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THE MIKE ALKIN SHOW

TALKING STOCKS OVER A BEER

Announcer: Free and clear of the chatter from Wall Street, you're listening to Talking Stocks Over a Beer, hosted by hedge fund veteran and newsletter writer Mike Alkin, who helps ordinary investors level the playing field against the pros by bringing you market insights and interviews with corporate executives and institutional investors. Mike sifts through all the noise of mainstream financial media and Wall Street to help you focus on what really matters in the markets. And now, here is your host, Mike Alkin.

Mike Alkin: Welcome to the Podcast. Today is January 22, 2019. I am talking to you from downtown Vancouver, as I am driving from Vancouver down to the Seattle-Tacoma airport so that I can get a flight back to New York. I just spent the last three or four days here in Vancouver, where I spoke on a few panels and gave a presentation on uranium at the Vancouver Resource Investment Conference.

Oh, it's about 7:15 in the morning and it is dark as can be, so I'm navigating the streets of Vancouver as we speak. My Wave keeps re-doing it because I keep missing my turns.

So anyway, I came out here Saturday for the conference. The conference started Sunday, and the flights from New York to Vancouver, they just can't [inaudible 00:01:44]. They're later flights. There's only a couple of them. You've gotta take the Red Eye back. After 25 years doing this position, being in this business, I've given up on the Red Eyes when at all possible. So what I tend to do is ... Or you've gotta take multiple stops, which I hate doing.

So what I like to do when I travel, I like driving, I have no problem with that. So if I can get a direct flight to a bigger city and then drive a couple, three hours, whatever, I'm totally cool with that. I'd rather do that than sit in an airport. I could listen to some news. I could listen to a Podcast. I could catch up on work and phone calls, so that's kind of how I like to do it.

So I came out here Saturday night. Leading up to it was pretty wild, because we had ... All week, all we kept hearing was, like many of you in the rest of the country, we're gonna get destroyed by snow. New York was gonna get hammered. Of course, we've had one snowstorm all year. It's been a pretty mild winter.

So, of course the weekend I'm going to be away, it looks like the storm of the century. So I get the snowblower ready. Everything's ready for my buddy who lives around the corner. He'll come over and he'll do my house, and he'll do his own. He'll snow blow his own. We do it right. It's not like going up on a ladder. I'll still snow blow. The landscapers, they have businesses where they come around and do it. But I kind of enjoy it, so it's not that big a deal.

So anyway. Leading up to it, I find as ... My kids are great. They're almost 13 and 15, and I just love being around, and being with them, and hanging out with them and their friends who come over. So I find myself more and more, as I'm getting ready to go somewhere, like, "Ugh." I like doing the trips once I'm there, but the going is like, "Ugh."

But, especially with the snow, I have my daughter saying, "Dad, I can't believe you're leaving us, because it's gonna snow. What are you doing?" My wife's like, "Ah, don't worry about me. I'll handle it." So every day the forecast is coming in, it's worse, and worse, and worse.

Well, here we are. What is today? I don't even know. Tuesday? Nothing. They had zero. The inability ... I think it was Friday they were calling for, Saturday it was gonna be really bad. Literally nothing. A little bit of drizzle. I can get my head around the forecasting ability of the weather people. It's been this way since my early 50s. How is it possible? Actually, I'm a little bit older than that now. I'm 54. But how is it possible, at all, that when I was a kid there were bad forecasters and today they're just as bad? With all the technology changes and everything, is it that complicated? But it never ceases to amaze me.

So anyway, we got through that relatively unscathed. The weather out here in Vancouver's just great. In the wintertime it can be dark and rainy, but it's mild. The temperatures are very mild. I love coming out to this part of the country ... Well, it's not this country, the U.S., this part of the world. There's something ... It's gorgeous. It's majestic. It's beautiful. The people, the Canadian people I find to be just incredibly friendly. I always look forward to coming up here. It's really enjoyable.

I don't know if you've all been to a Resource Conference before. I had never been to one that is more geared towards retail investors. My career has been spent going to institutional conferences. I'll give you an example.

Pick a firm. It doesn't matter. Morgan Stanley, Goldman Sachs, JP Morgan, whatever. There's all of them, right. They have investment conferences. You go to these conferences and the companies come up, and they present on stage, and you listen to their presentation. You may or may not get a group meeting with them. You may or may not get a one on one meeting with them.

Institutionally, the way it works is, whatever firm is hosting the conference, their bigger clients are gonna get the better meetings. It's kind of the way of the world. If you're not an institutional client of Goldman Sachs, let's say, you're not going to get into that conference. You have to pay them. You have to pay them big sums of commissions to become a client and to get there.

So you often hear me talk about, "Oh, the playing field is slanted." Well, that's one way that the playing field is slanted. Because at a conference like that, a retail investor is not going to get in. Now, in the U.S., there's Regulation S-P. So in theory, what a company is saying, they have to say in public. They can't advantage one investor group over the other. They can't tell ... And in the old days, they used to do that. But they can't legally do that anymore. So they can't be in a small group meeting or a one on one and say, "Hey, Bob. Here's what the quarter looks like." They can't do that. They'll go to jail for that. So it's not disadvantage in that way because if they were to say, "Our quarter's good." They need to tell the entire world that in a press release.

From that standpoint, it's not information that they're giving. But if you get to know management teams and you get to see them occasionally, you get to watch them up on stage, you get to be in a group meeting or you're meeting them one on one, you tend to be able to read body language, get nuances. So it helps to be there, it absolutely helps. It also helps to watch and listen. Are they consistent in their message? So that's helpful.

That's something that the average retail investor is not going to get access to. But again, they're not giving out information that is material and non-public, at least they shouldn't be. Going to these things for years, they don't.

Conversely, a conference that I just spoke at, the Vancouver Resource Investment Conference, put on by Cambridge House. Up until a couple of years ago, I had never been to a retail investor conference. I had never spoken publicly about anything. I was a good soldier at a hedge fund for decades. Panelist, I had to be a portfolio manager. I was a partner the latter part of my career. I kept my head down and worked hard.

Then over 2016, I think it was, or late 2015, 2016, I really started diving into uranium work. I was at home. When I started to see the thesis and I started to believe strongly about it, one thing led to another and I presented on Real Business TV. One thing led to another and I was invited to the Vancouver Resource Investment Conference. Apparently some of the things I talked about, about uranium and the big picture. The macro was somewhat of a different voice. Nobody knew who I was. I'm not a resource investor.

I, over the years, occasionally, would look into the resource industry for something. Maybe somebody would tell me an idea, but way more often than not, it would be on the short side. A lot of my career was as a short seller. I'm gonna lead into the mining industry.

But again, it was in an institutional context. So when I came to speak in June of '17 at the Vancouver Resource Investment Conference, and I opened the ... I went into the hall, I hadn't ever seen anything like it before. I had, but at the Consumer Electronics Show, Consumer Trade Shows, where they were more industry trade shows, where companies had booth, and they had samples. You go to the Housewares Show in Chicago, and they have cutlery, and they have every gadget you can think of.

Here, it was, "Oops!", with all mining companies of all ... well, mostly junior miners. Very small junior miners with booths, and management teams standing there telling their story to retail investors. When I first saw that, I thought, okay, I'm not sure what I think of this. It kind of feels like a trade show. Again, you know what you know. 20 plus years, that's not what I knew.

So I was trying to get my head around it. Mammoth hall and the people at Cambridge House are wonderful. They can't be more accommodating. Really, really nice people. So for me, this was my adjustment, not them. This is what they do and this is what the industry of junior mining is. Because they don't get the coverage from the bulge bracket that big firms, that have these institutional conferences.

There are a few brokerage firms out there that do it. They have conferences that will let some retail people in, but those are smaller firms. I'm talking the bigger institutionals where the big ... the JP Morgans, the Goldman Sachs, where the bigger companies are.

When I first got there in June of 2017, I was walking around the conference hall and I was going to speak publicly about uranium. Like I said, I'd never spoken publicly. I'm an introvert. I don't like standing in front of a group of people. I'm not chatty. On the Podcast, you might say I ramble and ramble into monologue, or when I'm talking to ... That's just because I'm excited about the topic.

I can't see the 35,000 people a week this gets e-mailed to, and notified of the Podcast, and the 8,000 to 10,000 people that are gonna listen to it. I'm just either sitting in the room I'm recording it, or I'm driving right now and I'm talking.

But standing in front of a group of people with hundreds of people was new to me. So the first time I'm there, I'm ... Now, I know the subject matter inside and out, so I'm feeling fine with that. But little silly things, like how do I ... I get up on stage, I don't know how to use the clicker. I could barely use the TV clicker at home. I am somewhat of a technology neophyte.

So I'm thinking, "Okay, I've gotta get up there." I stand up on the podium and of course, I have no idea what I'm doing. There's two buttons, red and green. Red's move your presentation forward, green's move it ... Green, move it forward; red, move it back. Of course I couldn't figure that out and I'm pointing it all over the place.

Then, whenever I went to presentations, I always saw people looking down in front of them because they would be ... Their presentation would be on the screen behind them, but they were talking to their presentation, which was on the floor, on a big monitor in front of them, so that they could follow along. You do a 20, 25 page deck, you don't remember order sequence. Some people do, but most people don't. They need that guide to show, to be reminded what they're showing people looking at the screen behind them.

I didn't have that, so I had to keep looking back on the screen. Well, it turned out okay, because at the end of the conference, or the presentation, in the next hour, let's say, I'm walking around and I had lots of people coming up to me saying, "Hey, that's pretty interesting. Wasn't aware of this, that, this, or that."

One of the things I've learned about the retail investing crowd and resources is, many of them, not all, but many of them, at least that I've met there, follow the management team. They follow the stories. So they follow what's going on.

So I brought up some topics that people hadn't really been thinking about. So that was great. That eventually went on YouTube. It went all over. Then I had management teams of uranium companies calling me, wanting to talk to me about my macro view. One thing led to another, here we are a couple years later and I have a uranium based investment vehicle.

But that's not the point of all of this. I've gone back. I've been invited back a couple of times. One time I couldn't get back. I hurt a shoulder playing hockey. But as I've gone and I'm less ... not overwhelmed, but less amazed at the scene, and the setting, and forgetting I'm not at a trade show, I now am more adept at walking around and listening to the companies messages.

And they have workshops. These workshops are ... There's about six workshop rooms, where presenters go in and speak. They have some panels and they have stuff like that. It's from all walks and shapes of life. There are newsletter writers. There are companies. There are industry bought people.

One of the things you realize ... You go in and sit wherever you want. But as you walk around, I'm guessing there's hundreds of companies, gotta be. I'm guessing. As you walk around and you talk to people at the booths, what you realize is, everyone has a great project. Everyone is ... on the exploration side is really close. They're a long trend, on strike, right-buy trend. They're close. They're gonna get it, they think. They're pretty sure. They're gonna show you the presentation and why they're there. You're like, "Wow. It's pretty amazing. Look at all these companies that are really close to making it happen."

Then you realize that something like one out of every 5,000 holes drilled really turns into any discovery of any kind. So either you have a really lot of optimistic people there, or people who truly believe what they're saying. I kinda think ... I like to think some do, many do, some do maybe. When you really start to unwrap it, you say, "Okay, so what is this?" Well, it's a group of junior mining companies across all different commodities. You name it, they're there.

At the end of the day, I like to say that junior mining companies are almost like bio-tech companies, in a sense. That bio-tech companies, discovery stage companies really are in business to do research and development. They don't generate revenue. They're trying to find the new, new thing. What do they do?

They are exceptional at raising capital, exceptional at it. They raise money. That's what they do. Why? Because that keeps them in business to do research and development. How many drug discoveries do they have? Not a lot, but they serve almost as the R&D arm of some of these big pharmaceutical companies because if they find something, they get bought.

Kind of similar to the junior mining industry. Their R&D is exploration. Their R&D is development. So early stage is exploration. Then you get into, we find something and we have to develop something. From there, you build a mine and that requires capital. At each stage, there's a little bit more and more certainty. None of it's easy, but you're there. But the riskiness is in the exploration stage.

If I think about one of the regions of the world that use uranium, has a lot of uranium, in the act of excavation, the highest grade uranium jurisdiction in the world. In the last decade, you've had four major discoveries. If you look at those companies, they've spent on average $17,000,000 in the exploration stage and $33,000,000 in the development stage, so $50,000,000.

Well, that's often much bigger than the market caps of those companies at the time. But they found stuff. They found great, big deposits, but that needs to be financed. So if what you need to spend is more than the entire worth of your company in the market, what the market is paying for it, you're going to have to raise money, and there's gonna be solutions. That's part of the business. That is a known.

But when you have history of success of exploration is very low, that means there's a lot of companies out there that are telling you and showing you a good story because none of them would be doing it ... Well, I shouldn't say that. There are some that are completely full of shit and know they have nothing, and they're bad guys, and they raise money. That happens. That absolutely, 100% happens. Most aren't bad guys. Most believe they have something, but a lot of them aren't gonna work.

So as I walk around, and I look at this, and I think it's a wonderful venue that Cambridge House has put up. I think it's a very low cost to get into it. But you get access to companies, and stories, and management teams that you might not otherwise have access to. It's a good venue for it. That's the pluses.

The other side of it is, in the world of exploration, let's say, and development, unless somebody is a mining engineer, or geologist, or has real intimacy with the nuances of this, you can hear a good story that's nothing more than a good story. The stories tend to get better when companies are in the needing capital race. They tend to always need news flow. Once you have someone to access, to [inaudible 00:22:25] on it ... I have geologists that I can go to. I can speak to mining engineers to say, "Does this make sense?"

I'm neither. I'm not a mining engineer. I'm not a geologist. Fortunately, over my career and earlier in my career, being a generalist investor and looking at virtually every industry on the planet, there are some that resonate more than others. There are some that naturally, you can analyze more natural than others, and everyone's different. There are some more interesting than others, some less interesting.

But I realized early on as a generalist, that there are some things, for me, I'm good at, some things I'm not. What I also learned is, trial by fire and mistakes. So I kind of whittle down what I can kinda understand and can understand. I know in the world of uranium, I studied the basics of the geological formations. How does that prepare me to invest in a uranium company without other insights from others who know it? Not great. I have to have built a network, and talk to people, and understand it, and understand the history of these formations. So that puts me at a research level that I could really understand it.

Same thing with the mining engineering. Does this work? You talk to people and you get to know them in the industry, guys who've been doing it forever. Does this make sense? Does that make sense? No, here's why. Great.

Now, if you're at home and you're investing on your own, you may not have the time or the access to people like that to do it. So I have learned what I know and what I don't know. I'm very happy to admit that. But people who are walking around this floor, and it's interesting because now, with this Podcast, when I walk around in June of '17, nobody knew who I was.

Now I walk around and it was kind of funny. I was telling my wife and kids last night. I said, "I've got people coming up asking to take selfies with me." They laughed. They're like, "You? Why?" I'm like, "I don't know." Because they hear my voice. You hear my voice and I love that people come up and say hello. I'm not worthy of a selfie, I promise you that.

But it was funny. I talk to people at the show. People come up and we talk. I could tell the investment acumen level of certain people versus others. It's really great because people from all walks of life will come up and talk to me. My God! They're getting up to speed. A lot of them are learning and trying to get up to speed. They'll ask me, "What do you think of this? What do you think of that?"

I don't talk about it. I don't talk about individual companies. If somebody says something about something that I think is really just wrong, I message it that, you might want to rethink that, or look into that, or something like that. When I could see that you have really well intentioned people putting really hard earned money to work. They're trusting what they're hearing.

I write a newsletter, so I do two things. I have my business, the firm, that invests in uranium funds through a vehicle, and I write a newsletter about short selling, which is expressed through Curzio Research. Once a month, I come out with an idea. I'll update as I think is necessary. Less is more, that's my view. There's too much noise, but that's my view.

A couple of years ago, I knew nothing, zero about the newsletter business. I read David J. Grant's Interest Rate Observer. I read Fred Hickey's High-Tech Strategist. But I didn't know the larger newsletter industry at all. I met Frank Curzio a super nice guy.

When I first started talking about uranium, somebody suggested I should write a report about it. So I did and I put up a website. After a couple of months, I realized you've gotta deal with credit card issues and all this other stuff, and billing. I have no interest in that. I met Frank and Frank said, "Hey, you should write, you're a short seller." I said yeah. He said, "There's not a lot of short expertise in the market. You should write an investing letter about short selling. Educate people on short selling."

So that's interesting. As I was just talking about, here I am at a conference. I see a lot of companies. I'm like, "Oh, God." I don't know how many of these are gonna come to fruition, so what am I looking at? What do I look for? I go, "Well, that'd be a really cool way to educate people."

So a year or so ago, Frank published the newsletter for me. It's called Moneyflow Trader. It educates people about short ideas. Frank and I ... I can't tell people to short stock outright, because it's hard. It's a real art. The fundamentals you've gotta get right. But in short selling, there is unlimited risk.

Now, I did that my whole career. I could sleep like a baby when I was short something, going against me, losing money because I felt the story. I knew it. You do it. Whatever you do for a living, whatever it is you do, you have good days and bad days, good weeks and bad weeks. If you have a good foundation, you understand how ultimately you think it's gonna come out, you sleep okay. There are times where you sleep less okay. There are times where you're like, "Oh, shit, I'm wrong." And you learn. Okay, I'm wrong. I'm out. Admit your mistake and move on.

There's one thing I can tell you about investing is, no matter how good you are, you're gonna be wrong. You're gonna be spectacularly wrong sometimes. The best thing to do is own it. I was wrong. It's a really cathartic thing to say. I can have the fundamentals correct. My thesis could be right and something came out of left field, in any industry, over my career. Some of my best ideas on the short side were ... As a short seller, you're usually very early. You're spectacularly early. Because you're seeing things in the numbers. You're seeing things in the industry that are not yet reflected in the stock price. It takes a while.

Most analyst writing about the company at the sell side firms, they're positive. The companies are always positive. I can't remember the last time I stood up, I went to a conference, or spoke to a CEO and he said, "Ugh." One salesmen and you don't get to the C-suite, CEO, CFO level of companies by not being a good communicator, and not knowing how to play politics, and not knowing how to message, and not being really, really shrewd.

So when we decided to do it, I said, "We can't really do short selling because I get the earliest [inaudible 00:30:27] a lot." It could get taken out or it could be a momentum stock. It will get run over even though I'm right on the fundamentals. He said, "Let's do it through long-term puts." Which is option strategy.

You buy a put and here's the expiration date. If the stock goes down below the strike price, you'll make money. If the stock is above the strike price or at the strike price at expiration, you're gonna lose the whole investment.

But let me educate people as to, it should be a very small portion of your portfolio. Here are some ideas. But I'm not only gonna give you some ideas, good ideas, but I'm gonna educate you along the way on how to think about analyzing a company and what I'm looking at. Through that, it's gonna help you in other aspects of your investments.

So I really like that. Happy to know Frank, really, really nice guy. We're from, oddly graduated from the same tiny college in Long Island, didn't know each other then. He's a Queens guy from New York. I'm a Long Island guy. If you're not familiar with geography, Queens is a borough of New York City. Long Island is a little bit further to the east.

Frank has a much thicker New York accent than I have. I don't do the accent thing. Frank's got a much thicker accent. I lost mine many years ago. I say that jokingly. Frank's Queens. Queens are tougher guys. Long Island guys are just a little bit softer. But we had that in common.

And as I started talking to Frank, he worked for 20 plus years in the newsletter industry. At one time, he worked for Jim Cramer at TheStreet.com. He wrote a lot of his stuff, newsletter. He did a lot of Podcasts every day. I started listening to Frank's Podcasts. I thought, I really like his messaging. I think he understands what he's talking about and he's smart. Again, I didn't know the newsletter industry. So Frank said, "Okay, let's do this." And I said, "Great."

It's been a year now, I think. The newsletter was up last year, not spectacularly. Because it's not up market, down market. It is not … I don't make market costs. This year I think there's more risk in the market than not. Here's why. I've reduced exposure of this or that. But these are individual companies. Some have worked beautifully. A couple I've just gotten flat out dead wrong. A little mixture of everything.

I'm learning. I can't write my newsletter like I analyze a company, or if I was sitting around at my fund now and talking to my analyst, or my prior firm with my partners. There's no backstories. When you're writing a newsletter to a retail audience, you've gotta engage people and tell them the story of the company, and the history of the company, and keep people interested. I can't put pages of financial analysis down because people … I'll lose people. Most people are subscribing to learn. I can educate them. I can give the end results of my analysis, but I can't put spreadsheets and heavy financial analysis in the newsletter. I can talk about the outcomes of that.

As I've gotten to know Frank, I really like him. He's a very genuine, nice guy. Like all of us, I have my good picks and bad picks. He has his good picks and bad picks. I can tell you, when he has a bad pick, he's nauseous, just like I am. If I've made a mistake, or my timing was wrong, or I misread the art of what it

is. When I say a mistake, I wasn't sure that the management team would be this promotional and I missed that part of the art of it. You feel terrible. But again, you're gonna be wrong. You accept it, you go on. You try to always minimize your mistakes. Frank is the same way.

What I've learned, though, about the last year of the newsletter industry, because like anything, if you do something new, you want to understand it. So I started looking at different newsletters and paying attention. I didn't even know they existed a year ago. It's nauseating. I don't know that the old time newsletter writers would probably be mortified at what you see out there.

Everyone was a Wall Street trader. Trader, that's the term, right? Trader. Really? Okay. I was a partner at a $4,000,000,000 firm. Again, it doesn't mean I'm right a lot. But you've gotta know who these people are. What did they do? What was their role? Were they a sales trader executing orders for the portfolio manager? Were they a Wall Street financial advisor, not having discretion over peoples' money? It's important to understand. So there's a lot of jargon.

Then what I learned is, it's about ... They sell greed and fear. When the market's going up, what is hot? Then go write a package about that, and find stocks that are working, and tell you how much gains you could have. Then when the market is going down, let's throw fear in your face, and tell you what you should be doing, and sell subscriptions about that. That's the industry. It's clear to me, the industry. I find it repulsive.

Frank will tell you, we joke a lot. Because you're in the business, you need subscribers, but how do you message it? Because for me, you should be doing the opposite from what the crowd is doing. But the buyers of newsletters, that's what they want. They want what's working, what's hot, what they can tell their friends about. It's wrong! But that's what sells.

You have to find that nuanced message. So I've learned about all this, how to message. In my newsletter, I talk about in December when the market was down, 10, 12%. In December it was down 20 from the peak. I didn't send an update about what you should be doing today. I've been talking about it for the last year. On the Podcast, you've been hearing me say about it.

But on CNBC and everywhere else, they were pounding the table. "This is what you need to be doing! The market's imploding!"

Right? From the last week of December, the market is not parabolic. It's straight up. That's all it's done.

Wayne Gretzky, skate to where the puck's going, not to where it's been. So anyway, my point is, at this conference, you get to see it all. You get to see the companies out there pitching their stories. You get to see some newsletter writers standing up there. I don't know a lot about a lot of things. I've looked at a lot of industries. I have a good foundation on analyzing companies.

In the resource space, I don't know resources. I know uranium. I know the macro-uranium story really well. It doesn't mean I'm right. I think I'm right. I think today, I'm more right than I've ever been, but it doesn't mean I'm going to be right. But my conviction level is as high as I can possibly say it. As I spoke at the conference on Sunday, the very last words I said were, "When I was here in June of '17 and I had walked in to presentation. What I said, today I'm doubling down and I have more conviction than I ever had."

Interesting by the way, the price of uranium when I spoke in June of '17 is up by 44%. The equities have kind of not got there yet. But from a fundamental standpoint, I can't feel better. But I know that thousands, and thousands, and thousands of hours that I have put into understanding the nuclear fuel cycle and modeling it out. The different stages of the fuel cycle, and the inventories, and the reactors, and the mines. I know that.

That is not what most, most newsletter writers do. Many of them are gifted writers. I am a terrible writer. I have editors who help me. They help me. I tell them what I'm thinking, they put a backstory to it. Then I write my stuff and thank God for Ashley at [inaudible 00:39:53] who edits my stuff. To take my financial gobbledygook and put it in a way that people are gonna understand it.

But I sit there and I listen to some of these presentations. It's all I can do to keep my mouth shut. One of the things I want to impress upon you is accountability. It is very easy to stand up in front of an audience of people and tell people as I said, and as I've done, and as I predicted, and as I did this.

25 years ago, you had no way to check that. Here, you do. Now you do. We live in a world where you can check anything. When I, three years ago, started to sniff uranium out, well, my God! YouTube was my best friend. So one of the wonderful things is, I looked on

YouTube. Let me go back and see what people are saying about uranium. I went to 2012, and '13, and '14, and '15, and watched presentation after presentation, after presentation. I took my notes and I did my stuff. As I started to peel the onion back and did my own work, and I started to look at the import of the devaluation of 90% of the Kazak currency, and the benefit it had to Kazatomprom the State [inaudible 00:41:30] all uranium produced, which is the biggest in the world. They cost in tenge and sell in dollars, so their cost structure is low. Their dollars went up [inaudible 00:41:39] and that held their margins in a really big downturn. It helped their cost structure.

I don't know how [inaudible 00:41:48] that is. If you look at that, they're spending a lot less on capital expenditures. That's gonna catch up to them due to the mining method they use. I didn't know that right away. I started piecing that together. Then I started looking at the impact of secondary supply on the market and the underfeeding that's occurring, which I'm not gonna get into a detailed discussion, but it's a very, very important aspect of it. I started to look at all the [inaudible 00:42:18] cases. I thought, holy cow!

My apologies if I just broke up a little bit. I'm in a little bit of a desolate area on the way to Seattle.

So I put in these thousands of hours understanding the fuel cycle, and modeling out the reactors, and the mines, and all of this. When I talk to people, I can tell what level of knowledge they have. Now again, I want to emphasize something. I am not a uranium expert, as I get called. I am not. I'm a guy who understands capital markets. I'm a guy who understands from doing it their whole career, supply and demand, and the impacts on markets. I'm a guy who just my ... I happen to style of investing is contrarian. That's a term that's often used flippantly, or too often. All it basically means is, I'm looking for changes in data, in industries that are either too high, or I think too high, that have had extremely strong moves to the upside or extremely strong moves to the downside.

When that happens, it attracts crowds. It attracts money flows. Money Flow Trader, the name of my newsletter. It attracts interest when you go out and you're at your friend's house. People talk about what's working, what they own, why they like it. "I own this one. I make this much money on it." They don't like to talk about, "Hey, I got this stock that's in the toilet, but I think it's gonna do it."

But you know what? When everyone's doing something, it becomes a greater Bull Theory. Who is gonna be the one to tell us if the next guy with valuations don't make sense. You never short a stock on valuations. Or you don't buy a stock if it's cheap.

What you do is, when you have crowds, behavior psychology is so impactful to the markets, and how stock prices ultimately do. I think if you own Bitcoin at 18,000 because everyone else did, it's 35,000 today [inaudible 00:44:39] a year later. I have no opinion on that. But it is at a ... When it goes, it goes.

So what I like to do, my style of investing is looking for those industries, looking for where the narrative is so powerful in one direction that either people aren't looking at the subtle or less than subtle changes taking place, or they're disbelieving of the subtle or less than subtle changes that are taking place. Either could be happening.

But when there's a huge swell of sentiment in one direction, my experience and how I've made my living over the last 20 plus years is, I'm looking to see if I can poke holes in that. Because when it swings, it can swing hard.

Again, I've not always gotten it right. I'm not always gonna get it right, but that's how I approach investing. I've made a framework to it, investing framework. Both qualitatively, which is the faulty part of investing, and analytically, which is understanding financial analysis. If you follow me on Twitter, I'm called FootnotesFirst, @FootnotesFirst. Why? Because that's where the good stuff is. That's where the details are, in the files that companies make. Oftentimes, it's boring. It's dry. It's complicated. But that's what matters. That's where the good stuff is.

So, back to uranium. I could kind of tell after doing this. I say I'm not a uranium expert. In the world of macro uranium, understanding the moving parts of the uranium cycle, I'm pretty good. Again, I hope you know me well enough to know, I don't blow smoke up my own ass. I don't blow smoke up your ass. I get things wrong plenty. I own them when I get it wrong.

In the uranium macro, I kind of think I understand what I'm talking about. Now, I will tell you. One of the hardest things to do in investing is getting a commodity cycle right. It's forecasting the price of a commodity. I don't know where the price of uranium's going. I think I know where the price of uranium needs to go to meet the demand that's out there. That's more than 50. That's

at 29 today. I think it has catalysts to get there, because there's a contract waterfall expiring for utilities that need to come into the market. I think the timing is around now because of the length of the fuel cycle and how long it takes to order this stuff. I could go on, and on, and on.

But what I've done over the last three years is really understand this stuff. What has surprised me beyond anything I think I've ever done in my career is, with the exception of a handful, and I mean a handful. The executives in the uranium mining space don't really know the macro. They may know how to finance companies. They may know how to raise capital for companies. They may know how to explore. They may be a geologist. They may be a mining engineer. But they've all relied on the same data that everyone else is, coming from a couple of firms and a governing body.

I'm not gonna get into this discussion as to why I think those numbers are inaccurate for many reasons. But for so many years, they've been untested because there has been oversupply. Everyone just kind of thinks whether it's the physical traders, the brokers, the physical traders of the commodity, the buyers of the commodity. Remember, the buyers, it's a very small portion of the cost. I don't care what anyone says.

Here in the U.S., there's Exception 232. Where two miners are petitioning the government on the grounds of national security to make these two buyers in the U.S. buy more uranium from 25% of their uranium versus the 1% or 2% they buy now from U.S. miners. They're jumping up and down, saying, "You don't understand the nuclear industry in the U.S. is a mess. We could go out of business."

Now, these fuel buyers are really smart people, good people. I've met many of them. Very smart, very nice. It's their job to buy fuel and do a lot of other things. But I'm a simple person and to me it's all about math. When I could look at the actual input of uranium is to a nuclear reactor, the cost, and I could look at history, and I could look at buying [inaudible 00:49:56] and buying matters. I don't think it matters that much.

So I could be wrong on that, right. I think it's about 5% of the overall cost of operating their reactors [inaudible 00:50:08] own half the states in the United States that regulates utilities. They go to the public utility commission to get a rate hike. The other half, they're struggling because natural gas is low. The world thinks that natural gas will stay at three dollars forever. It won't.

But it thinks that for now. So now natural gas is more competitive and it puts some of these reactors at risk. I'm not gonna get into a nuclear power story, but you're seeing it in states around the country. You're starting to see the states come out and support the nuclear [inaudible 00:50:37] space load. But this isn't a discussion about that.

But I can look at the actual costs and in my analysis I say, "Well, they're gonna pay whatever they're gonna pay if they need it. I don't think it makes that big a deal. And oh, by the way, we went and looked at the last 30 conference calls of publicly traded electric utilities that have nuclear power instincts. When you're a company that has the business that could be potentially under threat from a government action and you're the senior management of that team, you're gonna reference that on a conference call with investors, on an earnings call. You're gonna signal it in your [inaudible 00:51:29].

The analysts following the company are gonna be asking a lot of questions on it. Well, we've gone through 30 of those over the last three quarters, since this action has been taken. One company, one, has made two sentence mention of it. Two. One company, a couple of sentences, no analysts asking questions on it.

Why? Because I think it's not that material. To those people buying it, their budgets and all that, yes, it's meaningful. In the overall operation, I don't think it matters. I could be wrong, but that's my view. I studied a lot of the history of that and understanding, looking at inventory levels and looking at purchasing, that's my conclusion.

But the whole point of this is, it comes from a place of a lot of research. I can tell when I'm talking to people, who's a good talker. I can tell who really has knowledge of it. Like I was saying, I've been dumbfounded. The industry has been in such a bear market. A couple of people put numbers out there on it. The sell side analysts, with the exception of one now that I've seen, that I've been impressed. They all follow the numbers of these organizations. That's survival.

Meanwhile, the things I was talking about at the conference in June of '17, impacting the market. As I look at it, it's changing dramatically right underneath the noses. That's how I've made my living for the last couple of decades, looking for stuff like that. Again, am I right? I think so. History will tell. I mean time will tell and we'll look back.

But what I do have is, time stamps. YouTube, you'll see me all over on uranium. You should look at what I said June of '17. You should look at what I say if I'm interviewed somewhere. You should look at what I said when it comes out in the next week or two, at the Vancouver Resource Conference. You should hold me accountable for that.

If a year from now, something occurred and I said, "As I said." Go back and look to see if I said it. Because I saw a lot of that at this conference. I think it's bullshit. I think that you need to understand ... This environment. Understand what companies are saying. Understand what the people who are telling you, these so-called experts. I hate the word expert. Go back. Just take time and go back and look. Did they really say that? Is that a right call or are they owning something now? Whomever it may be. Hold me to that standard as well.

So as I'm walking around and I'm talking to people, I don't know them from Adam. I get approached. I can't walk through the conference room now. It's ridiculous. I say ridiculous in a good way. It's funny because I'm a nobody. I'm a hedge fund guy for a long time. I rose through the ranks. I had a good job. But I'm a regular guy who happens to understand a little bit about investing.

So people coming up to me. I can't walk through the conference floor without, every 50 feet, somebody stopping me for ten or 15 minutes and wanting to talk about uranium. But as I put a mosaic of information about uranium together over the three years ... I'm a pretty quick study. I'm very good at very few things. That, analytics, pattern recognition is probably my best strength and that's a good thing to have in investing.

But one of the patterns I would pick out very quickly is how people will tell me why they like a company and what the management said. After three years of analyzing these companies, talking to them countless times. When I talk to them, I ask them the same questions over and over. I know the answers to them. I want to see how they answer. Because if somebody's lying to you, or being a little loose with the truth, they might not remember always what they said, but I write it down.

So I like to test, and test, and test. The more I get to know a company, the more I'm invested in them, the tougher my questions are, the more I hold their feet to the fire. The bigger the decision is, I think.

So it got me to thinking. I met a guy, really, really nice guy. Talking and was telling me, and obviously he was knowledgeable about some of the companies. But he was knowledgeable about what the companies were telling him, which is great. So he's obviously walking around with a notebook, done his work, and that's fabulous.

But if you're focusing on the wrong stuff, it doesn't matter how much you know. So when you're looking at these companies, you want to understand if you're looking at an exploration company. So you've gotta spend a lot of money to go out there and build or explore for this stuff. [inaudible 00:57:18]

How do you decide what your targets are? The guys that are drilling for it, have they done this before? Have they done it in the same commodity? Have they done it in the same jurisdiction? What kind of success have they had in doing this in the past? Have they gone from job, to job, to job? Have they done it? Have they been there? Have they succeeded at it?

So now tell me how you're gonna find this. How are you gonna finance this? What's it gonna cost you? Does that cost sound ... Does that square with what other companies are paying for a hole? What's the timeline? When do you want to do it? Does the market come into play? If you need to raise capital to do it is the market just on its head? Did you sit there and not do nothing, and burn less cash? Would that be the wise thing to do, or not? How are you gonna allocate it on this project? Tell me why you're spending money here. Why are you drilling here and not there? Explain it to me.

Again, not being a geologist, I'm gonna go back to talk to people. People who know the area. If you have the time and inclination to do that, you can do that. But ask them these questions. How are you gonna raise the money? How many time have you raised money in the past? [inaudible 00:59:06]

Oh, you want to go out and buy another project. I see. Why do you want to buy that project? You have a few already. Oh. Oh, so you want to buy this project because you're adding pounds. One of the things in valuing resource companies in the uranium space, people look at it. Boy, it's really cheap on its enterprise. How do you [inaudible 00:59:32] per pound in the ground? Look at that, it's trading at X and the group trades at Y. It's a big discount. It's cheap.

Go back and look and see over how many years, how many acquisitions this company did. Because it's very easy to increase your pound to go buy. You issue stock. You delete your shareholders, potentially. But you might have bought crappy projects that other people wanted to sell, but you bought an extra million's worth of pounds. Now you've got more relevancy on the surface because you can stand up at a booth and say, "We've got X millions of pounds. We're pretty big."

Well, that's great. If those pounds will never economically come out of the ground, it's meaningless. That's why enterprise value [inaudible 01:00:23] divide it by the pounds in the ground gets you a number. So the more pounds that you have, it's gonna bring your number down. It's gonna bring your valuation down.

But they could be total bullshit pounds. Where is the project? Who sold you the project? Why did they sell you the project? What was appealing about the project? I'm not gonna go on to the whole thing, but you've gotta ask these questions.

Tell me about your cash burn. You're burning this amount of cash. Why are your peers burning less or more? How are you thinking about hiring? How are you thinking about laying people off? How do you feel about skipping a drill program because it's not the right time to do it. It's gonna cost too much money and the fundraising environment isn't there.

There's a countless number of things you can start to be thinking about in terms of this. Oh, you're going to ... All the sudden your costs lowered dramatically or increased a little bit. Why? Explain it to me. I don't understand. Tell me. Walk me through it. Give me the details on that, don't give me the headline.

I see on this page it says this. Your cost is this. Walk me through how you did that. Why didn't you recognize that before? What changed? Did you hire someone new that told you about it? Or did you realize that you have to have a lower cost story, so then you half costs? How? Does it make sense? Did you sacrifice something else?

Again, go back and look at what historically they've done. Go back and look at the share count for these companies. Have they been doing acquisitions? Did they acquire X millions of pounds? Look the see a couple of years later. Did they do further drilling? did they increase the category? Did it go from inferred to indicated, or to measured and indicated? Did they uncover more pounds? What

did they pay per pound at the acquisition price? And now how many pounds do they have? Did they accrue value or have they been issuing stock constantly for general and corporate purposes, and not coming up with anything?

If you look at some of these companies over the years, they've diluted their shareholders 2x, 3x, 4x, 5. I mean, it's crazy. Not all, but some. Many have diluted but in different degrees. When you're in a bear market, you've got a couple of write ins, if you're some degree. But you want those guys who are really good stewards of capital.

So my point is of all of this is, I started out by talking about the institutional environment in these conferences you can go to and how the retail investor doesn't go to those. Then here's the set up where Cambridge House puts on a really nice show where a bunch of people can go, and talk, and learn. It's fabulous. It's a great venue. They do a wonderful job. They're very nice people, very accommodating. That's been my experience with them.

But now, once you're in that room, and you're in that hall, and you're talking to really polished people. They're telling you their story. You have to have some tools in your tool box to understand whether or not the story makes sense.

I was talking to my friend Jamie Keech at Resource Insider yesterday at the conference. He gave a presentation. I didn't see it, so I'm going off based on what he said. "One percentage of companies here," Jamie said, "mining engineer. One percentage of companies here probably, the story is different than what you're actually hearing." That's a big number. It's more than 50%. I'm not saying they're lying. I'm saying that they're showing you the good stuff, the best part of the story. Some may be lying.

I am a professional short seller. That is how I was raised in the industry. My DNA is to come at almost all companies very distrusting. I don't think they're bad guys. But it's trust, but verify would be a real stretch. I don't trust what they're telling me until I can go verify it.

So coming in, I'm skeptical. I'm not buying the story. You're gonna tell me the story. Then I'm gonna go back and try and see if the story makes sense. That's my working model. You can call me cynical. Guilty as charged. You could call me skeptical. Guilty as charged. You could call me a prick. Not personally I'm not, but professionally I'm not gonna give you the benefit of the doubt until

you've proven to me. Just like you shouldn't give me the benefit of the doubt.

Half the people that came up to me the last two days say, "I know you don't talk publicly about what stocks you like. What should I buy?"

Like I said, I don't talk about that. If you ask me a question about a company and I think you're really wrong, I'll steer you in the right direction. If you've asked me a company, do I think this company's doing good things, I might tell you, yeah, that's interesting. I might say, [inaudible 01:06:16]

But I'm not gonna get into details. I'm not gonna lay it out. I'm not gonna talk details. But I think you need to have a framework for doing this. My framework is, hear the story, go back and listen to it, go and find people to help me understand some of the things I might not understand, marry it to the macro.

Getting back to the macro, as I talked about before. It's staggering to me, the lack of depth on the macro. As the macro is changing, you'll see people at [inaudible 01:07:05] that [inaudible 01:07:06] or thesis, or bullet points. Go back and look at June of '17 when I talked about it. Go back and look at other people's work from '13, '14, '15. See if it's consistent, whomever it is.

I tell people when I talk to them in the hall. Don't listen to you on this Podcast, my listeners. Do your own work. I'll try and point you, give you my view if I can point you in the right direction, but you've gotta have some sort of framework. Otherwise, you just belong with the herd.

Again, you're gonna do the framework. You're gonna develop the framework. You're gonna do the work. Sometimes it just doesn't go your way. Shit happens. Sometimes you miss something. Sometimes there's nothing you could have thought about. Stuff happens out of left field. It happens. That's why you don't put too much of your portfolio in any one thing.

I just wanted to talk about it. I'm not gonna have a guest. I'm driving down from Vancouver to Seattle right now. Of course, it's raining. But I wanted to share my thoughts on the conference. I'm not gonna tell you what companies I liked or didn't like. Do your own work on that.

But remember, when you're looking at these companies.

Remember, these junior miners are in the business of, many of them exploration, some development, some, a few of them production. But it's a money grab. [inaudible 01:08:54] to raise capital, most of them. Not all, but most. You don't raise capital, you don't have a story to tell. You've gotta have a story to tell, so it's your job to ... Any industry. I'm not talking about natural resource now. Any industry.

Anyway, that's my two cents from the Pacific Northwest. I just got yelled at by the Border Customs guy. Apparently, I pulled too close to the car in front of me and I got yelled at because I didn't see the sign that said stop. [inaudible 01:09:40] okay. Just like coming across the border, I got asked 50 questions as to, do I have the letter to the conference I'm going to. Here, I've got a briefcase and a small suitcase. I'm going to speak there. What else can I tell you? He let me go.

But anyway, that's my story. Hope you have a good week. I didn't even know ... I was laughing. I didn't even know if today was Monday or Tuesday. When you're at these conferences, you're inside all day and there's no windows. You just [inaudible 01:10:15]. You go have a couple of beers afterwards.

Now I'm just looking forward to getting back home on a five hour flight, six hour flight. Get in about 9:30, go home, kiss my wife and kids, and catch up on what I've missed in the world of the NHL.

Oh, by the way, before I let everyone go. We're going into the All Star break. NHL's [inaudible 01:10:46] if you open a paper or go to ESPN or NHL.com, click on standings. You know how to click. Look at the Metropolitan Division and you'll see the New York Islanders in first place. I'm just pointing that out. I will be opening up bandwagon seats for those who want to jump on board the bandwagon. I know it's a long season. We're halfway through. If you look at the point standings, what separates the eighth place team [inaudible 01:11:27] dominating, but numbers two to eight, a couple of games out of the way. But I am gonna relish every moment until the Islanders are out of the playoffs if that happens. It's been so long. I am like a kid in a candy store. I check the standing 17 times a day, just to make sure that they're still in first place, even when the games aren't playing.

Anyway, hope you have a good week. I will be back next week. Hope you guys will be there. Thanks. Take care.

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