding public utility. The consortium creates an overwhelming financial incentive for payment networks and fintechs to aggressively migrate volume away from USDC. Uh, and there's, is there a **Coinbase** defection risk? Perhaps the most damaging headwind for **Circle** sentiment is the inclusion of **Coinbase** as a founding member of the Open Standard consortium because **Coinbase** is one of the biggest partners with uh **Circle**. Under existing commercial agreements, **Coinbase** shares a portion of the USDC reserve revenue with **Circle**. **Coinbase's** decision to simultaneously back OpenUSD strongly signals a major that major gatekeepers are preparing for a post-proprietary landscape where shared open infrastructure takes priority over legacy margin structures.

General Market Updates and Final Thoughts - 1:23:47

USDC still has about 73.6 billion in circulation, uh but, you know, on the long term, this could be effective. **Volkswagen** uh increased its job cuts from 50,000 to 100,000 jobs. That's on page 46. The EU slaps a 3 euro fee on cheap China parcels under 150 uh euros, effective last week. It's a customs duty that affects **Shein**, **Temu**, and **AliExpress**, flooding Europe with cheap products.

Um, on page 48, there is a *June* underperformance explanation from **Volga**. Um, you guys can read that because we're running out of time here. Bitcoin uh basically saw a 19% drop for *June*, the worst since *2022*. That's on page 49. Bitcoin down 31% on the year, gold down 6%, two worst performing assets so far in *2026* because of the increase in the dollar and increase in interest rates because of the Iran war, creates a buying opportunity in my opinion. Quarterly performance between Bitcoin and **Nasdaq** also uh quite low.

Um, there's more information on **Strategy** shifting its capital allocation strategy, um, on page 50. On page 51, Clarity Act probability is fallen, you know, below 40%. Trump earned about 1.4 billion from a crypto grift and 636 million from meme coins like Trump Melania coin. Um, Chinese liquidity, um, M2, Chinese M2 has been rallying because their market's been falling. They've been lending more aggressively. They need to announce a stimulus program. There are about 200 ETFs that now own **SpaceX**. Even though, even then because, you know, hedge funds didn't understand why the the *2056* **SpaceX** bonds, very long duration, were, you know, were issued at only like a 50 basis point premium to Treasuries. They've been shorting those as a hedge to stock and an outright alpha trade.

Private credit markdowns continue. If you look at the **BlackRock TCP Capital**, it was at a 14.36, now it's at a 6.72 NAV, it's down, you know, uh very dramatically uh since peak COVID pricing. You know, if we just quickly do the math of 6.72 NAV divided by 14.36, you can see how BDCs can make a lot of mistakes. Now it's down 54%.

Um, cloud revenue forecast by **Semi Analysis** is quite interesting. If you look at the bottom on page 55, then **Apple** and **Broadcom** gave details on an expanded deal which could be worth up to about 30 billion. That's on page 56. Um, so they're they're targeting production of 15 billion of US-made chips. Uh there's a 1.5 billion capital expenditure investment in Fort Collins, Colorado plant. Um, you can see AVGO rallied on that at the end of last week on page 56. And basically the New York Fed is saying there's still some tariff pass-throughs that need to happen and it's not done. Uh, so they aren't calling the end of inflation yet. And then wheat prices jumped on Friday as trader weighed a potential shipping disruption following Ukraine's attacks on Russia. Um, while it's not known whether Russia's grain flows were impacted, you know, wheat gained about 4.5% on the day, the most since *May*. The last thing we need is more food inflation. Um, so that is on page 58. With that, we will jump back into um, the Q&A.

Q&A Section - 1:27:07

Um, in the Discord and then we'll post the recording. Um, so if we jump into the Q&A, you still own **Pizza** and **Zim**? Um, yes, we still own some small positions in **PZZA** and **ZIM**. We still think that um, **PZZA**, which is **Papa John's**, will be bought out. Unfortunately, there's just been a lot of distraction in the market. Um, and **Zim**, uh, we also think that um, the company, you know, has a bid. It trades at like a a big discount to the bid, you know, over a 30% discount to the bid and it's frankly more interesting. We're trying to find a price in the low 20s to add to the **Zim** position.

Starbucks' In-House AI and Software Savings - 1:27:53

Bitcoin Tino, what did you make of the **Starbucks** announcement of the savings coming from reducing software spend? **Starbucks** is reportedly using AI to build in-house software that could replace **Microsoft** and **Oracle**. Um, I need to actually spend some more time on that, but I did see it briefly. Thanks Bitcoin Tino. I will look at that in a little bit more detail.

Position Tracking for Vistanc (VISN) - 1:28:15

Uh, Jay, have you started what you call a tracker in **Vistanc**? Um, I, I, uh, I, you know, bought like a couple shares on Friday, like nothing substantial, just so I wouldn't forget the ticker. Um, but the full tracking position we'll add um, on uh, on Monday, probably like five bips, and then we'll likely grow it before the special dividend *August, September*, in *August, September*. The more it sells off, if we have a market sell-off this war, the more we'll add. Uh it could be, you know, you know, a 20 basis point position, not as big as **Redwood**. I thought **Redwood** was a great trade. It should have been bigger than 35 bips. It should have made it a 1% position. Um, but yeah, it could be a 20 basis point position at some point.

Um, so thanks everyone for listening on the call. I wish you guys a great uh trading week this week. Um, good luck out there and um, you know, I do think that uh, the safer position, I do think that that **Vistanc** is quite an interesting position and it has a cash buffer. Uh, so I think both are quite reasonable. But **KGC** is also a very good uh gold miner, so we're going to be adding to that as well. We haven't added to it yet, we'll do that on Monday. Um, I hope you guys, um, have a good week and maybe this uh Iran war nonsense, uh there's some announcement before before the open. The recording will be up very shortly.

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