



Frank Curzio's WALL STREET UNPLUGGED

- Speaker 1: 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 Mainstream.
- Frank Curzio: How's it going out there? It's May 3rd, and I'm Frank Curzio host of the Wall Street Unplugged podcast where I break down the headlines and tell you wants really moving these markets. Man, if you want a stock tip, the ultimate stock tip, right? So many people come to the podcast who want to listen to guests, get my opinions, get these stock picks, "What can I buy?". I'm going to give you the best stock to buy, ever, it's going to make you a fortune right off the bat. That stock is Comcast. If you look at Comcast, these guys are amazing.
- Frank Curzio: Yes, classic rant coming, just letting you know. The stuff I've been going through the past few weeks with these guys is priceless. Not only the past few weeks, for years, because what we're doing here at Curzio Research is building videos, building platforms, so we need faster speeds. We need faster internet speeds. We're incorporating more video, it's not just for our Facebook page, our Curzio Research Facebook page, but now we're going to be incorporating videos directly to subscribers. So, subscribers out there pay for our services, really cool, and a lot of people love free stuff. I get it, that's fine, listen to the podcast, but for the people who are subscribers, they need video updates soon. Video lessons, there's going to be no extra charge for the subscribers.
- Frank Curzio: It's going to allow me to send you even more content. Also send you videos when I'm on the road, in the field, which those things are really cool. I could update you a lot faster when it comes to the portfolios, because these days we're seeing volatility where stocks can move 5%-10% on a weekly basis. For me, as a guy that's on the road a lot, doing research all the time, meeting partners that we

could work with to bring more value to you, our customers, and things like that, doing a video is a lot easier than writing some of these alerts.

Frank Curzio: Sometimes it could be a little bit timely, and you want to get these things out faster for your subscribers, so you know exactly what to do, especially if a stock's selling off. When things go up, people are always cool, but selling off, you need to let your customers know and your subscribers know, as you guys know. "This is what we're doing." If we're stopping it, we're adding more, but just, "Hey, here's what we're doing. This is what we need to do when things don't go right." Anyone who has a portfolio knows there's going to be things that don't go right sometimes. They want to get updated right away.

Frank Curzio: We can provide a much better service for you. Again, all this stuff is coming really soon. Now, getting video and getting your internet up to faster speed shouldn't be that hard. Using these services, again, you need super-fast internet to do video. Not just downloading, which you'd get anyway, but uploading, which is important. Which is not as easy to get, at least where I am. For Comcast, they offer much faster upload speeds. Their only competitor is AT&T, which really doesn't offer any business services, and they don't have fast upload speeds, so we wouldn't be able to use video unless we use Comcast.

Frank Curzio: Comcast knows this, because AT&T just started laying their fiber every place and I've had AT&T for my house, which is residential, but it's still a little bit slow. I live in Northern Florida, so Comcast knows they have no competitors and basically they know they can provide the crappiest service, charge you a fortune, while making fun of you while you complain. It's a great business model. For example, I'm now paying a small fortune for internet.

Frank Curzio: Now it's Comcast. My office located in the business district, which means I have to use Comcast Business, which basically means they're charging you three times the price for residential service. They say, "Oh, you came to talk business, we go out there for it." No, trust me. You get nothing. They're just, "Oh, it's business? Oh, okay, it's three times more." Then you have to call them if

something's wrong and you still get an automated system. When the automated system comes in you've got to put your number. "Oh, what's your account number? What's your social security number? What's your date of birth?" All on an automated system.

Frank Curzio: Then they have a little pitch in there, "Oh, if you'd like to upgrade ..." You have to go through that whole entire process whether you're a residential client or whether you're a business client. Then they have somebody who finally picks up the phone after 15 minutes. You tell them the problem, and they say, "Okay, what's your name? What's your account number? What's your ..." All the questions that you just spent 15 minutes automating, with your numbers putting in, you get someone on the phone and they ask you the same questions all over again. Very frustrating, especially with customers that are paying a lot of money.

Frank Curzio: Now I'm paying a fortune for internet. I do not have business phones for this office. We have business phones at customer service, and everything else. I use basic TV services because I work here late and sometimes, whether I'm watching the Draft, or a play-off game or something like that, and taking a break when I'm eating. The force you into the Triple Play services, right? Even though you don't have a phone, even though you use basic TV services, they bundle you up into this whole entire thing. It's what most cable companies do, right? That's how they pad their stats and I get it. "We had this many Triple Play customers and this many phone customers."

Frank Curzio: How do they do that? They basically say, "Well, if you want internet by itself it's going to ... We have a special deal for Triple Play customers. You only have to pay \$250 a month for Business", but if you get internet on its own like, \$7,000. You're like, "Okay, I'll take the Triple Play." They lock you into a nice little contract, and then what happens? It resets after two years and then you're going to wind up paying a fortune anyway because in some fine print on page 87 of their 200 page services agreement, that you can only find by going online. Normal, for all companies like this.

Frank Curzio: To get faster speeds ... It's going to get better guys. I'm not going to waste your time with this rant. It gets better. They say, "Sure,

it's going to cost extra money." Now, for internet, you're paying close to \$400 a month, and it's a necessity. We have no choice and there's no other people to go to, no other competition, because Comcast is a monopoly. They make you sign a new contract, which I did, and they say, "Well, someone will come out to install a new, more powerful modem for you in a couple days." That's what I did last week. Two days go by, the guy emails me and says, "Hey, you have to sign the contract through docu-sign and stuff." I said, "I already did. I signed it Monday."

Frank Curzio: I resent it to him. He's like, "Oh, I didn't know. Okay. Well, we'll have a guy come out to you in a couple days." I said, "You said that on Monday and now it's Wednesday." I said, "We really need this stuff because we're starting to incorporate a lot of video. I want to do it fast." He's like, "All right, I'll try to expedite this service and get someone out there. He's going to call you before he comes."

Frank Curzio: It's Thursday now, I walk into my office around 8:30. One of our employees here got here a little bit earlier. There's a guy under my desk from Comcast, with the modem. I'm like, "I thought you were supposed to call?" He's like, "No, no. They just told me to come here." I'm like ... I was happy. I was like, "Okay, cool." Now everything's installed, whatever. Luckily someone was here to let them in, because they never called me. My internet now is faster than ever. It's great video, it's working, it's awesome.

Frank Curzio: I turn on my TV. I have no high definition channels and the TV doesn't work. I call them up and say, "Why doesn't the TV work?" Hey, listen, I got internet services. We just upgraded. We're paying a fortune for internet services. I mean, to get fast speed internet services, to pay \$400 a month is a lot of money. We have no choice, right? They have a monopoly, if we've got to do this, that's fine. "Well, you never high definition on your TV." I'm like, "Well, I had your service for seven months", that's how long we had the office. I'm like, "We had it. I had high definition", because it's a different set of channels, right? It's totally different from regular.

Frank Curzio: I said, "I'm watching high definition every single day." "You didn't have it." They were adamant about it, "You didn't have it." I'm like, "I had it." Basically they're lying to me. Now what happened is, when I

signed the new contract with them for internet, they basically took everything that I had from the previous contract and set it to basic. Now I call and say, "Could you give the services that I had?" They said, "Well, we can't do that, but we could give you high definition for an extra \$10 a month." I said, "Let me get this straight, I just upgraded my services. I'm paying \$400 for internet that most people pay \$75-80 for, and you want to upsell me on a service that I already had?"

Frank Curzio: I'm going back and forth with them. I'm on the phone for two hours. Guys, look, I run a business now. Having a business ... Any of you who have a business, the hardest thing with business is running a business and spending time with your family. Every minute is accounted for, so for me at this stage of my life, time is the most valuable commodity. When I get a minute wasted, it really pisses me off, because it's always busy. You always want to do something, and that may not get spent hanging with my kids or my family.

Frank Curzio: Over two and a half hours. Finally, right, I get a guy on the phone, he's like, "Okay, I can help you out. I can do it." This is me arguing and yelling at them, saying, "Listen, it's up to you. This is going to be a case study and here's your opportunity." I said, "I'm taping this for quality purposes on my end as well. I want to see how smart you guys at Comcast are because you're going to have an account ... I'm going to leave", because I'm in the 30 day period. That's a thing guys.

Frank Curzio: If you want to know how to get around all this crap when you sign a contract and you've got to be locked in for two years. Sign another contract with them, and that's a brand new contract. Within the first 30 days, you can cancel your entire service. When you sign a contract, they give you 30 days, after that you're locked in. If you sign a new contract with them, the contract gets void and the new contract exists. That new contract, you can cancel within 30 days and get rid of your whole service. It's something you realize when you get screwed 10 times by the same company.

Frank Curzio: Finally, they get all the services, they try to get the services. He's like, "All right, I'm sorry. I've got the high definition up." I'm saying,

"Listen, you have the opportunity right now. This is why it's going to be a case study and they're going to be listening to this. Hopefully I talk about this, because you're trying to charge me \$10 a month to get something I already had for \$120 bucks, or you're going to get, what, pretty close to \$5,000 a year as a client on internet service." I'm telling him, "Listen, you have the opportunity right now because I'm going to cancel if you don't give me what I want." Basically, I'm talking out of my ass because Comcast has a monopoly. I can't change, right, so I'm putting up this big fight.

Frank Curzio: Finally, the guy helps me out. He says, "I put together two packages, we're going to be able to install that high definition. We apologize." Guy was really cool. Now I'm on the phone for three though. Guy's like, just the new contract. I sign it. This was Thursday. It's now Thursday, I still don't have high definition. They sent three different contracts to me. I'm still calling them. I had someone else call two days ago and say, "We want to come in and install the modem." I said, "You did that last week, nobody told you?" "Well, I don't have it in my records. Are you sure?" "Yeah, I'm pretty sure since I was on the phone with you-know-what for how long."

Frank Curzio: When you look at companies like this, and monopolies ... I'm telling you this story for a reason, right? You're like, "Oh, Frank enough with the rant, get to the sucks. It is important to understand this, because I hate Comcast. They're assholes to all their clients. They know they can be because you can't go anyplace else, right? Personally, I do not like these guys. I mean, these are guys that charge me extra and I call them and they're like, "Sorry." They're scam artists, to me. This is how they treated me.

Frank Curzio: If you look at the Better Business Bureau and all that stuff, they were ranked last year as the worst company. This year they're on the list, ranked to the top 20 worst company, especially with customer service in America. Then the year before they actually got fined 2 million dollars for overcharging customers, without telling them. This is a really crappy company.

Frank Curzio: Now the reason why I'm saying this and making fun, is because when it comes to investments, you want to keep your personal

stuff aside. That's what learned, for me. As some people listen to, my dad passed away from lung cancer, right? So, right away it's like, I have a bias against tobacco companies. During that time they didn't tell you all this stuff, like what they tell you now. They didn't know. They just put more stuff in it, made you more addicted, and whatever. I went through the process with him, he couldn't get off of it, he had lung cancer, wound up passing away, all that stuff.

Frank Curzio: As an investment advisor, because I'm giving you the most extreme example, I can't look at that and say, "Wow, these companies are terrible, you should never buy them." When you look at Comcast, and companies like this that have a monopoly, they don't have to worry about customer service. That's why they sucked for the last ten years. They don't have to worry about anything. They have incredible pricing power, right? They could charge you whatever they want. I'm paying \$399 for internet that usually costs probably \$89 to \$99 any place else. I have to pay it, I don't have a choice.

Frank Curzio: If I don't pay it, then you guys aren't going to get updates. You're not going to listen to this podcast, unless I do it from a different area code. When you look at investments, that's the way you want to look, because right away you look at the company and say, "That's terrible. Hearing this personal experience, it's like with Facebook. Oh man, private policy." I don't know how everyone in the world didn't know that was taking place, since you provide everything on Facebook. You have to take a step back and you're looking at it from an investment point of view. Don't let your personal feelings get in the way of that.

Frank Curzio: Facebook's trading on a market multiple and growing at 35-40 times. To a market that's growing, probably around 15 times. You're talking about a company that should have a market multiple that's a lot higher when you look at Facebook. I mean, now looking at Facebook, as [inaudible 00:12:30]. Facebook generates ... Facebook has incredible pricing. Why? Because they reach people. When you're advertising, you're going to pay more money if you get better results, and nobody gets better results than Facebook because they monitor what everybody's doing. They know exactly.

Frank Curzio: They're basically monitoring everything that you're telling them.

"I'm here. This is what I like. Here's the pictures I like." Compared to you going online. Say you have a business and you want to market it through Comcast, or through TV, and they're going to give you these demographics. You don't know who the hell is watching TV. You don't know whose had the TV on and fell asleep. You have nothing, you don't know. You don't know. You don't know. Unless you have Roku, because if you have Roku they have remotes and going into those settings is interesting. "Do you want us to turn off the microphone on your remote?", because it's set to be on so they can listen to you. It's pretty crazy.

Frank Curzio: The point of this rant, is not only that Comcast is horrible, but as an investment, when you have a company that has a monopoly, when you have a company that has pricing power, it's a stock that's going to generate huge profits. It's something that has done pretty bad since January. It's a good stock. If I was on CNBC, and the CEO came on and he said he treated his customers good, I'd call him out immediately. I'd say, "You'd got to be kidding me." It's like DIRECTV when the CEO came on CNBC. He said, "Yeah, now we're getting a lot of traction with our packages that we do. \$29.99, we start out with." For me, I would have said, "Come on. I mean your \$29.99 package is like, four channels and they're in black and white with nothing." I mean, with a box that's probably 100 years old.

Frank Curzio: Maybe you'll offer that for a month, but there's nobody that's on a \$29 service for DIRECTV. I'm not talking about the new streaming services and things like that, but I know. I like DIRECTV, but don't tell me that, "Hey, we're getting our traction and we're helping our customers at \$29." It's an introductory rate and then you charge them well over \$100 on average, when you look at the numbers. Guys in these industries, when you have pricing power, that's what you want to look at and don't get your personal feelings in the way.

Frank Curzio: For me, I want to beat the crap out of any ... If I see a guy in a Comcast truck I want to cut him off. Everybody there that I've ever dealt with, they're schemers. When you look at the company as a whole, and they have a monopoly and everything like that, putting my personal feelings aside, Comcast is actually a pretty good investment on this pull back, if you're going to invest. That should be an educational segment, but it's an opening because it was a rant.

- Frank Curzio: I love getting that stuff off my chest. It's therapeutic. It lets me free ... You'll see. Now the podcast is going to flow perfect now. I've got a great educational segment even before that. I really, really, really have an awesome interview for you. Awesome because I'm about to interview the only person, and I'm being dead serious when I say that, the only person I follow when it comes to investing in International markets.
- Frank Curzio: I'm talking about Kim Iskyan, whose editor of the International Newsletter at the Stansberry Churchouse. The newsletter obviously focuses on international investments, but it's not just ... A lot of times you see, "Well, ETF's and this market's cheap." I mean, he does the research. You're going to hear the methodology, the things that he does. It's not just going to a specific company. It's playing the whole entire thing. He takes some of his subscribers on these trips with him in the middle of nowhere. We're talking about not, "Oh, I've been to China." I've been to China too. I haven't been to Iran like he has. I mean, Bangladesh. The places that he's been and the country's he's been. He's probably going to be in North Korea soon.
- Frank Curzio: Tell you the ideas and the best things, and how to profit from it. I mean, he's smart, he's a realist. He also gives small and large cap stick advice, not just ETF's. Different ways to play this. Kim is based out of Singapore, that's where we're going to be doing ... Well, not going to be doing the whole interview, but I'm going to be interviewing him. He's going to come from Singapore. Be sure to get out a pen and paper, because he's going to tell you which of those countries he's investing in right now. Two of those are going to be completely off your radar, the other one is not off your radar, but it will surprise you.
- Frank Curzio: He's also going to share some of his favorite stock ideas, including the best way for you to make money right now. This is great. Right now, on a reunification of North Korea and South Korea, you would think that would take a long time, but no. There's a couple of investments right now that can make a fortune. As North Korea and South Korea work out their problems, and it makes all the sense in the world, it's going to be a fantastic interview guys. Again, get out your pen and paper. One of the only guys I listen to when it

comes to international investing.

Frank Curzio: Then on my education segment I'm going to break down America's favorite company, which is Apple, which easily beat estimates when the report on Tuesday. Or did they? I'm going to break this company down, no bias, this is a company that I wasn't too crazy about over the past couple of months. I think overall I've been pretty right on this one. Upside, downside, but right now I'm just going to show you metrics that nobody talks about at all. It's just a different perspective, which I want to teach you how to look at stocks when you're investing. "It's up 3%. Wow." They report it Tuesday or whatever, Tuesday after the bell and Wednesday it's up 3%. "Wow, they beat those numbers. I thought it was going to be a week."

Frank Curzio: I'm going to show you a way that I look at it, which is the way you should look at it, which is the real numbers behind this company and why they could be in big trouble. Thus, the reason for that massive buy back announcement. Great segment, definitely tune in guys. You're going to learn a lot. Trust me. It's going to raise a few eyebrows, especially when we take a deeper look at Apple's international sales. Speaking of international, let's get to my interview with the best international stock analyst I know, Kim Iskyan.

Frank Curzio: Kim Iskyan, thanks so much for coming back on the podcast.

Kim Iskyan: Frank, thank you for having me. This is great.

Frank Curzio: I don't know if you know this, but I might have mentioned it to you once. The last you came on I think was probably over 18 months ago, and it was one of the most widely listened to podcasts that we had. I think it made the top six or seven, and I was like, "Man, I'm surprised." I'm like, "He must have a pretty big following there, pal."

Kim Iskyan: Man, that's very flattering, thanks.

Frank Curzio: I want to bring everybody in here, because Kim and I met in Singapore when I was working at Stansberry and we just got along great. He's, especially when it comes to international investing, one of the few people I listen to because he is a boots on the ground

analyst. I go to so many different countries, and I want you ... I know it's always hard for me to do, I know it's hard for you to do because you're a humble guy, but why don't you give us a little bit of background about yourself. So for people maybe who didn't listen to that interview, and who are not familiar with your work.

Frank Curzio: What you're doing is really incredible and again, I mean that. You're one of the people, when it comes to international investing that you always want to check those boxes and listen to you, because you do all that boots on the ground and have so many contacts. Why don't you give everyone a brief overview of exactly what you do and stuff, because I know you have fun doing it buddy.

Kim Iskyan: Yeah, yeah, thanks Frank. Well, let me just maybe give you first a little bit of context of how I got here. I was ... Well, I have an American passport. I also have a Dutch passport, my mom's Dutch and I grew up in Spain. We traveled around all the time when I was a kid, and I grew up thinking that the world is seamless, and you have borders and currency and language, but to the extent that you can get over those sorts of borders and challenges the world opens up to you.

Kim Iskyan: As an analyst I've lived in nine countries. I lived in Russia for nine years. I spent some time in Mexico. I've lived in Central Asia, and a little country called Armenia, in the Caucasus. I lived in Sri Lanka for a few years. I've been in Singapore for now, about three years. As the world has gotten smaller thanks to technology and travel just getting cheaper and cheaper over time. It's just so easy. To me, it's so exciting to be able to go to places that are off the beaten track.

Kim Iskyan: I guess I've moved around a lot, partly because I get bored. Singapore is awesome and I'm not bored here, but what is super about Singapore is that you can hop on an airplane and within three hours it can be to countries, to situation and environments that are so remarkably different. I like to do that. I like to do that as often as I can. I came here to build an investment advisory business, focused on Asia for both people in Asia as well as people outside of Asia who are interested in learning more about Asia. A big part of what I try to do is bring home just what it's like here.

Kim Iskyan: On the one hand you have countries that are ... There's no place in the world that's more developed than Singapore. Singapore makes the most modern city in the United States look a little bit dumpy by comparison. I don't mean that as an insult, it's just a fact because things in Singapore are so incredibly efficient. Like I said, if you go on an airplane for a few hours and you go to probably one of the least developed countries in the world where people earn \$1400 a year and you walk down the street and people are just lying on the streets. It's a different sort of thing than if you're seeing homeless people in the United States, put it that way, than when you see them in some countries over here.

Kim Iskyan: Anyway, Frank, that's a long answer.

Frank Curzio: No, it's not a long answer. It's cool, because I want you to also talk about your background when it comes to actually stock picking and Wall Street. You actually on Wall Street trading, I believe in Latin America, but you also helped build the stock market in a country that is probably difficult to pronounce for most people. Why don't you talk about that because we're talking about in the 1990s, and you built it. It's not just international of how much you love the stock markets and how the markets work everywhere. I mean, talk about that, because I think that was fascinating.

Kim Iskyan: Yeah, you know, out of grad school I studied history and I did the reasonable thing and I got a job on Wall Street. Only it was at a time when Latin American stock markets were taking off and I spoke Spanish. That was my key. Nobody else on the trading desk, down on Wall Street, spoke Spanish, so that was my way in. I learned finance pretty much from the ground up. I didn't study it in school.

Kim Iskyan: From there, one thing led to another, and I went to a country called Kyrgyzstan, which borders north west of China. It's south of Kazakhstan, if that's any sort of context. This was in 1995, '96, just a few years after the end of Communism. What happened then, with the end of Communism, all the factories, everything that had been government owned suddenly was privatized. People who worked at factories, who owned apartments, they were granted ownership. For factories in particular, if you were an employee of

a factory, one day somebody showed up and gave you little slips of paper and said, "Here, these are vouchers and they represent a share in the company."

Kim Iskyan: Uncle Sam came along, and said, "Gosh, what we can do is, we can set up for all these brand new shareholders to trade their shares and by doing that we can make sure that Capitalism takes root and Communism doesn't creep back." They needed people to put together these stock markets and go off and advertise a whole idea of what a stock market was. I was 25 years old. I knew just enough about stock markets to be a little bit dangerous for my two years of working on Wall Street. So, I traveled around Kyrgyzstan, which is one of the most remote places on earth. I went to some of the most remote places, in one of the most remote countries on earth.

Kim Iskyan: I would speak with company directors who were sitting under a big portrait of Lenin, telling them about stock markets and why their shares, the shares of their company, should be listed on the Kyrgyz stock exchange. It was a fascinating time in the evolution of the former Soviet Union. I went on from there. I worked in Moscow, I was a stock analyst and research director for a number of years. I ran a hedge fund for a little while in Moscow. Yeah, probably in Kyrgyzstan, it was an exciting time to be there, just as things were changing at the end of the Soviet Union.

Frank Curzio: Now, let me ask you this Kim, because when I hear people talk about international investing, international investing overseas, it's amazing how they'll just compare markets, like on evaluation basis. Provide historical analysis on why, over time, this usually happens, this is cheap and it's going to ... Yeah, and for the last ten years I've been listening to this strategy and different strategies for international investing, and it just so happens the US has been the best for foreign market.

Frank Curzio: With you, your methodology is a little different. It's not just looking for cheap, but you're not saying, "You know what guys, you should invest in China because they have high population growth and eventually they're going to become the largest economy." Like, you're not talking about stories that everybody knows. It gets really

more detailed, which hopefully we could dial down and explain because your methodology really is the boots on the ground and going into these countries. Why don't you go over that a little bit, because that's fascinating and one of the reasons why I listen to you. Whenever I see you, you're in plain clothes, in the middle of nowhere, in a picture. You're like, talking to locals, right, not necessarily businesses. You're providing that insight, but you're finding valuable information that I don't feel I'm finding any place else. It's the same thing when I listen to people telling me to buy into international markets.

Kim Iskyan: Yeah, there is ... I think Frank, you can sit behind a desk and read about a country, and write about a country, but I think most of the time, if you spend a day in that country, you'll learn 10 times more than you'll learn sitting behind a desk. Just because you get a sense of feel for the energy. You can see how things will work, or don't work. You can see what people are doing. You can see how many people are out. You can actually go and talk to people.

Kim Iskyan: A few months ago I went to Bangladesh, for example, and Bangladesh is a country that you hardly ever hear about unless there's some horrible flood. The entire country is on a delta, so it floods all the time. Or, if there's some terrible garment factory fire. It's the world's second largest producer of garments. The chances that your underwear, or undershirt, or tee shirt is made in Bangladesh is pretty high. It's a country that has half the population of the United States, so around 160 million people, and they're all crammed into a country that's the size of Iowa. If you think of Iowa and you put 52 times more people into Iowa, that's what Bangladesh is.

Kim Iskyan: It's one of the poorest countries in Asia by a long shot. It is incredible to do business there. The World Bank does an ease of doing business ranking, and Bangladesh is rated 176 out of 190 countries. It's, in a lot of ways, an incredibly difficult, challenging place, but you go there and there is so much activity. There's so much building. There are people everywhere. You can see ... Bangladesh is fascinating because over the past 20 years it's been growing between 4 and 7% per year. Regardless of financial crises, regardless of what's going on in the rest of the world.

- Kim Iskyan: Now, granted that's from a very low base, but this is a country that is ... It just has so far to grow, and it needs so much. There's so much to be done. There are no Starbucks, not that they need Starbucks. There are no Starbucks, there are no McDonalds, there are no international banks there. I mean, you look at projections, economic growth projections, Bangladesh is going to grow at, easily, 5 to 7% for the next 15 years without breaking a sweat, and without things really changing that much. You just think, let's say Bangladesh moves from 176th on the ease of doing of business ranking to 140th, how many more businesses would be created, and how much more growth would be created?
- Kim Iskyan: A lot of people look at markets and say, "Well, things are ... Everything's terrible there", but if you look at it you can say, "But, what if three things went a little bit better?" Bangladesh could go to the moon. Now, another thing that you also get a sense of when you actually go to a place, with Bangladesh, with a lot of emerging markets, infrastructure is an enormous challenge. You say, "Well, nothing can really happen until there are power lines, until there are dams."
- Kim Iskyan: With most countries, building that infrastructure is incredibly expensive because countries are large. They're big, you know, you have a lot of land to cover. Not with Bangladesh. It's a small country, so building all that stuff ... You're not building a power line across Russia, you're building a power line across Iowa. Or, you're building roads in a small country. So, distribution is cheaper, so getting stuff to people is cheaper. It's that much easier to generate that kind of growth. Bangladesh is one of those places that it's not easy to invest and few people will invest in an ETF, that invest in Bangladesh. It's one of those countries, I think, where if you have some money you want to put away for 10 years and not think about it, and look back and find it's gone up five times easily. I think that's one of those countries.
- Frank Curzio: Now, are there ETF's available, Kim, for that? Or, how do you ... I don't think I mentioned that they may use international capitalists, and I know it's based in it. How would you tell your subscribers how to invest in something like that?

Kim Iskyan: Well, with Bangladesh, Bangladesh has capital controls. So, you can't go to interactive brokers and with a few clicks buy a Bangladesh share. The only way that a foreigner can really buy shares is through an ETF. It's London listed, and it's X-B-A-N, XBAN. It's a fairly small ETF, something like 25 million dollars market cap. What I try to do, usually, with International Capitalists, which is the newsletter I write, I try to find something that's a little bit more exciting than an ETF because even though it's an exciting story, the angle, you're not going to get a whole lot of juice out of an ETF. It'll go up. Even if it goes up five times in 10 years, what I'm looking for is those really more off the radar opportunities that are going to go up 20 times in five years. That you can find in some of these markets that are overlooked, that people don't like, that are cheap for good reason, but can become just a little bit less cheap quite easily.

Frank Curzio: Now, we're going to get to other markets, but I also know that you have a guide here, and I'm going to get to it really quick because I have it up, I believe. On how to get sped up on new countries, and then you go into the personal safety while traveling. You're saying over your 25 year career, "I visited tons of places". I guess I'd like to know how many countries you actually did visit, but you say, "Listen, most of this ... If you're smart, it'll be cool", but you also highlight, you know, "If you're in Venezuela, you better really be careful, because almost everyone there has been robbed." Just Venezuela, out of every other place.

Frank Curzio: I'm just curious, are you ever really nervous? I know you know what areas to stay out of, and the people to talk to, but still, when you're looking at places that you've been in the Middle East and things like that, I wonder if you're worried. For people who want to take that journey, I know you probably provide that service as well, is it something that ... You highlight it. I'm curious to see someone who's in the field all the time, how worried you actually are in some of these places, even when nothing happens?

Kim Iskyan: No, rarely, I think that if you live in a big city, you know where to go and where not to go. Just because you've been around, but you also know where to go and where not to go, just because of how things look and how people are looking at you, and what the

environment is like. That's true in 95% of the rest of the world, in my experience. You exercise some reasonable caution. Yeah, Venezuela is one of those places where you really ... I went there three, three and a half years ago, and it was in terrible shape. It's gotten, as far as I've read and heard, 15 times worse since then. In general, most places, you just exercise basic common sense and you don't advertise that you're clueless. You don't look at maps in the middle of the street. You don't dress in a way that screams, "I'm lost and dumb, and rich."

Kim Iskyan: One of the things that, with International Capitalists, with a lifetime subscription, we actually go and visit some countries. So, with subscribers I'll go to Bangladesh. We went to Qatar in the Middle East. I went to Sri Lanka two months ago, and so far it's in pretty small groups and been a lot of fun. We just go off and have a bunch of meetings, hang out, drink beer. It's a fun ... It's a way that I like to share this sort of thing, and also, I think, some of the feedback I've gotten is, people have said, "Look, I never would have gone to Qatar, but I thought, 'What the hell? I'll go now.'"

Frank Curzio: Now, what is some of the kind of things, Kim, that you hear from your subscribers who go on these trips and some of the things that you look for, because, I think, anyone listening to this right now could say, "Oh sure, I'd love to do that. I'd go there." What specifically do you do that allows you to basically find as much information as possible? You're there to find the best investment ideas, right? By doing that, how is ... People believe, "Well, if I just talk to the management of companies", which in China was difficult for me because most people say one thing, and it's ... You really need someone there to tell you whose full of it and whose not, which is some of the locals.

Frank Curzio: How do you gauge that as someone whose been doing this for decades? Of finding the real story that nobody's talking about?

Kim Iskyan: You know, on the one hand you want to go and visit maybe a company management or two. You also want to visit a brokerage house, a couple of economists. You want to talk to people who don't have a specific interest in telling their story to you. You might find those people in different places. I've gone to countries and

sometimes journalists, who I've met through a friend of a friend, they don't have an ax to grind, so they'll tell you how they see it.

Kim Iskyan: You know, I think the best way, on the one hand, yes, I'm looking for an investment opportunity, but often I'm looking to understand a place a little bit more. Often the best way to do that is just to wander around. You put on your walking shoes and just walk. Stop in obscure little places, go off the tourist beaten track, find the strange little restaurant and make a minor idiot of yourself because you can't make yourself understood. Then the menu is in something you don't understand so you just point to something, or you point to something that somebody else is eating. You know, maybe you don't come back with the greatest stock, but you might meet people who you can ... Well, maybe you do, maybe you don't, but in any case you develop relationships and you can call somebody up later on and say, "Hey, we were talking about A, B, C. Can you tell me what's going on there?" Or, "Can you introduce me to someone who can help me out with this other angle?"

Kim Iskyan: I guess when I go to a country I'm not dead set on finding the stock to buy, because I'm only there for ... I'd love to be able to spend more time, but by the time you actually begin to figure out names and everything else, it might be too late. You don't have enough time to make an appointment, or else I try to do as much research as I can beforehand. That's actually another part of it. Before I go, I put together, from the past three years everything The New York Times, The Wall Street Journal, The FT [inaudible 00:37:22] has written about a place. I review all of that and the international media is going to have their certain angle. They're going to say certain things that may, or may not, make sense once you're there.

Kim Iskyan: You begin to put in the pieces of the ... It's a mosaic, right, and you put in some pieces. Then when you get there you put in other pieces, and maybe you finish the mosaic, or you come as close as you can to finishing it once you're back.

Frank Curzio: You know, you just talked a little bit about it, but what is ... Is that the biggest misconception because when I went to the World Cup in Brazil, from the things I was reading here, there's body parts in the water, it's extremely dangerous. I just came off of back

surgery at three months, where, you know, I could walk okay, but if I had to run I wouldn't be able to run. I have to be honest with you, I was nervous. I went there, and it was one of the greatest communities. Everywhere we went it was beautiful. People were nice. It was great. Then you talk about in Brazil, Brazil got crushed by Germany, 500 Brazilians all faces painted and stuff like that, there was no riots. There was nothing going crazy.

Frank Curzio: When we read stuff here, you would think, "Okay, be careful of Russia. They rigged our election. You be careful of Mexico, they hate us now." I mean, is that just some of the misconceptions, or what are some of the other things that you see that people don't get when it comes to the international markets? When you go there people only believe what they read, right? They've never been there before, and when you go there it's, kind of, like a lot different. At least for me, when I travel international.

Kim Iskyan: Totally. It's like the local news, right? If it bleeds, it leads. If I'm a journalist and I know I'm going to get a story, maybe every two weeks about my country, into the paper, it's got to be something that really grabs people's attention. Body parts floating in the river grabs people's attention, even if it's not an accurate depiction of the reality. It is ... Russia is a great example. It was the ... During the time I was there, Russia went from being a pretty poor country to being extravagantly wealthy in certain pockets. Downtown Moscow was. People dressed better than in any European capital and there was more money floating around thanks to the commodity boom in the 2000's.

Kim Iskyan: I would go and visit relatives, my wife's relatives in Ohio, and they would say, "Oh Russia, are there still bread lines there?" I would think, "What? How can there be such this huge misperception and disconnect?" I think the thing is, is that people, at a certain point, people absorb something and they, kind of, store that in their head about how something is. This is investing. This is with 15 other different arenas of life. Unless there is some event that causes them to displace that perception, that perception sticks in their head. My relatives saw, on TV, probably at the end of 1993, or whatever, that there were bread lines in Moscow. People were so poor, and the economy was so bad that people had to stand in line for bread.

- Kim Iskyan: 10 years later, I can guarantee you there were no bread lines. People could get baguettes if they wanted it, but if something hadn't happened for that perception to be displaced, than you'll still going to be thinking about bread lines. I think that Russia also had a reputation as being a big Mafia country, a big Mafia state, where everything is run by gangsters. I lived there for nine years, I never, ever, ever had any sort of remote run-in with a gangster because gangsters are not interested in 99.9% of the population. They're interested in that tiny portion of the population that has a lot of money. Everybody else they couldn't care less about.
- Kim Iskyan: Yeah, the misperceptions are from everything, of how people live and how people look. Actually it's interesting I live in Singapore and in Singapore a number, it was probably now 15-20 years ago, there was an American kid who was caned here. Canning is when you're whipped, essentially, with a bamboo stick. Then President Clinton got involved to try to reduce the sentence and it was all over the news in the United States. A lot of people, when I mention in the US that I live in Singapore, say, "Oh yeah, dude, are people caned there?" You know that, or chewing gum, that chewing gum is illegal here. As a result, Singapore has this perception as being this incredibly harsh and severe place to live. You come here and yeah, you know, I don't chew gum, so it doesn't bug me. I can do pretty much anything I would do anywhere else, and it's fine.
- Kim Iskyan: If I were to say something nasty about the government on Facebook, yes, I would get in trouble, but I've never had the inclination to do that. Why would I? I'm a guest in the country anyway. There's the perception versus the on the ground reality, it can be so different. You don't really get that, and so you go off and you spend some time in a place. Like you said, you see there are not body parts floating down the river.
- Frank Curzio: I'm a good example of that, because when we met I heard the same thing about chewing gum and I'm thinking, "Wow, don't mess with the police." Every encounter that I had with the police, they're as nice as could be, but they just ... It's really cool because you don't mess with the police there. That's it. If you don't, everybody gets along, there's little crime, everything's cool. Everything goes along just as fine, so for me too, I was like, "Whoa, just be careful."

- Frank Curzio: Everyone's like ... You know, they'd cross the street and some of them spoke English, it was ... Yeah, they were just nice. [inaudible 00:43:19] was like, "Whoa, you should be very, very careful. You don't want to mess around here. You'd get thrown into international jails or something like that." I love Singapore. It's a beautiful place, and it was great because that's, again, where we met and had some great dinners. It was really cool stuff.
- Frank Curzio: I want to get into, now that we talk to methodology and people love that, and some people are like, "Well, Kim, just give me some of the stocks of the countries", and stuff like that. I want to go into a couple of ideas, and guys, be conscious that Kim does write a very popular newsletter, so he's not going to give away stuff that he's giving away just recently for his paid audience. What is some of the things, or maybe individual stocks that you like to look at, that you're saying, "Wow, this looks pretty cool." Maybe, if it is something in Russia, or someplace else that maybe you could share.
- Kim Iskyan: Yeah, that's a good question. Russia is a market that I still look at a lot. Just because I looked at it for so long, and I'm still interested in it. It's a market that's the cheapest stock market in the world by a long shot, but it has been for a very long time. A lot of that has to do with political risk, and we've seen that in spades recently when the US government posed a whole new raft of sanctions and the Russian stock market fell, something like 8% in the week. There is a company that's pretty much Russia's version of Google, it's called Yandex, and it's traded on the NASDAQ, YNDX. It's share price has gone up and down, but it's back to where it's started in 2011, even though the companies' revenues have grown three times over that period.
- Kim Iskyan: It's expanded. It has a big ... It aligns with Uber, and it's storing all sorts of delivery and internet penetration is growing fast in Russia. It's quite high. It's a very internet savvy country. This is ... I guess the point though, is that when sanctions, above this latest wave of sanctions was announced a few weeks ago, pretty much all Russian stocks fell. Some fell more than others. Yandex was one of them that fell pretty hard, and the key point of the recent crop of sanctions was that company heads, or owners, who were closely

... Well, who the US government believed were closely associated with Vladimir Putin, were going to be sanctioned.

Kim Iskyan: Yandex is a company that's been developed since the end of the Soviet Union, so it's a quote/unquote, "new company". It's not a big steel company, or metals company, or oil company, that's built on assets that were around before the end of the Soviet Union that oligarchs took from the government, essentially, and said, "Guess what? This is mine now." This is a brand new company, and so it doesn't have that sort of historical baggage, and the management has nothing to do with Vladimir Putin. There's no historical relationship at all, but still the share price of Yandex was thrown out the door, along with the rest of the Russian market.

Kim Iskyan: It's since then rebounded somewhat, but I think that's a particularly interesting story when you look at all the different arenas that Yandex is expanding into. When you look at internet penetration, and it is Russia's Google, but Russia favors certain company's and it does not favor Google. Put it that way, so Yandex has certain favored status within the Russian search environment as well.

Frank Curzio: That's definitely good to know. I guess we'll finish up with this, which is surprising to me that Zuckerberg's testimony got more publicity than North Korea and South Korea. Is North Korea some place that you're actually looking at after you're seeing a lot of good things are being said? You probably know more than me. We only know what we read here. It seems like they're going to open up the markets. It seems like things are getting a lot better.

Frank Curzio: Is it a place where, almost like Cuba, where you're seeing people rush into it and say, "Okay, this could be a big tourist destination"? Not that that's going to be a tourist destination, but you're probably going to see if they open up the markets, maybe a little more capitalists. You can't tell me that you're not going to be nervous going to North Korea, I would think, but is this some place that you would think of investing in? If you can?

Kim Iskyan: Oh yeah, no, I think North Korea would be awesome, but I think that when you look at the enormous potential, infrastructure alone, I mean, everything. A country that has nothing, essentially,

and you also have a built in group of investors. You have Korea, that if 15 things happen, and the leader of North Korea does what he says he'll do, and the US President Trump doesn't do something off the wall. If all this comes together, and the Korea's actually unify, I don't know, I think you would have a multi-decade investment period. My sense is that a lot of South Korean infrastructure companies would be huge beneficiaries of massive spending in that part of the world. I'm sorry, in that part of the peninsula, in North Korea.

Kim Iskyan: Yeah, I think North Korea would be fascinating. I would love to visit. I visited Iran a few years ago, before it was closed to people with a US passport, but no, I didn't get the opportunity to visit North Korea. I would love to. I think that'd be awesome.

Frank Curzio: Kim, I love the way you're thinking about this, and listeners too, is for me, I'm like, "Man, North Korea is going to be cool." Yeah, you could invest in it, but already you found a way to invest in it, which makes so much sense, right? I'm sure you're familiar with the infrastructure companies in South Korea, but a lot of that, they're going to get a tremendous amount of business. I mean, that has to be ... It takes a long time to build these things, but that has to be a huge catalyst, I would think. Where something ... If that does happen, and they do merge. Again, if they just merge, that could be a big boom.

Frank Curzio: Looking at South Korean companies could be a way to actually play a growth in everything that's going to happen in North Korea, I would think, over the next decade. It's interesting they way you looked at that. I thought that was pretty cool. I'm thinking, "Well, we probably won't be investing North Korea for a very long time", but you actually can.

Kim Iskyan: Yeah, it's tricky, but you can often find an indirect way of investing in a lot of markets. When I mentioned Iran, when I visited Iran I found a way to ... You can't invest directly in Iran, as a westerner, but there was a Turkmen oil company, or rather a London listed Turkmen oil company. Turkmenistan is in Central Asia. It's on the other side of the Persian Gulf. I don't remember the specific rank, but part of my investment thesis of investing in this Turkmen oil

company, was that if sanctions of Iran were lifted the cost for this Turkmen oil company to transport its oil would be reduced dramatically. Like, \$10 per barrel, or something cheaper, to transport its oil. If sanctions on Iran were lifted, because then they could actually transport it through the country instead of around the country.

Kim Iskyan: As it happened, sanctions on Iran were not lifted, but bought out.

Frank Curzio: It's better that way.

Kim Iskyan: Some of my subscribers did fine anyway.

Frank Curzio: Yeah, it's better that way. They don't care. As long as you're making ... It's better to have the wrong thesis and the stock goes up, than have the right thesis and the stock goes down, which actually happens sometimes. So, I hear you.

Kim Iskyan: Yes. Exactly, it's a complicated thesis, but yeah, it worked out anyway.

Frank Curzio: That's great stuff. So, Kim, if someone wants to find out more information from you, how could they do it?

Kim Iskyan: My website, it's KimGlobalInsider.com, and Kim, K-I-M, GlobalInsider.com. I have a special newsletter there that's every so often, a couple times a month, that's focused on international issues. KimGlobalInsider.com, or else Stansberry Churchouse.com, where you could sign up for our daily E-letter.

Frank Curzio: That's great stuff. Well, Kim, thanks so much for coming on this show and sharing so much, your ventures and stuff like that. I know ... Again, I tell everybody, you're the one guy that I trust when it comes to international markets because it seems like everybody else I listen to I lose money. Guys, definitely take a look at the site, and again, I really appreciate you coming on bud.

Kim Iskyan: Thank so much, Frank. Thanks for having me.

Frank Curzio: Okay guys, great stuff from Kim. A good friend. It was great when I met him in Singapore. We all had fun, a couple drinks, went out with [inaudible 00:51:50] We just clicked, and he's just a smart

guy. He's awesome. He tells it how it is. Looking at his newsletter, he's everywhere in these countries, and I learn something every time I read his newsletter. I mentioned it during the interview, where a lot of times, everyone else I listen to, "Oh, this market is cheap based on this, and this is why. Over this time period ..." Things are different now.

Frank Curzio: They say, "Well, you've got to be careful when you say things are different now, because history has a way of repeating itself." Yes, it's a little true, but when you're doing something that's unprecedented for the first time in the history of our country, where you lower the rates to absolute zero, and you basically throw money in the banks and back stop them. You know what, it is different. You've got to treat things a little differently when that happens. It's not always like, "Oh, these are cheap."

Frank Curzio: When you're looking at a market, in America, in stocks, where they have a big punch bowl. We're trying to inflate the market as much as we can, the biggest market in the world. I mean, it should be no surprise since 2010, and how easy money has been. Our policies, we're starting to relax policies now. Now we do tax reform. Forget about what side of the aisle we're on in politics, but these are very good things for businesses that continues growth. You know what, for me, it's like, I'd rather have, at least most of my money here. You want to be diversified.

Frank Curzio: You're in a really good market, even today. I mean, the fundamentals are good. Earnings are good. Yes, some companies are reporting blow out earnings and you'll see them come down a little bit, which has been the trend the last two quarters, but they bounce back. Its strong earnings growth. The house market is stronger than it's ever been, more equity in homes than ever. 5.4 trillion of equity they could tap. Do we have debt? Yes. Do we want to lower our deficient? Yes. The terror story is, kind of, waning down a little bit. Yes, we're going to work out with everybody. Of course, just like we said. It's a nonevent, even though we pushed the market down 7-8%, hopefully you use it as a buying opportunity, like we mentioned. It is a nonevent.

Frank Curzio: Other people ... They're just, "We've got to allocate", since 2012, '13, '14. "You've got to put more money into international, international." You know what, some of these markets, over the past year or two, are okay. I've lost a lot of money listening to the wrong people and Kim's one of the guys I like to listen to. For example, really quick here, before I get to the

educational segment, you know Kim's a good analyst when I asked him about North Korea. For me, I'm like, "Okay, there's not going to be any investments in there." To invest in South Korean infrastructure companies is brilliant. That tells me he's a really great analyst, which I already knew.

Frank Curzio: A good analyst doesn't read a story, and takes that story, a great story on Boeing hitting record profits, and then runs out and goes and buys Boeing, after the story's printing everywhere in a 100 places, after they report earnings. They look at that and they dissect it and say, "Okay, what specifically is hitting records? What specific planes?" Boeing and Air Bus have two specific planes that they have massive back orders for, like, seven, eight, nine years. I know, I visited the Boeing plant to find all this information out. I looked at all of who were the biggest suppliers to those planes, because that's guaranteed revenue for the how many years? Five, six, seven years, so maybe Boeing's not the best plan.

Frank Curzio: Let me look at some of these other part makers. Are they specific to that? Do they also ... Do they make parts, not only for Boeing, and also for Air Bus, for those two specific planes? There are smaller planes that provide 20% fuel efficiency, which would save millions, and millions, and millions, and millions, and millions, of dollars for these guys, over the life of the plane. All their customers; Delta, everybody that buys planes. That's the goal, right?

Frank Curzio: You want to lower your cost, the highest expense is fuel. You want to lower that as much as you can, and how do you do that? Well, Boeing comes out with the best materials, the best things that they could do. Carbon fiber lowers the weight of the plane. They come out with these new planes and then they get orders for the next 10 years. They've got to build those planes. A lot of that stuff is factored into Boeing's price. They announce it, "Oh, this company just announced that its buying 15 billion dollars' worth ... 50 planes, for ...", whatever. I'm making up numbers. "50 billion dollars over the next 10 years." Whatever it is, whatever airline, that's cool for Boeing. That's going to get factored in now.

Frank Curzio: It's not really factoring in for the part makers. That's more of a lagging thing, right? They're going to get those orders later on. You might be able to find a cool company that's cheap, that nobody talks about. That's what really good analysts do. To find something of how you could profit, right away. Infrastructure is going to take decades to build there, but once they

get the contract analysis, these companies are going to go through the roof.

Frank Curzio: That's what good analysts do. I love Kim. Again, that's me. Do you research on him, if you like him, that's fine, but that's one of the only people I listen to when it comes to investing internationally. I'll ask him about countries, what's going on, and we have a pretty good relationship. We're probably going to be doing some business together down the line. Again, he's a good friend, someone I trust. More important, he's just an amazing, amazing analyst who I have a lot of respect for. Hopefully that came over good and you guys liked it, but this podcast is about you, not about me. Let me know what you thought at Frank@CurzioResearch.com, that's Frank@CurzioResearch.com.

Frank Curzio: Now, let's get to our educational segment. Apple reports earnings they beat by five cents. I mentioned this in a Facebook video. Look, Apple's probably going to go up, there are probably going to be earnings, because expectations were lowered tremendously. [inaudible 00:57:01] Just about almost every single company out there, most of them, not all of them, but most of them, warned that smart phones sales are coming down.

Frank Curzio: That week we had Avago, which is Broadcom, and now to sit and say, "Yep, they're coming." All these part makers. Now what's the difference, Apple's reporting, what they sold over three months? These phones were built six months ago, three months ago, whatever. TSM is ... Avago is wondering what's going to happen in the future, that's what you need to pay attention to. That's something people aren't talking about with Apple.

Frank Curzio: Let's break down the quarter. They reported \$2.73 a share in earnings, and five cents better than consensus estimates. These are the positives. Revenue is almost 15% year over year, to 61 billion. That was better than, 61.1 billion and they had the estimates of 60.9 billion, so a little bit better than estimates. iPhone shipments, right? This is a positive because it's 52.2 million. That beat the estimates of 52 million. That's the units. They announced a new 100-billion-dollar buyback program, which always boosts every stock during earnings.

Frank Curzio: They increased their quarterly dividends 73 cents, that's a 60% increase. Their yield is around 1.7% right now. At 20% growth, a 20% plus growth in Japan and China, which is really good. Active pay customers doubled. Talking about their service revenue, they're on target to hit the 16 billion

dollars that they said they were going to hit, which is great.

- Frank Curzio: Let's look at everything here, okay? Let's look at all the details. If you look at unit sales, 52 million. That beat estimates, that's fine, but if you look at last year unit sales were 51 million, so they only sold one million more phones. Again, just one data point. You could sell them for higher prices and margins will go. It's just one data point, which is a surprise as a company that's like, "Wow, things are really better." Well, you only sold one million more phones compared to last year. You had three brand new phones that came out compared to last year, which is what, one or two?
- Frank Curzio: iPad shipments, they beat estimates. They came in a 9.1 million, and they were like, "This is great, new customers." Well, last year you sold 10.2 million, so you're seeing a decline on iPad sales from last year. Again, maybe you're selling for a higher price, we're not going to get there yet. I'm just letting you know that year over year, iPad sales declined. One million more phones, which, again, one million is big for a tiny company. For Apple, 52 million from 51 million is not the blockbuster growth that makes me think your stock should be trading close to an all-time high.
- Frank Curzio: Gross margins, 38.3% lower than estimates. Interesting. The margins getting ... This is something that always ... If you look at, I don't want to say the laws or the dynamics. When you sell hardware, usually for every other company other than Apple, year after year, after year, a lot of times it's harder to sell these products. Usually your margins go up. It's hard to sell at higher prices. Apple is just that brand that can actually do it, right, but in the end, they're a hardware company. That's what they are.
- Frank Curzio: They said, "Hey, we're getting to our 16 billion dollar services revenue." I hear analysts talk about this all the time of TV. 16 billion in service revenue. Imagine you had a business that did 16 billion in sales. Holy cow. I'd find everybody and high five everybody. It's great. Life's happy, everybody's happy, make it a party on a bunch of boats. When you look at Apple, Apple does 260 billion in sales, which they're projected for this year. 260 billion. We look at the 6 billion, what does that amount to? A little over 6% of total sales. It's a blip on the radar.
- Frank Curzio: You say, "Wow, they're increasing that, and it's a higher margin business compared to hardware", but not too much because in hardware they're doing very well. 16 billion in services is a great thing, and it's growing, but it's not going to move the needle, 6% of sales. Apple is an iPhone company,

period. That's it. They went as far as to say, "You know what, we collect far less data on our users." Bringing up how Facebook and Google, you know everyone's attacking each other right now, these companies. "We collect far less data."

Frank Curzio: This is great, Facebook got into, they say they're going to get into, dating services and match.com. Every company within that industry and they're making fun of Facebook as their stock is crashing by 15-20%. Match.com, all these companies. They're like, "Oh, nice of you to join the industry when it's already ..." Well, obviously it's a big deal because your stock is getting crushed. Anyway, these companies, all of a sudden are starting to talk bad about each other. I'd rather they say nothing, because what that tells me is they can never have a business model like Google or Facebook, who are killing it, because they have a digital ad based model that's secular growth for the next million years, right?

Frank Curzio: I mean, still, if you look at digital advertising, and the money pouring into it. When you look at all advertising, it's still not a huge percentage. There's still massive, massive growth there. There's pricing power there. Apple is telling you, "Well, we don't do that." Yeah, as an investor, I wish you didn't say anything about that because it makes me think, that's a massive business that AT&T's trying to penetrate by buying Time Warner. Took a shot at Facebook, for me as an investor, I thought that was a negative.

Frank Curzio: You're looking at a lot of these metrics. Now Apple beat earnings, right? Apple beat earnings. This is amazing guys because we're going to bring up some stuff here, stay with me because it's very important. I'm not ragging on Apple. I'm just trying to provide all the facts to throw in front of you, compared to this ... I won't say it, the crap you're seeing on TV that they're not talking about. What you didn't know about Apple is what you're seeing, "Wow, Apple beat that number. I thought it was bad."

Frank Curzio: What you didn't know is, if you're looking at the amount of analysts and I'm going bring this up right now, the amount of analysts that cover Apple. Okay, perfect, so I have that here. The amount of analysts that are covering Apple, if you look at them, they are 43 analyst that cover Apple, 43 of them. There's zero sales, zero sales on the company. Nobody has a sell on Apple. Why is that interesting for? Because what these analysts, no one wants to put a sale on Apple because it's the biggest company in the world. They do have a lot of cash, but if they raise money people could

generate a fortune, right? They want the investment fees, so they're not going to put a sale on a company.

Frank Curzio: What makes it worse is if you're looking at Apple and what they did. Their estimates were incredibly higher, incredibly higher. a couple months ago. If you look, they got a Q3 revenue for 51.5 to 53.5 billion, right? It says that's basically in line with the 51.5 billion consensus estimates. However, that estimate, from these analysts, right, no downgrades. We saw no downgrades on Apple. We saw no downgrades on Apple. Yet, these analysts, listen to what they did. Three months ago, because Apple came out and said 51 billion, and that's the estimate that they have now, it's 51 billion. Apple said, "Okay, we're going to guide third quarter revenue to 51.5 billion." That's in line with consensus estimates of 51.5 billion, okay?

Frank Curzio: Now the consensus estimates, here's what these analysts did, three months ago that consensus estimate was 54.5 billion. Two months ago it was 53 billion. Last month it was 52.4 billion. Now analysts have it at 51.5 billion and it's amazing. Apple came in and that's what they guided for. If these analysts kept their original estimates over the past three months, Apple would have got crushed and missed their estimates by a mile. They basically would have warned. They would have warned. You had 54.5 billion three months ago. That's what all these 43 analysts projected. You know how they take the consensus estimate out of it, and here's what you projected right? Apple came out and said, "Well, it's around 52 billion in sales for next quarter." They would have missed by a couple of billion dollars.

Frank Curzio: Instead these guys, without downgrading, this is stuff you don't see, they lowered their estimates significantly. Why is this a big deal, because they beat the headline number, right? Hopefully you guys are staying with me. They beat the headline number, everybody's like, "Yeah, that's great. All right, Apple's great. It's up 3% today. It's awesome. It's at 175." If you look at some of these analyst estimates, three of them here, BMO Capital, has a 166 target on Apple. It's 175. They have a neutral rating. They should really have a sell rating on it, right? You're saying your targets 166 and it's 175, it's over your target.

Frank Curzio: Deutsche Bank has a 152 target on it, they have a hold rating. Why don't they have a sell? Well, I know why, do you know why? Because they want the investing banking business. You think Apple is worth 152 in your target

price, you have a neutral rating. It's trading at 175, because it's Apple and I want the investment banking business.

Frank Curzio: Goldman Sachs, not talking about just these boutique firms. Goldman Sachs, 159 target. It's 175. Maybe they raise it after this quarter, they'll come out with a new report tomorrow. They'll probably raise it. This way they make sure because there's guys at Goldman that said, "You better not put a sell on Apple", because that's going to get news every place. Everywhere. The only analyst out of 40-something that has a sell on Apple is Goldman? You're going to make that call?

Frank Curzio: Let me tell you something, they're going to put you in CNBC for the whole day, from like 9am to like 4pm, if someone at Goldman Sachs does that. Whatever analyst does that, they'll have them on for like a week straight. It'd be the biggest story ever, you'd see headlines everywhere, "Goldman Sachs says Apple's a sell." You'll see it everywhere. It'll probably result in the market coming down since Apple's such a big part of all the major industries. Goldman won't do that. They'll raise their target price a little bit. They'll lower their estimates, but they'll raise their target price. That's how effed up a lot of this stuff is. You should know this.

Frank Curzio: Now, why is this a big deal? You can say, "Well, Frank, it doesn't matter. They beat the estimates." Well, it is going to matter for the future. Apple is not reporting those strong growth numbers that everybody believes in. It's going to come back to bite them in the ass, because smart phone sales are coming down like crazy. That's what we've been told by the people who manufacture these things. They're not seeing huge sales right now to grow those phones in the future. What does that mean?

Frank Curzio: Well, if you look at revenue forecast, 2018 they're expected to generate 260 billion, which is this year. Do you know how much Apple is supposed to generate next year? 269 billion. That's 3% growth in sales. You're talking about Apple. I thought the quarter was just great. I thought everything was rocking and rolling, and you're only going to grow sales by 3%? Year over year? This is ...

Frank Curzio: I'm taking the analysts estimates here. Something has to give because if you're growing slower than the market, you don't deserve the same multiple as the market. That's what's going to happen in the future. This goes out ... If you want to take the rest of it for 2020, you're looking at 276 billion in revenue. That's only 2.5% growth. You would think their growing

like crazy. Year over year they grow 13%, but if you go from 2018 to 2019, it's a different story. It's 3%. If you look at gross margins, gross margins are expected to stay flat over the next three years.

Frank Curzio: I think that's super aggressive because people are not going to continue to pay \$800, \$900 for a freaking smart phone. The selling price is like, \$750. They're not going to continue to pay these prices unless they get something that's worth it, and right now, the new generation of phones isn't really giving you something that's, "Holy cow, you have the iPhone 10? Take a look at this." You don't really have that. Maybe it's wireless charging, maybe? I don't know. Maybe that helps in the future. There's a whole story behind wireless charging, because that requires glass. That requires more money to make these components. It's not that easy.

Frank Curzio: How do you increase the margin? If you look at Apple, even the analysts don't expect margins to grow at all over the next three years. If you're looking at EBITDA, right, very important measure. It's where interest, taxes, appreciation, average. We have more of a pure number. You're looking at a company that grew 10% year over year, which is good. It's still slower than the overall markets, it's growing about 15%, the average company. If you look at from 2019 to 2020, you're looking at EBITDA growing by 3%. The following year only 3%. That's much, much, much slower than the market.

Frank Curzio: Now when I go down to earnings, this is where it gets interesting guys. Now when you go down to earnings, they grew earnings. They killed it, right? They did well, but when you go down to individual earnings, this is why I like to use EBITDA, there's a more pure number. When you go down to earnings, they're expected to grow their earnings. Remember, everything else is growing like, 2-3%. We look at sales, EBITDA, margins are incurring, but when they go down to earnings the [inaudible 01:09:54] call for them to grow by 12%, which is still slower than the market. It's still going to be slower than the market, because we're expected to grow probably 13, 14, 15% from 2018 to 2019.

Frank Curzio: Now how are you growing earnings that fast when you're looking at the other ... You're not growing sales that fast. You're not doing ... Your margins aren't growing, you're not going to be able to charge higher prices. How is it ... Bingo, that's the reason why you come out and you announce a 100 billion dollar buy back. This way you could buy back your shares and

inflate your earnings. When you see a company come out and announce a major buy back like that, it's usually a sign of weakness. Not for the stock price, the stock price is going to go up, because you're like, "Well, you've got to decrease the share account, that's going to inflate earnings." That's what Apple needs to do. They have a good balance sheet.

Frank Curzio: What does this mean? It doesn't mean you should go and short Apple. It means that a lot of this growth isn't really ... Slower growth is not factored in. Nobody's talking about this with Apple. The slower smart phones sales is going to crush this company, but they could make it up with their balance sheet by buying back their stock, raising their dividend, which they did. Smart move, get a lot of income people in there.

Frank Curzio: What this also tells me is, one Apple is a big market stock. If it comes down, it could pull the market down. Even if it doesn't, for me, I see so much more value out there than buying Apple. That's what's important as an analyst. You want to look at a bunch of different companies and if someone gives you a company, you say, "Wow, this thing could really go up 50% a year." Compare it to their competitors. Maybe there's something that's cheaper, they have more catalysts. You have the insider's buying. It has more growth over the past 12 months.

Frank Curzio: They're projecting this growth to continue. They're in better market. If it's a chip company, are they in PC's, which is terrible, or is it internet of things? Is it AI? Are you making chips that incorporate AI? NVIDIA, Intel, those are massive growth markets. Auto, sensors, stuff like that. There's a big difference. For me, when I look at Apple, I think, yes, there's a lot of risk in this stock now. I wouldn't touch it. Could it come down? I don't know. I mean, they have a balance sheet, they can continue to buy back stock and inflate their earnings, which is fine. We've seen a lot companies do that. I'm not picking on them.

Frank Curzio: What does this mean with Apple, when I compare it to a company like Facebook, that has massive growth. It's grown 45%, without really inflating their earnings or manipulating their earnings. It's grown 45% and trading at a market multiple. Facebook, to me, is a screaming, screaming buy here, compared to Apple. That's how I do my analysis. The numbers I gave you, nobody's talking about with Apple. "They beat the quarter. They're good. I thought it was going to be bad." It was bad. The analysts lowered

estimates significantly over the last three months, so they could beat these numbers, without downgrading the stock. There's no sales on it. It's pretty amazing.

Frank Curzio: For those of you that don't think there's a bias out there when it comes to sales site research, there it is. You have companies with a lower price target that don't want to put a sell rating on it, interesting. You've got all these companies, every one of them lowered their estimates significantly. Not one of them downgraded, not even from a buy to a hold? Why? They want investment banking business from a company that could easily raise 100-200 billion dollars, whatever, and take that money and then buy back more stock.

Frank Curzio: Investment banking business from Apple makes your year, if you're anyone but Goldman Sachs and Morgan Stanley, which is going to do a pretty good job for their bottom line as well. Something to think about. Hopefully you follow that segment right. If you have any questions let me know. Listen to it two or three times, that's how the market works. This eventually catches up to you. Yes, they beat estimates. Yes, Apple is up by 3%, but when you look down the line, those numbers are coming down. They're going to see slower growth. It's going to hit them eventually. That's why they had to announce 100 billion dollar buy back. They had no choice. If they don't they're going to grow earnings by 2-3%, and you're going to see that stock fall probably 15% from these levels.

Frank Curzio: The fact that they have a great balance sheet, which is great for them, they're going to buy back their stock, inflate their earnings, especially over the next four to six quarters. It's going to mask a lot of the slow growth that we're going to see in the smart phone market that almost every major supplier who builds phones talked about over the past month, and even during that conference call. That we are seeing a major slowdown in high end smart phones.

Frank Curzio: Watch out for Samsung, watch out for Apple, those numbers are coming down. Even though they beat earnings, don't get fooled. Those numbers are coming down, eventually it's going to hit them. If you're thinking about investing on Apple over this quarter, I think Facebook is a much better buy.

Frank Curzio: Okay guys, I told you earlier about incorporating a lot of video, not just for subscribers, but also on our Facebook page. We've probably seen a lot of live videos already, which is really cool. Where I'm talking about things like

Apple, and department stores, and all kinds of things, and topics of the day. I try to do like, two or three of them every single week, but now we're able to ... I'm able to put screens up there, that way you can see exactly what I'm looking at and the numbers and stuff like that as I'm talking. That's all for free on our Facebook page, Curzio Research page.

Frank Curzio: Also, we're able to do live interviews that you could see, which is pretty incredible. You can see both of us, and yeah, whoever it is, wherever they are, in Singapore and stuff like that. Pretty soon we're going to be doing live podcasts. It's more important for subscribers, getting video updates, and a lot of video stuff going on for me in the field. Now that we have this technology, we have the internet speeds. It's going to be a lot of fun going forward, and you're going to see a lot of these changes right away.

Frank Curzio: Again, if you guys want to check out some of it, especially the free content and things like that to get to know our business, before you subscribe to our products. Of course, that's what we love. You can listen to more of these podcasts, go to CurzioResearch.com and listen to podcasts from the last ten years. Listen to my opinion. Everything is accountability. Everything's there for you. You can listen to all my losers, winners, and stuff like that. More important, things that are more timely and stuff is on our Facebook page, at Curzio Research, which is really cool. We provide live videos.

Frank Curzio: Guys, I always appreciate support. Thank you so much for listening. I'll see you in seven days, take care.

Speaker 1: The information presented on Wall Street Unplugged is the opinion of its host and guests. You should not base your investment decisions solely on this broadcast. Remember, it's your money and your responsibility. Wall Street Unplugged produced by the Choose Yourself podcast network, the leader in podcasts produced to help you choose yourself.