Frank Curzio's FRANKLY SPEAKING

Announcer: Wall street Unplugged looks beyond the regular headlines heard on mainstream financial media to bring you unscripted interviews and breaking commentary direct from Wall Street right to you on Main Street.

Frank: How's it going out there? It's Monday, April 9th. I'm Frank Curzio, host of the Frankly Speaking podcast where I answer all of your questions. Stock market, sports... anything else you want to throw at me? I created this podcast to answer more of your questions that you were sending me through my Wall Street Unplugged podcast, which I host every Thursday now, not Wednesday. If you have any questions you want me to answer just send me an email at frank@curzioresearch.com, that's frank@curzioreseach.com. Be sure to be Frankly Speaking in the headline, and you never know, your question may be the one I read on this podcast. Lots of good ones coming in this week, the past couple of weeks. Guess at the market, it's volatile, I get it.

So let's start with one from Max. Say Frank, I read that Ackman's Persian Square is done. They have been underperforming the past few years. It's biggest investors are leaving the fund. DC has happened to more hedge funds or a fundamental shift in this industry, given under performance of so many hedge funds over the past five years. That's from Max. I love the term that he used, fundamental shift, it's something that I say all the time. It's a fundamental shift in this industry, which is cool.

Hedge funds, ah, where do I begin? Where do I begin? When you're looking at the average hedge fund performance, and this will go into Bartley hedge fund index, which covers all the hedge funds, except for the hedge funds, which are fund to funds, which you buy like a whole bunch of different hedge funds. According to Barkley hedge fund, or the index, the average hedge fund generated 4.8% returns annually since 2014. So we're talking four years. Okay, we're going to exclude the last two months, let's go to the 31st, 2017, all right?

So over the same timeframe of that four year period, the SMP 500 generated more than 12% annual returns. So we're looking at 2 and a half times better by putting your money in the SMP 500. Now, just wait before we go off on that number, 'cause its' kind of to be expected, not that much of a gap. But if you're managing billions and tens of billions of dollars, you're looking at statistics, you're looking at historical numbers, the markets in general, things happen that normally don't happen, we don't see interest rates at zero for a very extended period of time. Then at the credit crisis, we saw our government invest money directly in banks and backstop everything. So what do we see? A huge run up in stocks staring March 2009, in 2010, 11, 12, 13, now you're getting 14, 15, 16, as a hedge fund manager, it's hard to go all in.

In 14, 15, you're looking saying, okay, the bull markets usually last, depending on what research, it's usually around four and a half years, the average bull market cycle. Some people use different time periods and say five ... No matter what you use, this is one of the lowest bull market cycles we've ever seen in history. So, as a hedge fund manager, you're prudent, you're supposed to be the person that's very smart, and we know what happens when a lot of them ... I'll get to this part in a minute. But I can see them hedging a lot, shorting a lot of stocks during this time period that are expensive, momentum names, are crazy, and look how they doubled and tripled from those levels, that were expensive in 2014.

So, I can see the underperformance, a lot of these guys would be better in much more volatile markets, and we haven't really seen volatility until pretty much this year, since minor periods, since the credit crisis. With that said, okay, I'm giving them a little bit of the benefit of the doubt here. The hedge fund industry is in a lot of trouble. I mean, they're in a lot of trouble, because you have to remember with hedge funds, they charge massive fees. We all know that, right? Okay, what do they charge? Well, they charge usually 20% of profits. But forget about that. They charge 2% no matter what. 2% is really super expensive. I mean, just on its own, that 2%, that's compared to aptly managed funds, that's compared to your average mutual fund, and that's compared, I mean, it's really, really expensive to index funds.

But then they go out and they charge 20% on profits, some of them 25%, some of them even 30% on profits. You know what? When you're making money, nobody cares. Ah, you're making millions from me. All right, sure, I don't care. Take 20%, that's fine. I get it, that's cool. But let me present a scenario to you, which is not so cool. Let's say you have ten million dollars invested. Let's

say, right? That's the average of my listeners, that's their net worth, right? Every one of you? We all wish. But let's say you have ten million dollars in a hedge fund, and forget taxes for a minute, to make things easier. That ten million happens to turn into 20 million in four years.

It's a pretty good return, 25% annually, great, high fiving. Everybody, your wife is happy, of course, happy wife, happy life, cool, all right, great. Returns, honey, this is awesome, I told you this is going to be great. But, wait a minute, because what happens is your wife, I hate to say this, most of the time it's right. So, when you look at the 20 million dollars, you're going to be paying 20%, so 20% on the ten million dollars that you generated, right? So you started with ten, you generated another ten million dollars. So you're paying 20% of those profits, which is two million. So again, you really don't care, because your returns are awesome, it's great, you're high fiving everybody, it's great.

Ten million is now 18 million, minus the two million in fees in just four years. Again, we're not even talking about the 2% yet. Hear me out, just trying to make it easy for you. Now let's say in the next four years, kind of what we're seeing now, hedge funds significantly underperform. Some of them, we've seen, have blown up completely. But let's say we get one of those. Over a four year period a hedge fund falls 50% in value. You only really have to fall 15, 20% in value, because then you're going to get redemption, and that means people are wanting their money back and the SEs are structures so no one can just take their money out all at the same time, only a percentage of their funds, most of them, anyway. What is that result in?

It means that you have to sell in order to redeem that cash, especially if you leverage, that makes it even tougher. We won't go there, I don't want to make this complicated. But if you're down, people are going to request more money, and when they do, you have to continue to sell your positions, in order to generate that cash to the investors that want their money back. So say that hedge fund falls 50% in value? Now you have 18 million dollars that went to nine million. Remember, you started eight years ago, and just four years ago you're high fiving and yeah, your wife was happy. Now your wife is not happy anymore. Now you know what happens. 'Cause you're down one million dollars now, in an eight year period. One million dollars.

Again, forget taxes for a minute, we'll get there in a second. But you're down on your original investment. However, the hedge fund manager still collected all those fees on your you know what, just all those fees. They collected them already, they made a ton of money. Now when I'm including this, I'm not talking about the 2% charge, that they'll automatically, they're going to charge you. Just for putting your money there, that's it. No matter what they do, no matter how big a performance, there's that 2% over those eight years. I mean, that nine million is going to be worth a lot less. Remember, you started with ten. I mean, the way these funds are structured, the way they're structured is for them to take on massive, massive, massive amounts of risk with your money, especially once they have a stretch of several good years.

Think about it, the first four years, they just made a fortune, charging 20%. I mean, some of these funds, you look at Forge's Caby, you look at some of the big billion, a billion dollars in fees they're collecting. They're collecting these fees constantly, a billion dollars. Isn't that amazing? A billion dollars. That's awesome, 'cause they're making money. So now they have boats, they have cars, they have everything, right? They're doing great, they're fine. Now, the next four years, you got crushed. They're not giving back those fees. They're hanging out in one of their 27 houses. They're making trays from one of their seven yachts.

But better yet, after that four year period of making that money, and they're incredibly wealthy, what should they do? Well, go all in. Leverage the hell out of the portfolio. If you lose it, who cares? You got all your fees already, use everyone else's money. You can leverage the crap out of it, so you have a 400 million dollar fund, leverage it to whatever, two billion, maybe you create your own reinsurance industry, an insurance company. Use that massive pull of money, that will never be paid out in the insurance claims, right? Insurance is the greatest business in the world. Please start insurance companies, you automatically make money. They'll leverage the crap out of that portfolio, and if they're right, they're going to generate even more fees, and become even more wealthy.

They keep doing this and doing this and doing this until that stretch of luck runs out. Then when it does, like I said, after that eight year period, you're saying they have a loss is going, holy cow, it was up so much, how do I have such a loss? It's because you don't realize how much in fees you're paying. They don't care, because they're billionaires. If they're right, leveraging themselves

even more, they're going to become even more wealthy. Let me tell you something, there's not a wealthy guy on this planet that doesn't believe he should be worth even more. Jeff Bezer is worth 120 billion and he does not think he has enough money, trust me. Trust me on that one. There is nobody, the richer you get, the more greedy you get, that's just the way life is. That's the way we were programmed. Maybe when you get to [inaudible 00:10:47], a little different.

But these guys want more, and that's how they're programmed, more, dominate, win, arrogant, alpha. If they're wrong, hey, so what? They're going to lose everyone else's money, and, you know, they still have a fortune since they had those monster years where they charged you 20% of profits. The funny thing is, even when they destroy the fund, we've seen it numerous times, I mean, Ackman with the Target fund, I mean, I'm at loss for a couple of names now, but just look on Kuger, you'll find about 20 guys. They'll destroy the fund, they'll get it killed, and like six months later, they'll raise like 300 million, 500 million, a billion dollars like nothing. People are like, oh, okay, you're starting another fund? Cool, I'm in. It's great, what a business. I mean, the hedge fund industry, next to the insurance industry, is great, it's an awesome industry. These guys make a fortune.

But they're significantly underperforming now, and things have to change. But that's a disconnect, not too many people talking about hedge funds. You're almost promoting them, as they do better, you're promoting them to take on more risk, because they're collecting their money, they're making a fortune. Whose money are they going to use? They're going to use your money to take on all that risk. It's insane. We just saw it, right, with the volatility? The credit volatility fund, the inverse volatility fund, that just blew up. One fund was betting heavily and he just blew up his whole entire client list. Okay, you don't hear about that story anymore? No, nobody is mentioning it anymore, nobody cares. What about the people in that fund? Dead, gone, bye. I guarantee the people who were running that fund still have their seven houses and seven yachts.

But it's a big disconnect. I mean, I'd rather they probably charged 30% of profits with zero annual fees, then charge you 20% of profits and guarantee 2%, they're going to make 2%. That 2% is a killer, that's an expensive fee, especially for underperforming. With Ackman, and back to your question, the performance has been terrible, and that's why the fund is in trouble. It'll probably be totally liquidated if not for its structure that only allows, what is it? A certain percentage of assets for each investor or institution

to be redeemed over a certain time period. This way people can't whatever billion, five billion, I think it was up to 20 billion, but now it's at five billion. But say you have someone who is 15% of that fund that says, hey, I want my money back. Think about that. The stocks and everything within the portfolio, you'd have to sell.

So, they make sure when you sign up to that, hey, and a lot of these funds, how about Peter Schiff, you should take a look at that. That's interesting, with his funds. You want your money back, they charge you an exit fee. Wow, not only do you lose and get crushed in all the funds that you closed, they don't highlight too much on your website or anything like that anymore. But now when I want my money back you charge me an exit fee? It's all about fees. But another fund to watch out for is Greenlight Capital. I mean, David Einhorn performance had been terrible for about five years now, and I hear things are not too good. They're saying redemption, and you're not going to see ... But I think it's a great market for his investment style. If you look over the past five years, what is Einhorn great at? He's great at value investing, great in volatile markets, and short selling. Those are three things that are basically nonexistent for the past five years, which explains why his performance has bene absolutely horrible.

But they exist right now, value is coming back into play, seen a lot of volatility in the markets, and you can definitely short. [inaudible 00:14:38] like a Michael Ackman, making a killing right now, not shorting, but using conservative option strategies. So far he's on fire, doing fantastic, launched it perfect, the money flow trade newsletter. But from what I hear, David Einhorn, hey, I mean, will investors stick around and wait for that? I don't know. I'm kind of betting that they will. But I give another 12 to 18 months or you're going to see the same thing with Ackman, there's just too many different options out there.

So many, high frequency trading, algorithms, renaissance capital, these are guys that lost like money over the past, what is it? I think it was a 12 or 15 year period where they lost money three or four quarters. Which is incredible. You got some hedge funds that are doing the right thing, but, on average, and most of them are just getting crushed. Yet they're charging you, man, a ton of fees, which is crazy. If you look at the hedge fund industry on average, man, 4.8% annually over the past four years, right? That's what I mentioned earlier. When you have the SMP 500, over the same timeframe, generating 12% annual returns. It would have cost you .15% to invest in the SMP 500, the vanguard SMP 500 fund. .15%. Think about that, because those fees really come into play when

you're losing money. Nobody cares when you're making money, it's all fun, high fives. When you're losing money, that's when you're like, wow, how do I lose money? I was up so much.

Well, they're taking a ton out of the fees when they're making money on you. They're going to charge you 2% no matter what. So yeah, there is a reckoning going on in that industry, you're seeing it. A lot of accountability now, you have social media where you see, you know, these guys have terrible picks, it's everywhere, it's all over CBC, it's all over everyplace. Now you have institutions that are saying, you know what? There's a lot of guys out there that are performing, and we're not going to go three, four years ... The worst thing, and listen, I've managed money before. Okay? My dad managed money for 30 years. Actually, for about 17 years, and had a newsletter for 30 years.

But the worst thing for a money manager is to lose money when the market is going high. When the market is going down, expectations are low, people understand it. If a sector is going down, they understand it. But it's always tough when you're not performing when the market is performing, because they figure, wow, I could just buy some very cheap index fund, the SMP 500, and yet I'm paying this money manager all this money. That's the toughest thing. But, on the other hand, you have to look at a long term track record. But it's been long term, it's been five years, and a lot of these guys haven't been generating returns. You go one year, two year, you have your managers saying, okay, listen, it's inflated right now, there's a lot of risks, I'm taking some off the table, and Mark keeps going higher. That's fine.

But for five years, man, wow. There is a reckoning, Max, and I think you're onto something. I absolutely believe that, we're seeing it happening with Ackman, it could happen with Greenlight Capital. I'm telling you, there's not a lot of happy people, from what I hear. But, we'll see if he can turn it around. This is a perfect market for his investment style. I give him 18 months. If he does, there's ways to make money off of that, which my subscribers already know, without putting money directly into his hedge fund, a backdoor way. Hopefully he does. I like Einhorn, I know he does his research, I know he does his homework, I know he has a bad stretch, and everybody does. It's been a little bit longer, can't go four or five years. So let's see if he can turn this around.

But yeah, hedge fund industry, man, what a crazy, crazy industry. I didn't want to spend that much time on it, but again, an industry that I'm very familiar with that I have a lot of friends in, and it would just be nice if you're investing in these things and they'd

return money to you without generating ... I don't know. I won't even go into it, because I'm going to have a whole personal rant here. But, it just, the thing that I hate the most in this industry is I don't mind if you have a bad performance and you're going down. The layman, and what was it, Dick Fold? He had all these shares, he went down with the ship, that's fine, I get it. But when I see people making a fortune while the people following them are getting crushed, that's when I have a problem with it. With the hedge fund industry, that's what you're seeing. These guys are billionaires, they're making a fortune, now they're not performing and everyone is getting killed. But these guys are still very, very, very, incredibly wealthy.

Let's move on before I keep going here. Next question is from Kurt. He goes, Frank, first glad to see, and he says in a Facebook photo, your daughter is home. Yeah, she's home, things are going good, thanks so much, I appreciate it. Kurt goes on to say, was briefing.com the site you recommended for those of us that can't afford capital IQ? I've been looking for a site that's so much of the way Yahoo used to be.

Second question, are you going to do what Stansbury did and offer one price for all of your research? I know you're adding more services pretty soon. He says, too bad for your Kansas scene, they look like they were playing golden state with all three point shots Villanova hit, because I hope my home state Michigan plays better and this was, you know, last week, just before the game got this email. So, Michigan, actually, Michigan didn't play bad. Villanova was that good. We're looking at Villanova and your sixth guy on your team against Kansas, when they played the sixth guy, right? Not the top five, which are great. They're going to play again with Brunson. But the sixth guy has 25 points, and I think 12 rebounds.

Then when you play Michigan, your seventh guy, I forgot the tiny guy's name, has 31 points. Are you kidding me? You know you have a pretty good team. Villanova, by far, great team, terrible final four to watch, every game was bad, the championship was bad, it wasn't fun. That's cause Villanova was that good. So, [inaudible 00:20:29] did a great job, that was my biggest threat, and I didn't think that, you know. They didn't have that easy of a schedule. They were in the easiest division when they started, but the way everything unfolded, they had to go through three big 12 teams that are very good. So West Virginia, Texas Tech, Kansas blew the doors out of all three of those, and then being the Michigan team that won, what, like 13 or 14 like nothing.

So I think they won every game by more than 12 points and just breezed through it. Anyway, let's get to some of your questions here. The briefing.com is first. Briefing.com is more of an informational website. If you're going to look at fundamentals, have fundamental research, Yahoo is kind of like, excuse my language, like a shit show. I don't know what happened to Yahoo. I mean, it used to be good. It's okay, and I use it sometimes. But I have other engines. So if I want to punch up a symbol sometimes and it's there, I'll do it on my computer. But, I would use your platforms, if you have an Etrade account, Swave account, Ameritrade, you're going to get real time quotes, be able to get good news flow, good fundamentals. They have really good tools. On the trading side, if you want to get technical analysis and stuff like that.

But those are good platforms to use, because really, there's not too many good free platforms that I like out there. Finviz is okay, you can do some screens on it. But, it's okay. Got ads all over the place now, going crazy with the ads. CBC is okay, again, this is going to be a video playing without you clicking the video player all the time, you know, you just be reading a story and a video just pops up out of nowhere and starts playing without you asking it. That's what a lot of these sites do, these free sites. But Etrade, Swave, Ameritrade, all good outlets.

But briefing.com, what's awesome about it, and I mean, these guys should pay me for this, really, because they actually have newsletters, don't subscribe to those newsletters, those aren't that good. But, I promote it because it's easy to have a good app on my phone, again, I don't get paid for them at all, and they're getting a little more expensive, it used to be cheaper, like two or three years ago. But they, the information they provide is just incredible. They're going to have headlines from the Wall Street Journal, CMBC, I mean, you'll have an app on your phone, and it's not overwhelming where you're getting tons of information.

It's all like headlines on stocks and different things, upgrades and downgrades, earnings data, conference call summaries, which is awesome, get a chance to listen to all of them. You might just see, they have like ten bullets on Bowing, or tons of them. Every SMB 500 company, even more, popular mid-caps, and you might see a couple of things there, for me, which will lead to more ideas, or different ... They're getting into different markets and stuff that I didn't know about, make me go there and listen to the full conference call. Insider buys and sells, 13F filings, all that stuff.

After hours, and pre market movers, which is really cool, especially during earning season. Earning season, awesome. They provide all the data for all of the earnings.

So it's a really, really cool site. Again, I wouldn't put too much on the newsletters and stuff, they try to make more money and everything. Which is fine, but, as an informational provider, I could be away from my computer for the day and just, it would take me probably about 15, 20 minutes scrolling through, that's me, because I'm familiar with the markets and this is what I do for a living, and I'll know everything that happened, every major story, all the upgrades, downgrades, everything that's going on, and what's going to happen tomorrow, just by having this app and going through it. So that's a really cool thing, briefing.com.

But it's not something that you would use to look at the fundamentals, or dividends, or anything like that. That I would, again, I would use the Etrades, Ameritrades, and Swave, stuff like that. Your next question, Kurt, I'm doing you a big favor here answering all your questions. But, and Kurt is a great guy. So, he said, where is it? Are you going to do what Stansbury did and offer one price for all your research? I know you're adding more services pretty soon. We will do that. Once we add, probably, our next service, well aware who our best clients are, and they pay for our backend newsletters, our most expensive products, and stuff like that. If we launch like six or seven of them, we're not going to charge full price for six or seven of them, that's not what we wanna' do.

But right now, a lot of times we're charging lifetime, which is a great, great deal. The lifetimes that we're putting together turns out to be a lot of times the same price as a two year subscription, which is really cool for you. That's what I want, I want you to have research for the lifetime, because there's going to be ups and downs, different periods. But I know, over a five year, ten year period, you guys are going to be really happy, and get research, you're not used to getting anyplace else. Even the guys I hire make sure that I'm putting in front of you are fantastic analysts. They're not like, someone won't be a big, popular guy that knows nothing about stocks that I know I could sell the shit out of. No. I'm not going to do that to you, I promise you.

These guys are great analysts, right now I believe we have the best analysts out of any financial newsletter publisher out there. I don't even think that's debatable. I'm not saying, and there's a lot of great analysts out there, there are. I know, I interview a lot of them, they're friends of mine. But I'm just saying most of them, it's, you know, for me it's kind of tough. But that's what I want to

put in front of you. With our best clients, we want to offer the best prices. We're not looking to charge you for, you know, six straight newsletters, and we're going to come out with that type of ... What do they call it at Stansbury, like an alliance membership, that's what we want to do once ...

Again, we're only three products in right now, and we're going to launch our fourth, and we're going to actually launch a fifth product, which I think you're going to be really, it's incredible. I'm not selling this, I'm just saying this, and it's not going to be expensive, I promise. It's not going to be expensive. But, it's a unique product that no one else in the entire industry can offer. I know it's going to be really cool. I mean, it's a game changer. That's all I'm saying, it's coming out pretty soon, we're very happy, we're working very hard for it, and it's something you're going to love. If you're a backend subscriber, you're going to get an incredible ...

Again, it's not an expensive product, it's not a backend thing, I'm not selling this. But something that I'm going to put together for you that is, that's going to be really incredible, that I think everyone is going to really, really like. So, not just you, but everybody outside that doesn't know us yet, it's going to be a pretty amazing newsletter that I'm very, very excited about. Again, sounds like I'm selling it, I'm not. [inaudible 00:26:49] even mentioned it yet, but it's getting close to launch, and we're really, really excited about it. It's just going to add a lot of value and help you guys out a lot, and be full of stock pics. You're going to get more stock pics than anything that you've ever subscribed to in your life. Trust me. That's it. That's the buildup.

So yes, we will Kurt. If that answers your question, if that answers your nine questions. If you have any other, 10, 12, 15, keep sending them to me. I got nothing else to do. I'll come over to your house, we'll hang out and I'll answer your questions, all right buddy? But Kurt is a good guy, emails in all the time. Let's get to a couple of more.

Next one is from Jack, he says, hey Frank, always a big fan, and I'm waiting for a rebound with some of your picks. Jack is a subscriber. So he said, I stopped out of, and I'm not going to give this symbol here, one of our stocks, had a 37% loss, because we had a, there's a 35% stop on it. So, he says, should I keep this name on the radar for future consideration? Thanks, Jack. Okay, so, this is really important, what I want you to understand, because, and I emailed Jack personally on this. But I get some of these emails sometimes.

So what we did is we took a position in the stock, but we took a half position in the stock, it's a volatile name. It is in the technology sector. If you purchased a full position until now, it's down 37, 35%. But we took the other half position when the stock fell. Right now, we're sitting on a 20% loss, which I'm not happy about. But it's a technology stock, and most technology stocks, for the past five, six seeks are down around 15, 20%. I mean, they've rebounded over the past couple of days, yes, we know. The market rebounded a little bit, which I talked about on Wednesday. I said if the market is really getting crushed on tariffs you should buy out of it because this story is not going to exist four months from now. Trust me on that one. It's not a big deal, it's a negotiation tactic, don't get caught up in the media, this whole trade war. That's how we negotiate, I'm going to cover that on Wednesday, explain why.

But getting back to this position, so we took a half, and then we took another half position. Now, why is this so important? Because now we're sitting on a 20% loss on a company, not going to give away the name, but its' one of the only pure plays on the smart home revolution, which I think is going to be an enormous, enormous, enormous trend. It's a trend, I hated for so many years until this year, because all kinds of different technologies, nothing was compatible, Now you have Alexa, Alexa is compatible with a ton of stuff, even a lot of the same stuff with Google, and Apple is trying to get into that market as well. But every device that's going to be made going forward, and when I say device, I'm not talking about phones or tablets. Refrigerators, thermostats, washing machines, dish washers, your cars, everything is going to be connected, and you could use Alexa to connect everything, including your light bulbs, alarm systems, everything.

So whether you like it or not, over the next five years, your home is going to become smart. It's a monster trend, and this company is right in the middle of it. But we're seeing a downturn in the industry, this stock has sold off a lot more than I thought it would sell off after we recommended it. But, for me, the catalyst that I see coming up are incredible. Their long term catalyst, short and long term. Short, maybe six, nine, 12 months, and what I want to do is be in this stock long term and try to avoid all the BS that goes on in the market with tariffs, with the president and Russia, all this political nonsense. Just all these crazy trends that you see, Facebook privacy issues, getting tariffs, trade wars. You want to try to avoid the noise, right?

I mean, think about how much noise we went through with Brexit. Right? That's it, that's the catalyst that's going to crash the market. It wasn't. We just, it was uncertainty and we didn't know. That's what's going on with tariffs right now. We'll know in probably a couple of weeks, maybe a month or two. They'll all negotiate behind the scenes, and they're going to, both of them are going to go back and forth with tariffs, more and more tariffs, and stuff like that. The current tariffs with China amount to 1/100th of our GDP, which is nothing. So it's just a form of communication, while they're negotiating. They'll negotiate, because they have no choice. You're running a massive surplus off of us, and it's unfair, you know, we have a lot of leverage.

So when you're investing in these stocks, and the point I'm getting to here, it's very, very important, is portfolio management. So you want to be in these stocks as long as you can, while those catalysts develop. You don't want to get stopped out because of some market moving event, something that's going to be volatile. You're seeing a lot of your positions down, and there's no news on your position. It's just the overall market is down. You want to get through these periods. I know that smart home is going to be a monster trend. I don't know exactly when it's going to trigger, I'm hoping it triggers the day after I recommend the stock and all of you get in, and then it just goes up for ten straight years. That would be the best scenario, you all make money, that's great.

But it never happens. It happens over time, and there's not a stock that's just going to go straight up without seeing those bumps and bruises on the way. You want to be able to withstand them. So portfolio management is so important. You also want to follow your stops. It's so important. The questions I get from my subscribers all the time is because they did not follow what I'm telling them to do. Buy under this specific price. If it goes up over 100%, 125%, whatever it is, sell half your position, let the rest of it ride, because you're not going to be thinking about it if it goes down 20, 25%, 'cause you just locked in your gains and your cost base is relatively zero. Follow your stops.

I'm going to be wrong sometimes, and the market may just go against this. I liked a couple of biotech stops, it doesn't matter what biotech stock, well most of them, but 90% have gotten destroyed to market, and I was really talking about it, even gold stocks. Have great CEOs, great projects, high grade goal, good management teams, everything, and those stocks are down 30, 40%, because it's a horrible market. But follow your stops. We'll get other opportunities. Don't take 60, 70, 80% losses. No way, don't

do that. That will crush your portfolio, and more important, that's the only thing you're going to be thinking about all the time is that one stock that crashed. What should I do? Should I buy more?

In the meantime, there's a million things going on that are positive that you could be working on. Be in your favor, you could put money in so many different situations. So portfolio management, and especially ... One of the most important things here. Outside of stop loss and limiting your risk, you want to always limit your risk, let your runners run. But when it comes to positioning, never buy a full position all at once. Try to scale in. That's the best advice I can give. You don't know what's going to happen next quarter. They could have a terrible quarter and push orders out six months. If that happens, that stock is going to go down 30%. Nobody cares if those orders are going to be filled six months from now.

That's the way the market is. Any delay at all, investors leave, goodbye. Algorithms trigger in, the stocks are going to go down ten, the next thing you know, it's going down 20, 30%, you're done. You don't know. In two years from now, that stock could be up 200%. But you know what, you just bought it at the wrong time, and then all of a sudden you stopped out because it had a bad quarter. So buy a little bit. The stock runs high, and then they report, and there's positive news, and your thesis is still intact, you buy a little bit more. Even if it comes down, at least you're not pissed off, and you're like, okay, it came down, my thesis is still intact, buy a little bit more, improve your cost basis.

You want to invest smart. It's not easy. When you get excited about a stock, you want to buy it all in and go crazy, I get it, I know, I've been there. Man, I love this stock so much. Don't do it. I'm telling you. Don't do it, because the stock comes down, that's all you're going to be thinking about is that one stock that you went all in on, and it's getting crushed, and you're like, why is it getting crushed? I love it, should I buy more? And it's going to mess with your head. Scale into the position. You want to be in these stocks over the next 12, 24 months, whether a catalyst comes to fruition, you want to be in this stock over that timeframe. That's how you do it.

So right now, we're down 20% on this stock. Am I happy? No, I'm not happy. But, you know, the entire technology sector is down, we're still in it, my thesis still exists. But if I took the full position, I would have stopped out. That's the difference in portfolio management. It makes the biggest difference in the world. Trust me on that one. If you follow the rules, and you follow along, I've been doing this for a long time, that's how you make money. So

that's why I actually wanted to take this question, even though I'm talking about a stock that I'm down on, which I'd rather talk about the stocks that I am up on.

Now, one more question here, it's another good one. It's from Bruce. Hey Frank, something I've been thinking about, many years from now, when I'm in retirement, I like to consider some REITs as income producers in my portfolio, with advertise yields in the 8 to 15% range, I'm trying to figure out, what's the catch? If the income produced is truly that high, why isn't everyone just dumping the yield portion of their portfolios into REITs? There has to be something I'm missing. What do you think? Bruce is a great guy, emails me a lot as well. I'm not too sure how many REITs you're seeing with 8 to 15% yields, but let's go over REITs really quick.

So if you're looking at REITs, real estate investment trusts, they must pay out 90% of their income to shareholders, right? That makes it a REIT. They must derive 75% of their gross income from real estate, which is important. That's why I laugh when people say McDonalds should turn into a REIT. They don't generate, they have real estate, right? They own their stores, which are restaurant, but they call them stores, same store sales. But they do generate a lot of money on those like, you know, hamburgers, Big Macs, and fries that they sell? So they can't, they wouldn't be able to turn into a REIT. It must amass 75% of their total assets in real estate. Think about that for a minute.

If you get a real estate investment trust, and let's take a couple of big ones, EQR is one, it's a multifamily REIT, 3% yield, the stock is down a bit over the past 12 months. Not bad, 3% yield, but when you look at the dividend payout ratio, even at 3%, it's 125%, what does that mean? If you take the earnings ... The easiest way to figure this out, one, you can actually go to Yahoo, go to statistics, and it'll tell you that. But what does it actually mean? If it's over 100, your dividend is higher than what your earnings are over the past 12 months. That means you're paying out more than what you're making. You could take money off, cash flow, and pay dividend, whatever. Remember, they're paying most of their income, they want to pay at least 75%, but this amounts to 123%, which means that money is coming from somewhere. It means that it probably can't be sustainable.

That's just with EQR, and that's one of the best ones. But let's look at Ventas. So that's VTR is the symbol, and that invests in hospitals and nursing facilities. 18 billion dollar market cap, 6% yield. Nice yield. Well, you're asking me here, Bruce, what's the catch? Well, the stock is down 24% in the past 12 months. That's the catch. Who

cares if your yield is 60%, your stock is down 80%, again, that's not going to happen, I'm using that as an example to prove my point here. It's not good. You're losing money. So you can't just look at the yield. You have to look at, that's the biggest mistake people make when investing for income. They look at the percentage of the yield without even looking at the underlying stock. We're not talking bonds here. But they don't even look at the underlying fundamentals. Oh, McDonalds pays 3% yield, that's great. Oh, well, McDonalds is trading at 23, 24 times earnings, which is probably about 25% higher than its historical average right now. It's only paying that high because of that yield.

Lately McDonalds has turned itself around and is doing a little better. Even though they didn't report good earnings last quarter. But you have to look at the stock. It's all based on the stock, because even if it pays a 3, 4, 5% yield, if you're going to lose 20% of the stock, its' not growing. They're not going to grow earnings, they're not growing sales. Most of the growth is coming from buy backs. They're heavily indebted, you have to be careful. So you gotta' look much more further than the yield. You're better off looking at the stock, and if you really like the stock, then check to see if it has a good yield. Wow, mostly getting 2% yield on this, this is great. Nobody ever does that because you're looking for income, and you search for yield first.

But that would be the best way to actually look, to like the stock first, and then be surprised at, oh, wow, this thing pays a 3% yield. That never happens. But that would be a better way of looking at it when it comes to looking for income or looking for stocks that pay high yield, a high dividend. When I look at this, even public storage, symbol PSA, 35 billion dollar market cap, 4% yield, really good yield, that's awesome, holy cow. Stock, it's down 9% over the past 12 months. So that's the catch. You're looking at equity REITs, there's mortgage REITs, there's private REITs.

When you're looking at real estate, think about yourself when you buy a home. When's the best time to buy it? Well, when the interest rates are low. Interest rates are starting to go higher. Not only that, there's not a lot of supply in the market right now. I know because we have a REIT in our portfolio, and it's nice when they buy, I'm not going to give anything away, but specific what they're tailored to buying, you know, public storage is to public storage space, EQR is multi families, VTR is hospitals, nursing facilities. Where I'm headed is more REITs, general growth properties, and that's Simon, Simon Properties is another one. But Simon Property

has a dividend payout ratio of 115%. What does that mean? Well, they generate $6.24 in earnings, and they pay $7.80 in dividends, higher dividends than they generate in earnings.

But if you're looking at REITs to invest in, don't look at the yield, don't look at the yield because its' misleading. You want to look at the management team, you want to look at how much debt they have. Is it a retail to malls, which is kind of, you know, we're seeing malls not do that well. They're not disappearing, they're not going away, but they're definitely shrinking. I think I read someplace, like 55% of all mall leases are up in two years, which is interesting. But you go around your local mall, yes they're crowded, and yes I said ... But you'll see a lot of vacancies. Telephone number, you want your shop here, whatever. If you want to be careful with your investment, make sure the management team is good, watch out for the debt, 'cause again, you're looking at interest rates going higher, and it's also a tight market, which, you know, interest rates go high, it's more expensive to purchase.

Remember, they're going to pay, the dividend, it's not, you can't look at a dividend like you would as a proctor and gamble, McDonalds, or something like that, where it's like, oh, they pay 3% yield and that can fluctuate based on price and stuff like that. They're dividends are going to fluctuate based on how much money they make. They could really make no money one time, or one quarter, or half a year, and a lot of money the next year, which means their dividend could be anywhere from 1% to 0%, to 13%, depending on what it is. So it's not like, oh, 13% is always going to be 13%. You see how much they're paying out to their shareholders. But right now it's a tough market for REITs, it's not that great. A lot of them are down, those yields are high.

But you'll notice there's not a lot of REITs out there where their dividend yield, say if it's 3, 4, 5%, out pays their gains over the past 12 months. I really haven't found any. Which means no matter what REIT you're invested in, even with the yield, you lost money on over the past 12 months in a market that's up, even today. Including the last two months, which have been kind of volatile. So that's the catch. Don't look at the yield, because the yield can be so misleading, especially when it comes to REITs. It could be all over the place, a lot of these companies have a lot of debt. You have to do a lot of analysis. When is this debt due? That's debt that they're going to have to pay off, that's less money that they could pay to their shareholders.

So there's a lot that goes in these, and stick to the big guys. You're saying 8, 15% yields, I didn't see any of those. There are probably a ton of them, but the ones I focus on are more of the bigger ones, the better plays, and even, there's ATFs, there's REITs everywhere. But the 8, 15% yield, look, there is a catch. There is. Using those are dangerous, they can't be sustained, and if you look at those underlying stocks, they're probably down 30, 40%. So even if they paid out that dividend, you still got crushed on the stock. In the end, it's how much money you're going to make on your investment, and you're getting crushed. You could brag all you want, you could tell all your friends, it's 10% yield guys, this is awesome. How much did you make on it? Don't ask me. Whatever you want to do. But just be careful when it comes to REITs, and hopefully that wasn't too long, drawn out and I answered your question.

Okay guys. [inaudible 00:44:53], research, Facebook page, which I'm so proud of. I post live videos where I make mistakes and have fun with it, and you'll see me in T-shirts, because sometimes I'll just work out. I just feel like I have to talk about something, I'll get on there. But it's really cool, and plus I offer a lot of free research on there. You can also check me out at Twitter, @FrankCurzio, where I'm going to be posting a lot more.

I can tell you, it is entertaining, I don't hold back on Twitter. I have strong opinions on things. I like expressing myself. Just when I see someone trying to take advantage or posting something that's so misleading about the markets or stocks that it's my responsibility to say something about it. I even call out a lot of my close buddies in the financial industry, and sometimes we'll have back and forths. But it is entertaining, I love having a platform where I can post anything almost in real time, especially when I see something interesting in the markets because that happens a lot. I mean, that's my job.

Only thing I do is hang out with my family, really, analyze stocks, analyze the markets. So I see a lot of really cool things throughout the day. That gives me a nice platform to say, hey guys, you can check this out, here's a story, this and that. So you're going to see a lot more posts on Twitter. My handle is @FrankCurzio if you want to follow me. So guys, that's it for me. Thanks so much for listening, and I'll see you in seven days. Take care.

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