



# Frank Curzio's WALL STREET UNPLUGGED

**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 Curzio:** How's it going out there? It's September 19th. I'm Frank Curzio, host of the Wall Street Unplugged podcast, where I break down the headlines and tell you what's really moving these markets. I used to play Texas Hold'em all the time, was pretty good at one point, won some tournaments, finished at the final table, too busy these days to play. In Texas Hold'em, there's a popular saying, that when you sit down to play, and you can't find out who the sucker is in the first 30 minutes, that means it's you.

I think I'm the sucker here, or maybe the only one that doesn't get Florida, and guys I talk about Florida a lot, and people say, "Well those rants are funny, and they tell stories." Guys this is the truth. This really happens. I'm not exaggerating. I'm not even saying it to be funny. It's more like therapy because I cannot believe some of the things that happen here, and I wanna get your thoughts on it too. You say, "Well Frank that's normal." For me it is. It's like therapy to get some of this stuff out that just happens to me, that never happened to me before living in New York for pretty close to 40 years. I've been here 8 years. I'm 46. Close to 40 years, but it's crazy. It's crazy.

So the other day, and here's a story, comes with a little bit of a rant. I drove up my truck to get an oil change. I also need the tail light fixed because it just stopped working, right, it wasn't cracked, it just stopped working. Electrical issue, whatever it was. The trucks a year old and just broke down. So I call the dealership where I bought the truck from, which is Chevrolet. I never really go to dealerships for oil change, tires, maintenance issues. You have to wait there all day, the employees are super nice, which kinda makes me sick. It's like, "Hey

sir, you want some water or thanks for seeing us sir.” It’s just annoying cause it’s so fake. It’s like, “Alright just kinda leave me alone a little bit.”

I don’t know if that’s bad to say, sorry. But anyway, I really don’t go to dealerships. I’ll just go to the local mechanic and get things fixed unless something is under warranty. That’s when I want to go to a dealership, and my tail light was covered because there’s an electrical issue. I said, “Okay, let me go to a dealership.”

This was on Wednesday. So I call them and they tell me okay we have an opening at 1:30 on Friday. So I drop my car off on Friday and the guy tells me, “Hey, you know this could take a while. You want someone to pick you up?” And I’m like, “It’s a broken tail light and an oil change. Isn’t that like 30 minutes tops? I mean 45 minutes, yeah I have my phone, I got work to do, you know whatever. I don’t mind waiting.” Plus I made an appointment with you for 1:30, right? So you had an opening. I thought that’s kind of normal. It’s not like I just drove the truck in off the street and said, “Hey man fix this thing now.” No it wasn’t like that.

So he’s like, “Sorry we’re a little backed up.” And I’m like, “Okay fine.” So I call my wife to come pick me up. The dealerships about 5 miles away from my house and now she’s on her way, and I’m talking to the guy and the guy tells me, “Hey you know what? When your car is ready we’ll call you. What’s your phone number?” I give him my phone number. I said, “If you can’t get in touch with me here’s my wife’s phone number. But here ya go.”

And he’s like, “Okay no problem. I’ll call you in a little while.” So that was at 1:30. Now it’s like 4:30 and I said, “Hmm they didn’t call yet, so let me look at their website.” I look at their website. It says, “We close at 7 pm,” which is kind of late for Florida which I was surprised, 7:00 pm. So okay, so you know what, I’ll work

until 6 o'clock, thinking my wife will come pick me up with the kids at work, we'll drive to the Chevrolet dealer together, pick up the car just before 7:00, go out to a nice dinner with the family, really really cool, nice Friday night.

This is where things get a little crazy. I call him up at 6:15 and someone from Chevrolet answers. I'm like, "Hey, I dropped off my car at 1:30. Is it ready yet, because nobody called me, I'd like to pick it up." He's like, "The repair shop's closed." I'm like, "You're on the phone with me. It sounds like you're open. What are you talking about?" He's like, "This is the sales department. The repair shop closes at 6:00 pm." I'm like, "Your website that I just looked on says your place closes at 7:00, not just sales, the place." He's like, "Sorry, sales is open until 7:00, repair shop closes at 6:00."

Now, I may be getting older and maybe it's just that so many people that I hired over the past, what, seven or eight years I've been in Florida have done a piss poor job for me, but I have zero patience when it comes to stuff like this now. Zero patience. It's not me being nice and trying to figure out. I'm very direct because I'm like pissed off right off the bat. Again, maybe it's because I'm getting older and that happens, especially men, stubborn, but you just get pissed off a lot quicker. So for me, I just speak my mind. So I tell the guy, "Listen, Pat. You're joking right now. You took my car. You worked on it. You told me you were going to call me. Now, you didn't call me, your repair shop is closed, so what do I do?" He says, "You know what? You could pick up the car tomorrow." It wasn't even a fact that picking up the car tomorrow. Right? We'll get to that in a second, but the way he said it.

The way he said it like that was perfectly freaking - I'm going to be nice - normal that I don't have a car on Friday night because you couldn't change my oil and repair my taillight in five hours, four and a half hours, and you didn't call me to let me know that you couldn't get to it

or if I need my car or ... You didn't call me at all. At all. The way he said it was perfectly normal. Hey, just pick it up tomorrow. Now the best part, because it gets even better, I'm like, "You guys are a disgrace. I'm a customer. I bought my car there last year. I'm never buying anything from you guys again." I'm really ticked off. He's like, "Well this is sales, not repair. What did we do wrong?" It's like, you know, almost like we can still be friends. He's trying to offer me, "Next time you come in I'll take care of you. I'll give you a great deal on a car."

For me, I'm like you're in the same building, you're under the same roof. That's like one of my customers calling me at Curzio Research and saying, "Hey, you know what Frank, money flow trade is terrible. I hate Mike Alkin. He's terrible. He's horrible. I lost money." I'd tell the guy, "That's Mike Alkin, that's not me. That's Money Flow Trader." He's the editor of Money Flow Trader, which is under Curzio research brand. I'm like, "Hey, that's Mike, but if you want I'll give you a discount on Curzio venture opportunities." Imagine I said that to you? Like someone that was really pissed off, a customer, and I said that? Hey that's not my fault, deal with Mike. Are you kidding me? He's like, "That's the repair shop. That's not us." And he starts going on like, "Our sales department's great. We always have good deals." I just hung up on him. And I hung up on him which was very smart for me because I would have said things I'd probably be regretting right now. Probably not, but anyway, I've learned to be smart and just back away when I need to back away.

So now it's Friday night and I have no car which I needed that night. It gets better. So I tell my wife to drive me to the dealership because they might have fixed the car and it's outside. Maybe it's not in their shop and I have a spare key. So we drove there and my truck happens to be in the lot, so I decide I'm like, I just take it. I don't care, I don't ask. Security guards are in the parking lot. Again, this is Florida. If I knock on the window and said, "hey buddy,

I'm stealing this car right now," they'd probably be like, "Eh, alright. No problem." Again, it's Florida. Something like that is kind of normal here. So the next day the dealership calls me. And by the way, that night I left a message Friday night telling them I took the car because I don't want them to call it in stolen or think it was stolen.

So the manager calls me. Now, if you're the manager and you have a customer that's pissed off, and someone just took their car, alright. They just took their car after you fixed it, and I didn't even pay yet. This is the whole story and everything. Wouldn't you find out the entire situation first before calling the customer, this way you could answer any question they have and be as helpful as possible to the customer, especially if they're a good customer? I just bought my car there last year, right? You know I'm really ticked off. So the manager gets on the phone with me and he's like, "Hey, you know, I'm so sorry. What's the problem here?" And I go over the whole situation. I dropped off the car. Supposed to call me when it was ready. You didn't, blah, blah, blah, blah, blah. I had to go there, pick it up with the spare key. So I tell him I went there. I picked up the spare key, I have the car. So he goes, "you know what, let me check your car real quick." I said, "I have my car." He's like, "But let me check the car since it's in the shop." I'm like, "I have my car." Then, he just puts me on hold for like 10 minutes. Not even like, "Hey, I'm gonna put you on hold," he just puts me on hold.

So I hang up like after 10 minutes, I'm like I'm done. He doesn't get back to me. The guy winds up calling me two hours later and you know what he asked me? He asked me, "let me ask you a question. Do you have your car right now?" I'm like, "Yes, I just told you I have my car." He's like, "Oh, I'm sorry. We were supposed to call you, but it's \$52 so when you want to come by and pay, you know, just let me know." That's it. That was the conversation. I guess his solution is not to address anything they did

wrong and for me to go to the shop a third time because they forgot to call me to basically pay the bill. So for some reason, they wouldn't take my credit card over the phone. Now this was Friday. I still haven't gone there yet and they've called me a dozen times. It's like I owe them \$10,000 or something which I don't. It's not the money, I'm just so ticked off.

It's funny. Something like Comcast, like if you call for service it takes you 15 minutes to get through the automation and talk to someone who knows what they're doing, but if you owe them like \$10 they'll call you like eight, nine times a day. I mean, why don't you transfer the guys that are calling me four, five, 10 times a day into your customer service department? They seem to have plenty of time. Why wouldn't you do that? It's kind of amazing the way businesses work, right?

I'm going to eventually pay them. I guess when I'm in the neighborhood again and have nothing to do, but how do you take someone's car, tell me that they'll call me when it's ready which was said to any one of dozens of times when I've dropped off my cars at repair shop over the past 25 years, "Hey, we'll call you when it's ready." You forget to call me. You keep my car overnight and then act like that is perfectly normal, like that's normal. Oh, just pick it up tomorrow, you'll be fine. Like I said, maybe I'm the sucker that doesn't get it and everyone else does? I say this all the time, still trying to figure it out down here, and again it may be me. I have no clue. But thank you for listening to that because I love it, because it's therapy and now let's get to the real fun stuff, because I have a great, great interview today with someone who I love that's in my rotation now. By that I mean I like having some guests on every quarter to update the market, stocks, economy, who are also fan favorites of yours based on your emails that I get which you sent to [frankcurzio@research.com](mailto:frankcurzio@research.com). That person is Kim Iskyan.

Now Kim's one of the few analysts I listen to when it comes to international markets. I mean, you're looking at a guy that spent the past 25 years visiting, exploring, analyzing global markets. Been a stock analyst, research director for big emerging market investment banks. Managed a hedge fund. Sold mutual funds to private bankers. Advised Fortune 50 companies on political risk. Helped build stock exchanges from scratch in countries that few people could find a map on. I mean he is the international guy that I like and I listen to because I always learn something. He's a guy who's visited over 90 countries. He dues boots on the ground research, talks to locals, go to local pubs. Best place to find information, have awesome conversations. He also has International Capitalist which is a newsletter he writes, Stansberry Churchouse where Kim's also the publisher.

Now, I'm bringing him back because I want to get his take on tariffs. You know what my take is and I've mentioned it numerous times about how you don't have to worry about it. I've said that since February. It's not going to impact our market. Tax reforms are easily going to cover any kind of tiny tariffs, and again \$200 billion, \$250 billion here may seem like a lot. It's really not a lot in the scheme of things and our market has done fine even though there's 300 million stories have been written since then and they try to scare the hell out of you about a trade war coming. But I wanted to get advice from Kim because it's taken basically to a new level.

Now we're seeing Chinese markets crashing, down 25% and the President's like I don't really care, I'm just going to keep seeing this out and I'm going to be stubborn. You're thinking some of these stocks are trading at five, six times earnings growing, still reporting good numbers despite everything going on. Again, the numbers are very small. You'll see in a minute when I interview Kim. But I wanted to get his opinion on when to actually buy some of these stocks, how big of a deal this actually is, will

this continue, what's going to happen to the US markets, because he's the guy that you want to talk to about this and it's not always about me and my opinion. I like to get the opinion of other people. I'm not stubborn where I'm like, "This is what I said and this is the way it is." I want to talk to people involved in the situation, people who visit this country, people who have contacts there, and Kim's going to give you a scoop on tariffs that you're not going to get anyplace else.

Okay, forget about everything you read, CNN, Fox, wherever. Older CNBC. He's boots on the ground, talks to the people there, and he's going to have some amazing information to talk to you about tariffs. It's going to blow your mind away, and also some amazing stock ideas. We're also going to talk about one of the countries he loves best that he just came back and visited, which is a surprise, well off the map, and he's also going to share one country that he would tell you, you should not even go there to visit because you'll probably get robbed at gunpoint. So here's a great guest. He travels all over the world. Always had stock ideas. It's a fantastic interview.

I'm going to get to it in a minute. [inaudible 00:13:50] my educational segment I'm going to share with you the one thing China could really do to us that would crush our economy. The fact that they didn't do this yet kind of surprises me. With everything escalating and the stubbornness, you have the President of China meeting with Russia and Japan, two countries they really don't like, to kind of maybe find out deals and figure out deals against the US or whatever it is. This could continue even longer. If it does, China has one thing that they could do that will crush us, that will absolutely crush us. We're this huge, picture us as Superman, they have the kryptonite. If they do this, then you know trade wars are here. I'm going to tell you exactly what that is, what sector it evolves, it's completely beaten up, and why the last time China did this the stocks within this sector, and they're not many, did

not go up 200, 300%. They went up thousands of percent and right now offers you a really fair risk and reward. I'll cover that sector and maybe highlight a few stocks you could buy right after I get through my interview with Kim Iskyan and here it is right now.

Kim Iskyan, thanks so much for coming back on the podcast from Singapore, which I love.

Kim Iskyan: Frank, how are you? Thanks for having me.

Frank Curzio: Thank you. Thank you so much for coming on. Kim, I always describe you as someone, one of the few analysts I listen to when it comes to international investing because of your track record. You've been doing it for 25 years and I mean, when I read your stuff I just, I'm always learning something because you're always in the field. You're traveling to these countries which you're going to get to, one of the recent ones you traveled too which I'm excited about, but I wanted to start out with China. I get a lot of questions on it. For me, my stance was in February ignore this because any of the consequences you're going to see from tariffs is going to be pretty much muted by tax reforms. If you look across the board.

It was good advice, but doesn't mean there's not trading opportunities because China's still fighting back and forth. But I didn't expect China to really last this long and continue to, I don't know if it's stubborn. I want to put politics aside, whether you agree with it or whether you're not but it's obviously crushing their economy and their stock market and the US is doing fine. So you would think they would come to the table and find some sort of agreement by now, but they're not and I wanted to get your take on it, from someone who's in the field, knows this market better than anybody. What are your thoughts on tariffs that people aren't really talking about that's kind of interesting to you?

Kim Iskyan: Well, you know I think it's an interesting point. You have a divergence between what you see in the Chinese economy and what you see in markets. The macro figures out of China, they're still looking alright. The growth is fine and exports actually have gone up because they have a funny thing. People know exports, that these tariffs are going to be imposed so they're front running. They're buying more stuff now in anticipation of those tariffs going up. I don't know. When you look at the absolute figures, there is not ... China imports \$187 billion worth of stuff from the US every year and it exports \$530 billion worth of stuff to the US. It's a relatively small portion of the economy and even if tariffs, I've seen some estimates, if tariffs go way up and this is a big hairy deal, the actual impact to economic growth in China, it's not going to be enormous.

I think what hurts from a market perspective is just that it's terrible for sentiment obviously and people are anticipating that it gets worse. It might just effect things at the margins now, but yes it could get a whole lot worse, in which case you're right, China has a lot more to lose because it relies on trade with US more than the other way around. I think that we really have to wait until the first quarter of next year before we see the economic impact on China because, again, you have the kind of front running stuff going on and a 10% boost in tariffs, is that really going to change that much in China? What really, before things ... real damage is done, there has to be structural change to supply chains because at some point, some manufacturers in China say, "Okay, this is killing us. We're going to pick up and we're going to move to Vietnam. We're going to move our facilities to Thailand. We're going to move our facilities into Bangladesh."

Then, that really starts to hurt the Chinese economy. I don't know. I think it hasn't really gotten there. The politics of it, I think that Xi Jinping, nobody likes to lose face. Nobody likes to say, "Alright, alright, alright. I'll give this to you." Donald Trump certainly doesn't like to

do that. I don't think anybody does, but I think that in this part of the world, that's even more difficult and even though Xi Jinping does control the media in China and even though it is in effect a dictatorship, he doesn't want to look like he's giving in to the Donald Trump and the Americans. I think you're right. I think eventually it will but it will be a very carefully managed sort of thing and you can bet that people in China will not interpret it as China giving in.

Frank Curzio: Yeah. You said a lot of interesting things there, and one of them is that when you look at numbers, it's not going to crush economic growth. We see numbers like \$200 billion and we're in 24 hour news services here in America, which you know about, that even the smallest story has to be exaggerated times 10 because they've got to fill up the whole day with news. When you see these figures and you look at them and you know, there's things that China could do, there's things that US could do, to make this more serious and it's almost kind of like a game of chess here. You're right, China can't come out and say, "Okay, you know what, the US is right." They have to save face so I can see that going behind closed doors is got to be things that each of them want, that they can say behind closed doors, and say, "Okay, we're going to come out. We're going to deny we did all this, but we'll come out and say we reached an agreement together and we'll work together," whatever.

When that happens, and I'm saying when because I should say not if but when, it's going to have to happen because we're seeing that the Chinese market, like you said sentiment wise, come down a lot, it is a good opportunity to buy these stocks after that announcement? I was thinking maybe it might be a good opportunity before because I know that you've invested in China and you have stock pick recommendations that you liked in China. But when would be the good time to buy them? Should we just wait until this announcement is finished? Because

I thought it would happen a month or two ago and if you bought stocks like JD, which I have in my portfolio, you know it continued to come down like Ali Baba and [inaudible 00:20:42] and a lot of other Chinese related stocks.

Kim Iskyan:

You know, I think that's ... you're never going to, it's pretty much impossible unless you're incredibly brilliant and/or lucky to pick the bottom. I think that it's a good idea to just once prices get, you know if you're looking at stocks with a PE of five or six, they're yielding 5-6% and the top line is growing, it's in the double digits, at a certain point you say, "you know what, this it might get another 10, 15% cheaper, but the underlying business is so strong and if I ..." I guess what I'm saying is that you want to accumulate along the way. You don't want to catch a falling knife, but you also don't want to wait too long. I think at a certain point things are so cheap that if you wait too long, then you've missed the boat. The market's going to spit, so once it does look like these things are going to clear, I think things will rally pretty sharply and the time is now.

Frank Curzio:

And for US investors who are looking at this situation and you look at China, and China performed well for a while and since February has been down a lot, is it just the stocks that you would focus on like the normal ones? Would you buy the FXI which is I think it's one of the 25 largest stocks in China? Do you like individual names or is it kind of like, "Hey, just buy everything related to China and whatever, have a stop on it and once this is resolved the prices will go a lot higher. Stocks are cheap and growth and stuff like that." But how would you actually play? Is it individual stocks, ETFs, or-

Kim Iskyan:

You know I think I would ... well, I look at China quite a bit so I think buying an ETF it's not the most efficient or effective way of doing it. There are a couple of stocks that I like in particular. I think if you find some that have been

beaten down and which it doesn't really make sense, and the problem with buying the ETF it's the usual problem. What if, there's some stocks in there that aren't going to do as well. There are others that are going to under performer. I think that I would put a lot more faith in my stock picking and really look at some stocks that are going to do better instead of buying just the index. I can tell you about one of them that I'm liking in particular.

It's an indirect play on the movement middle class and on eCommerce, and I don't know if you remember but there's a thing called Singles Day in China in early November and it's kind of like to celebrate single-hood, and people go on a total online buying frenzy and on November 11th last year in a 24 hour period, they bought \$25 billion dollars worth of stuff online and that is just to put in context, that is four times bigger than Cyber Monday in the US. This is all an Ali Baba sort of thing, and Ali Baba really pushes it. So \$25 billion worth of stuff.

The question is how do you get all that stuff to everybody, to all the people who buy it? There were 812 million, just imagine 812 million. That's like what, two and a half for every man, woman, and child in the United States, but 812 million separate packages that had to be sent, or orders that were placed. That required 160,000 tons of packaging material and that's like corrugated cardboard, cardboard boxes, the paper, the wraparound stuff, and that was enough to fit in 8000 semis. So if you think of 8000 semis stuffed with paper, and that was just on that one day for that \$25 billion worth of stuff. It's just, the numbers are kind of mind boggling.

What we did, we looked at company that produces this paper and this corrugated cardboard and all this kind of thing. It's a company called Nine Dragons Paper Holdings and they've been around for about 30 years. They have a 13% market share in this weird little niche, which makes them the biggest player by far. They have the highest

margins of any other firms that produces paper. The demand for this, for packaging material, is just going through the roof because if you look at eCommerce, eCommerce in China is far larger than it is in the US and they're still growing it somewhere between 20-30% a year. So as you know, anytime you buy something online, you get it in a box that's wrapped, and there's more wrapping inside. So this is, they're seeing huge demand growth. So Nine Dragons is, it has the highest margins in the industry, partly because a lot of the smaller players are getting shutdown by the government because they pollute too much. So the Chinese government is going and saying, "Okay, either you have to reduce your pollutant, reduce the amount of pollutants you spit out, or you're going to have to close down." Nine Dragons is in a fantastic position to gobble up some of these smaller players.

Now, the share price is down by about a third since March and that's partly because the Chinese market overall is down by about 23% and it's also because it's a lot of people were concerned because Nine Dragons gets about a third of its input, it's paper, from outside of China, but it's two-thirds sourced inside of China. Now, part of that is they recently bought some paper plants in the US. They have some operations in Vietnam. But they are pretty well covered and this is not, when you look at the numbers, it's not a huge concern, even if the price of some of that paper goes up. This stock, about \$5 billion company, and it trades at a PE of around six. This is a great coincidence, but just today ... I'm sorry, yesterday, they announced their results and they were extremely strong.

Their shares were up 7-8%. They finished up about 5% and they boosted their dividend, so now it's about 6% annualized. Obviously, it's a company that's not concerned about its prospects if they're boosting their dividend. So it's one of those weird situations where you say okay, is there something I'm not quite getting here? Because it's down a lot. It's growing fast. It's cheap, and it even as

an ADR. It's not a hugely liquid ADR, but it's NDGPY or else on Hong Kong I think it's 2689. It's one of the stores that I like a lot and I think makes a lot of sense in a lot of ways.

Frank Curzio: Yeah. It's amazing, right, when you see. We saw that kind of in our market as well during the credit crisis where I think it was the S&P 500, 18% of the companies are trading under \$10 a share, right? So you see these massive disconnects sometimes and you're looking like a company, like you said, just came out showing growth numbers, things are great right now and because of the overall economy and market and sentiment, it's coming down which presents an opportunity. Doesn't mean it can go lower, but if that problem is solved, this thing should really recoup a ton of those gains which I think will eventually be resolved.

The last question on China here which I'm curious, which maybe you could answer, because for people who don't visit there or go there a lot, they say okay, China communist country. What is the sentiment there among people? Because it might not matter because it's a communist country, but you have the president fighting with the US. They control the media, whatever it is, but they also see that the stock market is really down. They're seeing sentiment change. Does that reflect in the decision he would make to have maybe, to resolve the situation quicker? Say if he's completely stubborn and the government's like, "You know what, I don't know. We're never going to do this." The market could really come down a lot more, but when does it come to the point where maybe the people that he's hired are really talking to him?

Are you seeing any of that from someone who's pretty close to the situation, like why don't we figure this out because it's really started to hurt us now. Or is it hey, one guy, it's a communist country. He's stubborn about

something. I'm just curious to see what the sentiment is, that maybe that would reflect in getting this resolved quicker.

Kim Iskyan: I was in Beijing in July and I had a bunch of meetings with some brokerages, a bunch of media companies, and I can tell you that the number of times that this came up, the whole trade war thing, was exactly zero, which is neither here nor there.

Frank Curzio: That's funny.

Kim Iskyan: But it's not exactly something that was on everybody's lips. I think, in terms of the politics, there's one of my favorite books about politics. It's called "The Dictator's Handbook" so that is why bad behavior is almost always good politics. It was written by a couple of political scientists. The message of that book is that politicians, their only and main objective is to stay in power. It's kind of obvious, but that guides a lot of what they do, and that determines who they hire, it determines who they fire. It determines everything from, if you look at some countries in Africa and you have a main road out of the capital that goes to the middle of nowhere instead of going to the second largest city. You look at that. You say, "Why the hell don't you build this? It's obvious. Build a road between the two major commerce centers." Well, if you're a dictator, the last thing you want is this big old paved road from where you can have a lot of insurgents potentially right into your bedroom if you're living in a capital. You want to make it as difficult as possible for the bad guys to get to you.

They're all these twisted, perverse incentives that dictators have in order to stay in power. So, just getting back to Xi Jinping, you know his main objective is to stay in power and the way that you stay in power is to keep your people more or less happy enough, or enough people happy enough for long enough. Whether it's a quiet backroom

deal, whether it's pumping out more debt to keep some industries afloat, at a certain point if this does get bad, whether it's making a backroom deal that nobody really acknowledges is a deal, and everyone can come out and declare a victory.

Frank, I think it'll be a while before it gets too bad and China, things aren't ... they have bigger fish to fry. They don't care much about stupid Donald Trump and tariffs and the United States. The economy is still growing at 6 or 7% and they have 812 million packages to deliver tomorrow. In markets, we would talk about it all the time because we're looking at it, we're focused on it, but sometimes you've got to take a step back and say okay, for normal people does this matter that much? No. There are a lot of stock market investors in China but they're not ... if the market falls 20% you're not going to have riots in the street because people are losing money. It's just not the way it works, because it's not that significant in the bigger scheme of things.

Frank Curzio:

It's interesting. It's interesting to see what dominates in news cycle here and what dominates in news cycle there, and I've learned that too firsthand going to Brazil for the Olympics thinking that there were going to be body parts in the water and I was going to get the crap beat out of me as soon as I got off the plane, and it's the most beautiful place ever. The people were great. It was amazing. But I was seriously just reading this stuff going in to that, they're not prepared, be nervous. You're going to get robbed, you're going to get killed, be careful. None of that existed. It was amazing and I had an awesome time, but it's just funny how you just believe what you read sometimes and I love that perspective.

Now, there's a country that you recently visited that has you pretty excited, right? Every time I read your newsletter and I'm talking to you, you're someplace. It seems like you're traveling all the time, but this kind of surprised me

when you mentioned this country to me offline. What's the country and what has you so excited about it?

Kim Iskyan:

Well, I went to Turkey and I hadn't been to Turkey in a while. I went to Turkey because it's all over the headlines and it was kind of the first domino of what may or may not become a bonafide emerging markets crisis, or just an emerging markets correction. Turkey, its currency has collapsed by 45% this year. Its current accounts situation is dire and its stock market is down pretty sharply. So I wanted to go there to check it out. It's kind of similar to what I'm just saying about, how China you go. I went to Istanbul and, you know, everything is kind of normal and it's beautiful. I don't know if you have the chance to go there if you haven't been, Frank, but it's a fantastic city. It's incredible. It's right at the crossroads of Asia and Europe and it's just so full of history and the collision of all these cultures and religions and everything else. I was there and it was perfectly normal. You read the front page of FT and oh Turkey and currency in crisis, but everything's kind of ... nothing's different from what you'd expect it to be.

Now, I think that the key thing though is that the currency has fallen 40% so people who earn Turkish Lira, in real terms, their income has fallen quite sharply and when I was there just a couple of weeks ago, that hadn't quite become the reality yet. People, they bring their paycheck home and they go out to dinner and they plan a vacation and very, very soon a lot of those people are going to say, "Holy smokes, I don't have the money to go because the cost of this vacation just went up by 30, 40, 50%. Or going out to eat suddenly became 20% more expensive and I can't afford it," because the devaluation situation, it's very unusual that your employer boosts your pay by the amount of depreciation. That just doesn't happen.

Now, I think that there's another ... the first shoe has fallen and the second shoe is about to hit the floor in the

next couple of months. Now I've been through a number of financial crises. I was in Russia for two of them and to get to work I had to dodge these long lines outside of banks because these banks were closing their doors, and you had hundreds of depositors who wanted to get their money out and you had long lines at the foreign exchange booth because people wanted to change their Rubles for Dollars because a Rubel was falling through the floor.

Now, you didn't see anything like that in Istanbul. I think partly because the media is very tightly controlled and if the media was free to go on TV and talk to people and say, "Holy smokes, look at this? What are you going to do? The currency is going down!" And then they'd find some grandma who could say something inflammatory, then it would feed on itself because that can become a self-fulfilling prophecy. If you see it, and you see it on TV, you think you should be worried and then it becomes this big thing. But if the media is very tightly controlled, people might notice it but say, "But wait a sec, I'm not really reading about that. Is this only me or what's really going on here, or should I worry about it?" So there hasn't been any sort of big ... it doesn't feel like there's any sort of crisis going on.

I think that the ... I went there to look at companies and possible investments. I think it's probably too early, just because there's a lot of stuff that's still, there's that second shoe and the banking sector is kind of teetering on the edge because they have enormous foreign currency debts that they have to meet and now their local currency is worth a whole lot less in foreign currency terms. So there are a lot of doubts about banking sector, a lot of corporates are going to be in big trouble. There's one stock that I think will be really interesting to look at, at some point, and it's pretty much the largest company in the country. It's a big industrial holding called [Gosh 00:37:58] Holding and it's at all-time lows. It's an ADR, KHOLY and it's the shorthand way of buying all of Turkey. It holds everything

from true bakers to auto makers to construction to defense, you name it. Construction is going to be hit hard in Turkey. There is a big construction bubble and real estate bubble, but that's a stock that I think at some point will become very interesting.

Frank Curzio: It sounds like, and it's great because you're basically going to a place where you're preparing and you're doing your research. It's not that you just go there to immediately come back, "This is what you have to buy." It's not yet, but here's what I liked about it when things settle down and just going through that research process is awesome, which raises the next question. Is there any countries that maybe people are talking about as great investments, even maybe throughout Europe or wherever, that you're skeptical on and maybe talk about since you travel to so many countries and I'm sure you get these questions all the time, is there any place that you travel to that's not safe? I always hear you, read about, saying most places are safe if you follow the rules. Is there any place that you really have to be careful, that you'd be like, "Whoa, just I don't know if I would tell my subscribers to actually visit that country."

Kim Iskyan: Yeah. I think. I visited Venezuela four years ago and it was not safe. It was one of those places that you actually do have to listen to people when they tell you it's not safe and to be careful. When the guy driving around says, in a traffic jam, turn off your phone, close your computer because you don't want the light, the blue light, to attract some guy on a motorcycle just driving down in the traffic jam who will tap on the window with a gun and take whatever you have. But yeah, Venezuela. Now it's everything I've read, it's just gotten horrible and sounds incredibly dangerous. But most other places that I've been, and I've lived in 10 countries, I've traveled to maybe 80 so there are a ton of places I haven't been, you know you just keep your wits about you and you don't do anything dumb.

Now, the risky thing is if you're in a big city and you don't know what the rules are or you don't know where the bad neighborhood is and so you find yourself there. Especially if you don't look like you're from around there, that could be tricky. [inaudible 00:40:31]as well. That'd be at the top of my list of places not to go.

Frank Curzio: What about from an investment perspective? A lot of people talk. The last six or seven years, a lot of people telling me Russia is great, you've got to invest in Russia, and you follow advice and everybody got crushed. But there's a lot of people, jump on different countries and say this is great here. Brazil may be a buying opportunity. Is there any place that people are talking about that you're like, listen guys, you still have to wait on this, it's still not crazy. Even though valuations, political whatever it is.

Kim Iskyan: Yeah. I think Russia, just because you mentioned Russia, and Russia's one of those places where you have to be ... I lived in Russia for nine years. I was a cell site analyst and a hedge fund manager for a long time and I still follow the market fairly closely. It's one of those places that if you look at it from a snapshot and you think the market is at a PEO of whatever it is, five or six, it's incredibly cheap, look at that. I can't tell you how many articles I've read or people I've spoken with who have said, "Yeah, look, that's an incredible long term value." I could have had the same conversation literally 15 years ago with the same takeaway and let me tell you, 15 years in a market that's a PE of five or six, you look up "value trap" in Webster's and that's what you'll see, a map of Russia.

I think the key there, I mean that said I have recommended a Russian stock to my subscribers and the ... right now there's a big overhang of potential additional sanctions which would really hurt, but in the meantime the price of oil has quietly been going up and for Russia, that's enormous. That's incredibly important because so much of the economy is highly geared to the price of oil.

So there's some oil producers that are very cheap, have a good dividend. Lukoil is the second largest oil producer, and has a liquid US listed or rather OTC ADR LUKOI, it's not going to double but it will pay a good dividend, around 5-6%. It's cheap and it's going to keep pumping out oil for a long time. You compare that to, for example, Exxon if you want to invest in an oil company and its trading at about a third valuation. The dividend is higher, its reserves decline, there's a whole lot less. The production growth is minimal compared to an actual decline. If you're looking for some relatively low risk energy exposure that also has the sort of Russia angle where, for what it's worth, Lukoil is an interesting stock there.

Frank Curzio:

Now Kim, I want to finish with this because you have an amazing story on your site at Stansberry Churchouse and you just wrote it this month, first week of September, where it says, "Nine ways to gauge the health of a country's economy." I love the article because you start out with demographics which makes sense, things like drive and economic growth. You talk about inflation, debt, and domestic capital flows. State leaders, politics. I'm like okay, but you have nine things there and some of the other things, which are really high, number two, number three, billionaire lists, the cover story curse, and then you have the second city rule.

When I read that, I love reading things that you don't see any place else. I'm like, wait a minute, what is that about? I read it and I'm like that makes a lot of sense, but there's so many people I think right now that are doing so well in the US that they want to diversify and they want to get into other countries, and having this list I think was really cool. Actually, if it's okay, I think I'd like to republish this to my subscribers if they don't see it. It's on the front page of your website. Again, you can get it for free guys, I'm not selling anything here. But talk a little bit about some of those things. Like billionaire lists, cover story curse, even the second city rule which are very interesting but

make all the sense in the world before you invest in these countries.

Kim Iskyan: Yeah. I think the billionaire list one is looking at the level of inequality. If you have a lot of, well it actually looks at billionaire wealth as a percentage GDP and if you have a lot of wealth concentrated on a very small number of people, that is a long term going to be a problem for the country and of the economy in terms of the inefficiency of capital distribution, in terms of the potential for reinvestment and also corruption because often that's how do people get rich? A lot of emerging economies, it's through corruption. Yeah, it's an interesting one, especially when you look at countries like Russia where you have that issue, in China increasingly, and then you look at the US and you look at the income inequality in the US. That's I think a long term going to be a huge long term challenge for the United States.

The cover story curse, it is kind of funny. It's kind of like that, what's it the Sports Illustrated curse that the team that Sports Illustrated says is going to win, whether it's the Super bowl or it's the World Series, they're the ones that are going to completely crap out that year.

Frank Curzio: Yeah.

Kim Iskyan: Or the star, whoever they put on the cover, the quarterback of whatever.

Frank Curzio: The Madden Curse they call it, the video game Madden Curse where everyone breaks their leg this season or gets hurt. Yeah, it's so funny, yeah.

Kim Iskyan: Yeah, he tears his ACL the first week or whatever. And I think for this, it's partly, when something is on the cover of a magazine, it's done. It's over. Everybody who would act on that has already acted on it and the only way, the only direction the trend is going to go or the price is going to go, is down because everybody else has already acted

on it. That's the classic one but actually in this piece is a cover from The Economist. At the very bottom, the price of oil was like \$10 a barrel or \$7 a barrel. The Economist said, "Everybody's drowning in oil. Oil is going to ... forget about oil," and then of course, poof. A few years later the price of oil was \$144 a barrel and yeah, you see that in so many other things. If you at companies or CEOs who are just glorified, that's obviously that doesn't work all the time, but a lot of the time you say okay, something is going to happen now, everything is priced into this guy, you can't do any better, or this company. It's just downhill from here.

The second city rule, it is a way of looking at the rural/urban division and you see that in Bangkok it's a big thing because it's been a kind of city, urban rural division for a long time and it's been incredibly divisive in the politics, and held back growth and politics and policies. Actually, you also see it a lot in, it's a different sort of thing in China because you have what's been over time the biggest migration of people from rural areas to the cities and that's created enormous problems for infrastructure, for building cities. The number of enormous cities in China is just breathtaking and that's partly been because of this huge rural migration to the city. The point of this rule is that if you have a second city that's really quite small compared to the size of the capital, that reflects and underlying division or the potential for an underlying conflict and division between rural and urban.

Frank Curzio: Yeah, I love it. I love it. Just things that you can read that just makes sense and again, there's a list of nine. If that's okay, Kim, I'd love to send this to everybody and publish it on Curzio Research for free. But just-

Kim Iskyan: [inaudible 00:49:05]

Frank Curzio: Yeah, Kim, I love having you on because I always learn something new. You're a boots on the ground guy that's

telling us what's going on with like the government of Beijing and talking a brokerage firms and it hasn't come up once. I guess it reminds me of Brazil because you only believe what you read. You only believe sometimes in the US what you see and all this reporting and things like that, but when you really look underneath, it really gives you an opportunity right because sometimes you'll see, like the Chinese market come down 25% on news, and you're going over the numbers and saying well, you know, it's not really that big of a deal. Doesn't mean a lot of these stocks can't come down more, but it's like you could use that as an opportunity when you're really doing the homework, boots on the ground, and looking under the hood.

You provide that in an area and I'm not kissing your butt here, I really mean this because I don't say this about anybody else internationally. I know you're going to let me keep going here, but you provide something that, in a market that not too many people are familiar with in the US and different areas. That's why, for me, it's really cool to have someone and a great source to talk to and say, "Hey, you want to know the real scoop of what's going on? This is the guy to talk to," and I really appreciate that. I know my subscribers appreciate it too.

Kim Iskyan: Thanks Frank. That's very kind of you.

Frank Curzio: Well, listen-

Kim Iskyan: It's a lot of fun.

Frank Curzio: Yeah, I know, I know and 90 countries, incredible. Kim, thanks so much for coming on. You're doing this from Singapore. I know every time I have you on that you're in a rotation now every three months or so, and every time it feels like you're in a different country. You're giving us information, you're telling us the stock picks, and I really appreciate that and taking the time because I know your

schedule is really, really hectic these days. So thanks so much for coming on, buddy.

Kim Iskyan: Oh, thank you Frank.

Frank Curzio: Again, great stuff from Kim. I love him. He's not a fast talker like me when I get excited about things. I'm like yeah, [inaudible 00:50:41]. He's very, he's just a guy that goes to different countries that just, I always learn something when I talk to him, and that's why I really appreciate guests like that. From someone who covers the markets and someone who covers so much and read so much. This is what I do, this is what I love. This is what my subscribers pay me to do, to find ideas for them. Kim really is a great source. I'm always learning something new. He's always telling me things pretty much the opportunity of what you're hearing out there because of the places that he's been at. Just think about the meetings he's had in Beijing or brokerage firms, trade tariffs came up zero times. Very interesting how it's not really being talked about in China like it is here, which I find fascinating.

His stock picks are always original. The knowledge of politics outside the US or in different countries. He's always traveling. Every three months, he highlights a different country he visits, the positive and negatives. Just really interesting stuff. He finds ideas that, again, nobody else is talking about or you won't hear anywhere else. So that's why I love having him on as a guest. Just things like the nine ways to engage with country economy, just things like that, that help investors. I love to see stuff like that. Again, when you look at those nine things by the way, that is published in a book that he highlights, *The Rise and Fall of Nations: Forces of Change in the Post Crisis World* by Richard Sharmer. He's the head of emerging markets for global bank, fund manager for Morgan Stanley. So he wrote it. The fact that Kim's able to find all these things and help investors and make money in international

markets, in an area that most haven't really done well and he's done very, very well, is really, really cool. Again, I love Kim. I like interviewing him. I learn stuff. But this podcast is about you. It's not about me. Let me know what you thought of that interview at [frank@curzioresearch.com](mailto:frank@curzioresearch.com).

Now, let's get to my educational segment. It's about China and tariffs. At the rear, and my stance again, something I said listen, don't worry about it guys. I provided examples, even did like a Facebook Live video and a lot of people don't like Facebook now and I get emails on that. We're going to really start posting these things on Twitter as well. @frankcurzio is my handle so you can go, and I've been posting a lot more on Twitter. I've been doing that two, three times a day. Just different things that I'm seeing through the day, I'm trying to post that you won't find anywhere else. It's really cool. I'm not going to bore you with stuff and tell you what everyone else is going to basically talk about.

But when you look at China and even the cost, the costs of the things and the prices that are raising that are going to be passed on to the customer, if you look at the benefits of what we're going to see and what we're seeing right now based on the tax cuts, it easily covers all tariffs. Very, very easily. That's why you're not seeing earnings come down. You're not seeing sales come down. You're not really seeing a major impact in the US markets while we're trading higher, but like Kim said, sentiment wise is very weak even though numbers don't mean as much as people believe, but their market is down 25%.

There's a lot going on but going forward, forget about the past because people could say, "Well, I said this, I said that, and I was right, I was wrong." We want to talk about now and the future. A good time to buy some of these Chinese related stocks? Even he said yeah, probably. You don't know. You're not going to hit the bottom and we've

had one stock in there which is JD and I talked about that before which I love, that I think is just down because the whole entire market. There was some negative news on the CEO which I don't think is an issue, because they let him go back so I won't get into that. My subscribers know. But JD is a portfolio. Again, I don't want to give too many stocks away, and I usually don't, but I wanted to talk about that to be fair because I'm talking about this. I can see subscribers say, "Well, JD is down a little bit and you're talking about how right you are in the markets." Look, I thought that would be a fantastic opportunity to go up. I didn't think it would get hit much more than market, but be sure to follow your stops.

When it comes to the China market and what I'm looking at and trade wars, what we hear, it's such a fantastic term, trade wars. People are going to scare you to death to buy whatever they're selling, but if China was really serious, the one thing that they would do is raise prices on rare earth metals. Rare earths is, and they're not rare. It's a bunch of metals that are used for so many different things in the US. For technology products, for phones, for weapons, for missiles. It's something that we're in dire need of, that China controls roughly 80% of this market and it's probably going to get higher. They're rare. They're not rare, but they're very hard to produce and pull out of the ground. They're usually found in mud and found in all these certain areas. Those areas happen to exist all over China.

Now, if they decide to do this, you're going to see the prices of these rare earth skyrocket. They skyrocketed because what do we have? We have an example, I believe it was in 2010. We had the same thing, cut off the market to Japan and we saw prices for earths surge. They're very depressed now. It was a big market back then. Bigger than like the marijuana trends today where you're seeing stocks go up 40, 50%, go down 20%, then go up 16%. Similar situation. Rare earths were huge and Jeff Fellows,

who's my buddy, who I've interviewed plenty of times, was the analyst at the time talking about these stocks, and he always jokes how I didn't know, I think it was [Molly 00:55:55] Corp which I don't even know if exists anymore, but that was one of the ones that he had in the pennies I believe and he's like, "yeah, I think I sold five or six. I didn't know it was going to go ..." whatever it went, it went much, much higher, but it certainly came down, but he did very, very well over that time period and knows this market better than anybody.

When you look at this market, it's depressed, just like the mining market. Super depressed. So for me, I see the risk very, very low. Trying to find, there's not a lot of stocks out there guys. I'd love to share stocks with you, but the ones that I would share are so tiny that I don't want to push them higher or lower and have to dig into them, but it's an industry that you need to dig into. Because if China makes this decision, a lot of these little stocks ... we're talking about stocks back then that went from 15 or 20 cents, to \$7, \$10. We're talking about massive, game changing returns that will make your portfolio for the next five years.

You don't really see opportunities like this. Maybe in gambling stocks we saw, you saw it in crypto two years ago and I still think that whole markets going to change over from ICOs to STOs and create another massive boom where you're actually getting equity stake in cryptos and they pay dividends. The tokens are linked to nothing, nothing. Nothing at all other than using them on the site which means, not to get off point here with China, but with crypto if you don't use that token on that site, it's worthless. The company can generate \$50 billion next month and your token can go to zero because it's not tied to anything. There's no equity stake. It's not like a stock. When Microsoft does well and reports good numbers, your share is going to go up because it's equity. You own a piece of the company. You own nothing when you're

buying ICOs. Nothing. A lot of these are just utility tokens and it's pretty crazy when you think about it.

A lot of people don't know that. You think you're investing in something. It's almost like when Facebook purchased Oculus Rift and all those people, what was it I forget the place where people were able to invest in one of those sites, and crowdfunding sites, and once they took it over, bought it for what was it \$2 billion I believe. Everybody's like, "Wow, that's great!" No. You got nothing. You didn't own an equity stake. You didn't know that? You had the right to try their products out, that was it. People didn't know. They thought they were getting an equity stake, they were going to be rich. It's the same thing with ICOs that's going to change over to STOs.

Didn't want to get off point there, but this is a market and this is a sector that if China's for real and we piss them off enough and it seems, and the only reason why I'm mentioning this is because we saw the president of China hanging out with Putin, hanging out with Abe, hanging out with people he doesn't really like right now and he's taken it to extreme levels that I didn't even think would happen. I thought they'd be talking behind closed doors and those guys could take shots at each other, but behind those doors there's millions of things they could do for each other, just to resolve all this stuff. Everything would be fine, but the fact they're now coming to the table means this could last even longer. So how do we play this going forward? That's one of the ways I think you play it and in Curzio Venture Opportunities, you're going to see a recommendation which is a stock that probably nobody's heard of because it's an international play, but you're going to have a great detail right up in this newsletter that's coming out next week on Wednesday.

But this is an area, guys, that you really need to dig into, start looking at because the potential returns on this is kind of like the marijuana sector. You're looking at returns

that could easily surge not just 200–300%, but the last time this happened in 2010, price just rose tremendously. Stocks went up thousands of percent and based on a risk reward, if nothing happens or if we're wrong, I think a lot of the risk in the whole entire rare earths industry is priced into a lot of these names, but if I'm right, you could see massive, massive returns. From a risk reward standpoint, I think it's fantastic. Get that new recommendation but guys start doing your research on this. There's a lot of tiny, small players in this market. I've been doing a lot of research over the past three, four months and very excited about the issue coming up with Curzio Venture Opportunities.

If you're interested in that guys, we've been sending out offers and doing a lot of things for you. Just send me an email, [frank@curzioresearch.com](mailto:frank@curzioresearch.com). Again, that's our high priced newsletter. We also offer private placements. It's not for everybody, I understand. There's a lot of people who are just starting out investing and things like that. This is more, I wouldn't say for a credit investor, but we're taking a lot more risk. We have a fantastic performance right now. We're doing very good. It's off to a little bit of a slow start at the beginning which I addressed to everyone and said, "Listen, you're paying me. I've got to do a better job, and I'm glad to see a lot of these stock recommendations really go higher." I think we have four positions now over up 100%. This isn't me patting myself on the back. This is me extremely happy that my subscribers are making money because that's what you pay me to do. If you're interested in that newsletter, let me know. If Curzio Venture opportunities subscriber, you're going to get my newest pick and this is a pick that I would actually say, which I never say often, has probably more upside than any other stock that I've recommended in this newsletter thus far, in the past two years, that I'm really excited about.

So, guys. That's it for me. If you have any questions,

comments feel free to email me anytime, frank@curzioresearch.com. Thank you so much for listening. I really appreciate it. I'll see you guys in seven days. Take care.

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