



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 up there? It's February 6th. 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. Our official launch day for our Curzio Equity Owners Token is going to be early next week, Monday, Tuesday.
- Frank Curzio: Man, this journey has been awesome. When I say awesome, it doesn't mean that it was easy, because it's been rough, lots of ups and downs, teams been working hard. When you have that journey, it makes you appreciate it more, when you're really working hard for something, and you accomplish it.
- Frank Curzio: I don't know if he's in a Waste Management Open, with Ricky Fowler, last couple of years. Big lead going in, always blew it. Had his family there, his grandfather there. This year, he did the same thing. He blew the lead, and actually blew it completely, and then came back and won it. You could just see the emotions afterwards. It's like going to the grinder and just succeeding, but nothing's going to be given to you, you got to go out there and take it.
- Frank Curzio: It's been an amazing journey. Truth, look, it's just beginning. Well, look, our security token launch, it's going to be the first time ever, guys. Investors get an equity stake in a financial newsletter company, where you will potentially get a dividend, I'd say potentially. That means you're going to be an actual partner. I mean, sharing in the growth of Curzio Research.

Frank Curzio: I know a lot of you have subscriptions of the newsletters, competitors. There's a lot of great guys out there. When you look at some of these other firms, they offer you these big packages, you're able to buy all their newsletters, maybe charge a small maintenance fee, whatever it is, 25000, 35000. They'd say, "Hey, you're a partner. We care about you." This is great. You don't have an equity stake in their company, unless they grew from 10 million dollar businesses.

Frank Curzio: A lot of these divisions, 10 years ago, 10, 15 million they would generate in sales. We generated six billion over the past two years. That's probably 10 years later, they're 150 million dollar plus companies. Get nothing, they're just proprietary. They made great marketers, very smart, but I've been in this business for a very long time. Management team of 100 years' experience worked a lot of our competitors.

Frank Curzio: During that 10 year period, you did not share in that growth. So, you're not really a partner. While All Token is exciting, it's innovative, since nobody else is offering this, I don't see anyone else offering this for a very long time, if ever, it's not the reason why I'm doing this.

Frank Curzio: Two years ago, I came to the most important decision of my life. I was sad to disrupt that multibillion-dollar financial newsletter industry. It was not an easy decision. I mean, a lot of it was driven by some of the emails I get for you. "Frank, you got to start your own company. I've been following you for over a decade."

Frank Curzio: you guys know business owners, it's not easy. I mean, starting your own company from scratch, working long hours, giving up time with my wife and daughters, putting my entire social life on hold requires a lot of commitment. You know what? The decision had nothing to do with money. It had nothing to do with fame. The motivation came from something a lot deeper.

Frank Curzio: You guys know, I've been writing financial newsletters, recommending stocks to investors for over, man, 25 years now. Actually, been in this industry my whole entire life. You guys know my late dad ran his own financial newsletter company, had his investment company's wealth close to 30 years.

Frank Curzio: It was amazing what this journey, during this process, launching Curzio Equity Owners Token, and I'm not sure why, but it really brought back lots of memories of those days with my dad. It was pretty cool, right? You always forget those times. When my dad passed away, I never really dealt with it the right way emotionally. I guess, maybe this is the right way of dealing with it, being successful in this business that was close to him.

Frank Curzio: I remember talking stocks from the dinner table, being fascinated by numbers. I would analyze balance sheets, income statements at an early age. It helped me a lot since my dad used to take me to the race track all the time. Probably went to every race track in northeast by the time I was 13. He taught me how to handicap horses, give numbers.

Frank Curzio: Late 1980s, I was a teenager then. My dad would take me to New York City with him, do all the interviews. He was on CNBC. I mean, I met Michael Bloomberg. I mean, again, this is when I was younger. Now, he probably has security guards all over him. The CNBC anchors, Maria Bartiromo was just a kid back then. Bill Griffeth, Sue Herrera. I mean, they were prime back then.

Frank Curzio: I met Warren Buffet. He'd just finished an interview at CNBC. Again, this was early. Warren Buffet was popping. Not like today where his annual meeting draws hundreds of thousands of people, getting crazy now. He came off, shook my dad's hand before he went on set. In fact, Buffet knew my father well. I mean, he wrote him a personal letter in December 1995, which I have a copy of.

Frank Curzio: I actually published this in Crypto Intelligence. I published this everywhere, but it's pretty cool. Just saying, "Dear Mr. Curzio, thanks for being so thoughtful. Sent a long your plaque and a copy of your book," my dad sent him. Just a small book he just wrote up. Warren wrote, "I appreciate you thinking of me," and actually signed it himself. It was pretty cool. You don't appreciate those things then. Now, you're like, whoa, holy cow.

Frank Curzio: Louis Navellier, Mario Gabelli, back then they were just starting their careers, but look where they are now. Imagine billions of dollars, those guys, because I've got a lot of appreciation for them. They had their interviews with Jim Cramer well before Cramer had his own show. I remember walking in, he would always call my dad, "Hey, the legend. I can't wait to interview you." Cramer was just starting to get really big and popular, right before he did the Kudlow and Cramer show.

Frank Curzio: That's kind of how I got in with Cramer. He interviewed me, personally. I sent him my resume. He saw the name, my dad, he didn't know my dad passed away about, I think it was, whatever, five years earlier. He was shocked, he was surprised. We grew kind of close. He went to the wedding and spent time with my mom and stuff, saying, "Hey, [inaudible 00:07:02] was hanging out with him, used to interview him." My mom really appreciated that. There's things you don't see about Cramer, right? You just see the entertainment see on TV.

Frank Curzio: When Cramer did interview me, which is pretty funny, is I was going to work at CNBC, that's what the job was for. I said I'd like to work close to this guy. I think I can learn a lot off of him. He said, "No, you need to work with me at The Street, I need a good research analyst." That relationship lasted for five years at The Street. I learned a ton.

Frank Curzio: Look at the '80s, '90s. I mean, track records were a big deal, the Wall Street Journal, Barron's, write stories about my dad all the time. Louis Rukeyser had him on his show, Wall Street Week. [inaudible 00:07:44] investor, right? Used to watch TV. Again, you didn't have access to the information you have now at a second, social media, everything, conference calls, a lot different than '80s, early '90s even.

Frank Curzio: It's when you used to watch Wall Street Week, you used to read the Wall Street Journal, Barron's. Two of the only sources. It wasn't all these websites that have updated information every single second. It's when you saw these analysts on these outlets, you knew they were credible, subscribe to your services. You were financial expert with a history of having a good track record.

Frank Curzio: You look at the financial newsletter industry, it grew tremendously through the '80s into the '90s, through the credit crisis. It made sense. It was a go-to platform for mom-and-pop investors. There's a place where you can level a playing field, line of average investments have many of the same opportunities as Wall Street professionals. You see that transpire more, and more, and more over the years.

Frank Curzio: Now, you have the internet, you have access to conference calls, or real-time. Even a security token, you're able to invest in some things at an early stage that ... How many people had access to invest in Facebook during their private rounds? You need to have money with the right venture capital firm. A lot of these technology companies being invested in Uber, Airbnb. You guys don't have access to that.

Frank Curzio: Over the past few years, the financial newsletter industry has really lost its way. Most of these publishers, they no longer care about educating the average investor. Some of them do, not all of them. You guys know what I'm

talking about. I had a lot of friends in this industry, I know everyone in this industry. There's great guys that are out there, they're doing a good job. I'm not talking about them having a bad performance or whatever, I'm talking about guys that, if you have a bad stock, you're writing to your investors. You're letting them know exactly what to do about it. It's cool.

Frank Curzio: Believe me, I've been in this business so long. I listen to our customers, they understand, people understand, you guys understand. You're not going to have all winners all the time. Over the course of a few decades, you better. I mean, that's why you're in this industry so long.

Frank Curzio: What's more important, and establish credibility is when you're down, you're there for them, telling them exactly what to do with this position, limiting that risk. Let's move on. I was wrong. How many people say that these days? You know what? I was wrong on this. No, they say, I'm early. That's wrong, you're wrong. I'm early on it. Come on. It's okay. Buffet's wrong sometimes, Navellier's wrong sometimes, Cabelli's wrong sometimes, [ICON's 00:10:13] wrong sometimes, Ackman, all these guys.

Frank Curzio: Ackman started a fund with Target, and it completely wiped out all of his investors. People are wrong sometimes, but being there for them when you're wrong, that's important. Again, you have to be right more times than wrong, but there's a huge credibility issue there.

Frank Curzio: Now, they're not even interested in making subscribers money. Instead, publishers are relying on tabloid journalism to really make a fortune for themselves, not offering equity stakes in their businesses or anything. You see marketing packages, they're filled with crazy predictions, promises that can never be fulfilled. Some publishers are paying high-profile personalities to back these wild claims now.

Frank Curzio: These guys, these figure heads, they have extreme political views, huge, huge followings. I mean, legal followers who will do anything they say. Some of these guys, listen, it's about money. Hey, you want to use my name? Fine. Here. Make sure you pay me, maybe a million dollars. You can put my face anywhere. Now, put their face on the newsletter even though someone else is writing it. I get it, it's marketing. Got to find innovative ways to sell your product. It's what every company does, which, we're going to do as well at Curzio Research.

Frank Curzio: Marketing packages. We have numbers behind our predictions. We show you why we believe this is going to happen. We're with you. We're behind everything we say. We do not lie. We're out in the field.

Frank Curzio: You're looking at some of these famous people putting their names on it, they have little or no financial experience. They've never analyzed an income statement, balance sheet of public company their entire life. That's what I have problem with, because you're looking at that model where publishers make a ton of money through these aggressive marketing packages.

Frank Curzio: The person they hire, popular figurehead, receives a check. There's no risk to them, whatever someone's going to write about them, whatever, their face is just on the newsletter. They have 300000 followers, and hey, I'm going to send a marketing package to that list, generate a whole bunch of money for you. They're fine, just give me a check. I don't even know what's going on. Hey, I don't know about the stock. That's fine, they make money. You got the publisher making money, the figurehead making money, person that's writing the newsletter making money, the copywriters get paid a percentage of sales, they're making money.

Frank Curzio: What happens to the individual investor? What happens to you? Think about over the past few years, it's been one of

the bullish markets, right, bullish markets ever? How do you deal with your portfolios? Because I travel the world, I talk to you guys, I listen, I hear this stuff. I'm not making this stuff up.

Frank Curzio: What happens is an individual investor, you're losing money buying into these hyped up stories backed by someone with little to no experience in financial analysis. It's crazy. It's all right. It's okay to market. You have to market your products, that's fine. It's the business everybody has to do. We all have to market, find different ways, innovative ways to sell your product, get the message out there. We want to try to get our brand in front of as many people as possible, because we know when they do, they tend to buy stuff because we had the podcast, they see the things that are real. They see us out there. They see presentations, with Alkin and our analysts.

Frank Curzio: I'm not sure how all this happened, probably four, five years ago, it really started just taking place, but it's getting worse. I mean, the industry's really changed. We're talking about the financial newsletter industry, where it's no longer about generating market beating returns for those mom-and-pop investors.

Frank Curzio: It's no longer about educating individual investors, leveling the playing field. That's what business was founded on. Now it's about entertainment, get rich quick promises. I know, I'm sure you're sick of losing your hard-earned dollars following newsletter editors hyped to be the next Warren Buffet, which is a joke. Hyped to be the next Warren Buffet, they're legends. No. Icon's a legend, Warren Buffet's a legend.

Frank Curzio: I would never consider myself a legend. I've been in this industry for 25 years. Guys that have been here for three, four years, have a couple good stock picks, and they're a legend. What's going on? It's insane. You know what? You guys deserve better. Like I said, it's not about the money, it's not about fame.

Frank Curzio: I started Curzio Research because it's personal to me. It's the industry I grew up in. I mean, I was eight years old. My dad was paying my \$5.00 an hour to fold his FXC Newsletters, maybe a few thousand subscribers, just stuff them in envelopes, bring them to the post office every two weeks. There was no internet back then.

Frank Curzio: My brother worked at the firm, became a stock analyst. My sister ran our human resources department. My mom handled all the back office operations. We always put our customers first. The financial newsletter industry needs to get back to its roots. It needs to be a place mom-and-pop investors can trust again with sound advice, education, independent research.

Frank Curzio: That's why I started this company. It's why we're looking to raise capital to grow our company, and it's why I'm going to turn this company to one of the largest financial newsletter publishers in America. That's my motivation.

Frank Curzio: Early next week, I show you exactly how we plan on doing this, the entire plan. Our white paper's going to be available, our SAFE agreement, which stands for Simple Agreement for Future Equity, you guys are going to get equity stake. Our new website dedicated to Curzio Equity investors, going to be available. As easy-to-use platform, we'd [inaudible 00:15:31], the best in the industry. Going to be able to go straight to it to sign up for the offering. Going to have everything there for you, KYC, AML, credit investor documents, everything on one site. If you fill out everything, these documents are going to be emailed to you.

Frank Curzio: If you're a credit investor, and you're interested in our offering, or just want more information, email me, Frank@curzioresearch.com. If you can, do it this week, if possible. In our first two weeks, it's going to be our private sale. It's only going to be available to you. My subscribers, followers, family and friends.

Frank Curzio: Of course, we're doing a Reg D offering. We'll limit to the amount of investors we can take in. If you look at based on the 12 million we're looking to raise, with a minimum of 25000, that's a max of only 480 investors. It's based on the minimum. We can have 100 people invest, \$120000 each, which would cover the 12 million, but once we reach our hard cap, that number, the offering's closed. I'm not putting a deal out there to say, "I'll just continue to raise as much money as possible."

Frank Curzio: I love what Wall Street's doing. They'll announce and say, "Hey, we're going to do an offering, a secondary offering. We're looking to raise five million dollars here, small cap [inaudible 00:16:43]." Next thing you know, it's a five million dollar raise, and it's up to 12 million, 15 million because demand's strong, because most management teams, they don't mind diluting the crap out of the shareholders. They would rather raise as much money as possible. Can have them raise their salary, take them on first-class flights, travel the world, even though most don't need to.

Frank Curzio: No, our offering, 12 million max. It's fixed. Once we raise that, the deal's closed. Next few days, going to be sending you emails with all the information about Curzio Equity Owners Token. Already have a large list of people that are interested emailed us. If you're on that list, going to send you the links to our platform, link to our white paper, going to provide a video for you to walk you through the entire process of the offering page by page to make it easy for you.

Frank Curzio: Again, this is something new. It's original. Kind of similar to traditional prior placements. A few more steps, but we want to walk you through it. Going to provide a special 800 number for you, send that to you as well in case you have any questions. Yes, I'll be one of those people picking up the phone since \$25000 is a very large investment. I want you to make sure you're aware of every detail before investing in my company.

- Frank Curzio: How many people say that when they raise money? They don't say, "Hey, just make sure this is good for you. Make sure you know what you're doing." I've invested in how many private deals? Nobody calls me and says, "Hey, man. Just make sure you read everything. Make sure you know exactly what you're getting into." No. You're going to know exactly what you're getting into in getting an equity stake in our company.
- Frank Curzio: It's going to be available during our private sale, which is going to be the first two weeks of the sale, and it's going to start, pretty much Monday, Tuesday. Again, if you're a credit investor interested in learning more about Curzio Equity Owners Token, just send me an email, Frank@curzioresearch.com. I'll give you all that information.
- Frank Curzio: Real quick, because I'm getting a lot of questions on this, I don't want to spend any more time on it. I know this is only available to credit investors. That's the rules, I hate it, because this whole business, everything I just went over for you, and the reason why we're doing this is to help mom-and-pop investors bring this industry back to its traditional roots, giving a shit about their customers.
- Frank Curzio: I know a lot of you won't be able to invest in this token at the offering stage, but if you're not a credit investor, you got to be able to buy our token 12 months from now. We're still going to give you equity stake in our company. Going potentially receive quality dividends on our token. Okay? I say potentially.
- Frank Curzio: Also, while there is a lot of excitement around the token offering, the bigger picture here is we're looking to raise money to create more services for everyone. Bring on amazing analysts. If you're a long time listener to my podcast, guys, I've interviewed over 1000 analysts and market experts over 10 years. I keep in touch with all these guys.

- Frank Curzio: I know you're big fans of some of these guests, and many of them express to me that they would love to write a newsletter, they would love it. Share their ideas, educate average investors. I'm not BSing you on this, because these guests that come on, that I interview, if they didn't care about you, I'm not paying them to come on.
- Frank Curzio: They love coming on this platform because of you, because they get really good outlet. I mean, you can hear it in their voices in all of our interviews. It's not like they're like, oh, man, I got to do this interview. No, they like it. We're discussing ideas, it opens up that relationship. They're on a podcast to help you, that's why they're on there.
- Frank Curzio: I want to create more products, maybe a bond newsletter, an income newsletter. I definitely want to create a special technical analysis newsletter, just focus on technical analysis, where you'll see dozens of trades every week. I already have two people in mind that I would hire to write this product. It's going to be fantastic. These are the best technical analysts.
- Frank Curzio: You know how I feel, probably about five, maybe sometimes 10%, a little bit more now, when it comes to my methodology of picking stocks. You better be looking at technical analysis. I wanted to say that five years ago with algorithms and all this stuff, get things selling. It's very important. You're going to start at 15% discount a following week, simply by following technical sometimes.
- Frank Curzio: There's two guys that I follow that are just incredible. I wasn't really crazy about technical analysis. It wasn't something that I was subject to, it was more value investing, and then growth investing. Man, these guys are great. I follow them, and I'd love to hire them and get them in front of you, good people in front of you. You'd have more podcast to listen to.
- Frank Curzio: A lot of these guys that come on would love to do a podcast. Alkin never thought he'd do a podcast. He's doing

it, he loves it. It's the personality. You're into someone's podcast because of their personality, because of the content they're providing. Mike's got a great following. It's getting downloaded over 100000 times every month now.

Frank Curzio: Obviously, investors love podcasts. You get to learn more about that person. You're not just getting a random email telling you, "Oh, this is a great investment idea. Subscribe to my services." No. You have to listen to the guy who's talking about he was in Vancouver last week, and consumer electronics show two weeks earlier, talking to his contacts, bringing on interviews. You know the guy's real. That's all I want to bring to you.

Frank Curzio: All the analysts we hire, I'd love for all of them to do podcasts. I'm getting great feedback from Alkin's podcast. Where it's a little different from mine, where he'll bring on hedge fund managers because he's been in hedge funds for 20 years. Guys that you've never heard before. That's pretty cool.

Frank Curzio: Maybe listen to all excitement in my voice over the past few months about launching our security token, and then only be disappointed that you're not a [inaudible 00:22:05] investor, you can't invest in it right away, at least in the offering stage. You're going to be a huge beneficiary if our offering is successful. More products, more services, more great things in front of you, more education. That's what I want to bring to you.

Frank Curzio: With that said, we're going to move on. Since it is earning season, and every earning season I bring back one of my favorite analysts, and one of your favorite analysts as well, based on your emails. That's John Petrides.

Frank Curzio: John's the managing director, the portfolio manager at Point View Wealth Management. He's all over the media. You probably see him, Bloomberg CBNC, he's always out there. Just a great analyst.

- Frank Curzio: I love interviewing him because we can go anywhere with it since he covers all sectors, stocks, the economy, politics. It never has to be scripted and say, “Hey, I wrote this, this, and this. Can we talk about this?” No. Just like, “Hey, earning season. Just going to get your thoughts,” and boom, we go on it like we’re having a conversation, whether it was taped or not. That’s how I like doing interviews.
- Frank Curzio: [inaudible 00:22:58], we taped this, it will be on Tuesday afternoon before the state of the union address, which I’m going to talk about briefly after our interview. John’s also great, which I know you love, at sharing some of his favorite stock ideas, which, by the way, he’s about to share his 10 favorite companies to buy in 2019.
- Frank Curzio: Let’s get to my interview with John, and learn about those picks right now.
- Frank Curzio: John Petrides, thank you so much for joining us again on the podcast.
- John Petrides: Thanks, Frank. Thanks for having me on. Good to be on again. Happy New Year to everybody.
- Frank Curzio: Oh, it’s been too long. I like to have you on every quarter. I think it might’ve been a couple of months, and that’s my fault. I’ve just been so busy and crazy, but I’m glad to have you back on because the best time to have you on is during earning season, and we’re in earning season right now.
- Frank Curzio: Before we even get to that, I was reading a quarterly newsletter you put out on your site, Point View Wealth Management, Ptvew.com, guys. Absolutely free way to talk about the bull, the bear case of the markets. You break down economic landscape and sectors.
- Frank Curzio: I saw on your last quarterly letter, you provided a list of top 10 picks for 2019, which I think is awesome, because

[inaudible 00:24:05] for free. Before we get to all that, one of the big messages is you were telling people, don't get spooked by certain risks in the marketplace. You published this in December. Just reading that, I felt like you nailed it.

Frank Curzio: Could you talk a little bit more about that, where so many of these risks are just in the media today. It's so crazy out there, but it was kind of like, hey, relax, guys. This is more of a buying opportunity. I want you to talk about that, because that was a very powerful message.

John Petrides: Yeah, yeah. No, I appreciate all that, Frank. Thank you. Now, that we're into February, and the market has had such a fantastic month of January to start the year, we can all take a big sigh of relief because, man, the bear was running around crazy in October, November, and December of last year, particularly December. It felt like the bull case would never regain any momentum, and that the world was coming to an end.

John Petrides: There were, and still are, a lot of cross turns going on, but we thought that the market was pricing in only the bear case, and wasn't getting any credence to a base case, and/or even the possibility of a bull case. Here we are now, five weeks into the new year, and we can see how some of that's playing out.

John Petrides: The risks that were concerning the market in the fourth quarter were, first, where is the US economy headed? Are we headed for recession? What is the fed doing? Is the fed taking the punch bowl away to invest in riskier assets? Those two things sort of go hand in hand. What we've seen is that, yes, the US economic data's slowing, but we're definitely not headed for recession. We didn't think we were headed for recession.

John Petrides: Housing market is clearly slowing, but housing stocks are still above a million in an annualized basis. Car sales are slowing, but we're still selling cars at a 16 and a half

million plus rate on an annualized basis, which is about in line where we've been for the past 40 years.

John Petrides: You look at various economic ... Obviously, on the job front, we're very strong, in terms of the unemployment rate, wage growth. All that's a good thing. Then, when the fed had their meeting in December, it was kind of like the had their head stuck in the sand, or at least the market read it that way, that the monetary policy was going to be on auto pilot, that they were going to continue to tighten in a gradual fashion. Yet, the underlying economy was slowing.

John Petrides: The market read that as the fed is at a total disconnect, is way behind the curve. Again, here we are five weeks later, and it's like, what are we seeing? The macroeconomic data is okay. It's definitely not suggesting recession. The fed has done a complete 180. Basically, they're saying that our hand is on the holster. If things happen, we'll fire away to make sure that we protect the economy from going into a rough patch.

John Petrides: The market, basically, ran back into risk assets for the start of the year, on the back of the fed setting moral hazard again, basically being the safety net. The idea that if things turn bad, the fed will be there to save the day.

Frank Curzio: You brought up a lot of interesting points there, because in December, you're talking about these risks, and you're looking at terrorists, which definitely eased a bit. Right? We're seeing talks between China and the US. You talked about the tightening policy with the fed, complete 180. We expect in either one or two rate hikes, but given the circumstances where we're seeing even the global economy that's slowing, our economy's slowing, and inflation levels, it just didn't make sense to be that aggressive. For them to just do a complete turnaround, again, another risk off the table.

Frank Curzio: You did mention a couple things like a slowing economy, which we're seeing here globally. Also, we're seeing a slowdown in earnings.

Frank Curzio: Now, based on your call in December where we had an enormous run-up, right? You could say, well, it's not really a run-up if you really count it from two months prior because it wasn't that bad, but we fell so far in December, and now we're having the best January, and you mentioned that. You're like, "This is the worst December in forever. This is the best January in forever," and you seem to ignore that.

Frank Curzio: At this period right now, being that we've had such a big move in stocks, how do you see it? Are you selective in stock picking? Is it, hey, I see greater things ahead? Or is it kind of like, okay, more of a risk, reward, stock picker market here?

John Petrides: Yeah. I mean, we have been, really for the past two years, Frank, in our opinion, there has been no table pounding, you got to be at all bonds, or you have to be in all stock, or you have to be in all cash. We've always taken the approach of having a broad based, diversified portfolio, and we still think we're in that environment today, where spreading out your bets in this environment is the best course of action.

John Petrides: Look, we're later in this cycle. Margins are at peak levels still. We're coming off peak levels, that's what we started seeing last quarter from a profit margin standpoint. It doesn't be who of anybody to run to one side of the boat, but rather spread out your bets.

John Petrides: Listen, for nine months in 2018, a bond was a four letter word, right? No one wanted to go anywhere near bonds. In fact, bonds were negative until, really, October, November, December, for the year. We were going to have post, the fifth, or the fourth, only time in history that bonds would have a negative total return.

- John Petrides: What happened, bonds actually finished flat. In fact, the [inaudible 00:29:42] one business point for 2018. That's amazing given that people were trashing bonds for nine months of the year, all on the back of interest rate risk. The last three months, the last quarter, everyone ran into bonds for safety because they felt the world was coming apart.
- John Petrides: My point behind that comment is, again, spreading out your bets. Gold, for nine months of the year got destroyed. Then, Gold, I think actually finished positive for 2018. The income sector, the high yielding stock, state utilities, [inaudible 00:30:17]. Again, for nine months out of the year, got destroyed.
- John Petrides: Then, once the market turned into fear and ran out of riskier assets, think small caps, international, tech. Where did they go? They went to all the safest, the low [inaudible 00:30:33], low volatile, high dividend yielding stocks. Utility's one of the best performing sectors in 2018, up 4%, but all of the really came in the fourth quarter as investors ran into the sector for safety.
- John Petrides: I guess, looking at the world today, and seeing where we've rallied, today utilities to me seem to be one of the worst sectors to invest in today, although, again, you want to have an allocation to the sector, because we're always humbled to say, "We don't know what the future holds," but valuations and the utility sector today are just not as attractive.
- John Petrides: Investors have ran into them, now for yields, given that the fed has taken a step back. Investors have run into utilities for safety, given the fears that the world was coming to an end. We just don't see that playing out.
- John Petrides: From evaluation standpoint, the utility sector today, just doesn't look very attractive.
- Frank Curzio: Now, earning season's here. We have about six [inaudible

00:31:27] companies reported. About 65% of those companies reported better than expected earnings, which, those are the earnings for the past three months, guys. That's a little bit lower than average. More like 70% usually beat. However, guidance has been incredibly weak. I'm talking close to 75% of the companies that reported thus far, lowered earnings guidance. Maybe a little bit, some a little bit more than others.

Frank Curzio: I wanted to ask you, do you think that management teams are lowering earnings because they're just being conservative? There are a lot of uncertainties out there. The fed did do a 180. Maybe they'd said, "You know what? The market's coming back," or whatever. Let's start tightening again. Maybe it's tariff issue. They're worried about it, where now it's having lagging effects. Right? Even though it seems like we're going to come to the resolution over the next couple months or so. Or do you think that these management teams are really expecting a meaningful slowdown, which could be significant because earning growth, we're growing 12% right now, but when we're looking over year, we call those comps, guys, where you're basically comparing to the year before. They're growing 12% year over year.

Frank Curzio: Starting next quarter, they're going to drop tremendously. It's the low single digits year over year. Remember, 2018 was a fantastic year when it came to earnings, and because of the tax cuts. I guess, John, I'm asking you, do you think it's more, hey, let's be conservative here? Or are these guys really seeing a slow down within their businesses, which I haven't really heard listening to those conference calls.

John Petrides: I think it's a combination of both. You can't forget where valuation comes into this. I'll give you a couple of examples.

John Petrides: For example, when Caterpillar came out and basically said their business is slowing, that conceptually makes a lot of sense. Right? Caterpillar gets a lot of its growth from emerging markets, and particularly from China. We know that the Chinese economy's sucking wind because of tariff. We know that when China sneezes, the rest of the world outside of the US catches a cold, because they all rely on demand from the Chinese economy.

John Petrides: For Caterpillar to come out and say that's not a surprise. It was April of 2018, where Cat had their earnings, and basically set the high-water mark on our margins, and the entire market sold off. I don't think the Caterpillar management team is sandbagging earnings. They're taking a big bath because of the down. I think that's a reality for their business.

John Petrides: You take another company like NVIDIA. NVIDIA was the [inaudible 00:33:51] chip company for the S&P 500, for I think 2017 and 2018 that may have been the best performing stock in the S&P two years in a row, or 2016 and 2017.

John Petrides: There was amazing company on the back of all these long-term trends. Right? Artificial intelligence, graphics, virtual reality. I mean, you name it, it seems like an NVIDIA chip was the solution, in terms of investors perception. Here, the company came out, the stock has gotten destroyed over the past three months or so. They came out with their earnings the other day, and they blamed it on China. It could also be that market expectations, or evaluation ends up just being way too high.

John Petrides: For stock where there was no sealing for its room to run, and investors had priced in future cash flows of all these great trends in today's price, it could be that clearly the slowdown in China's hurting their demand. Maybe management's taking a bath a bit. When investors don't get off here for putting such a high valuation on a stock,

that's still trading at a nosebleed multiples, from a price to sales and a price from an earning standpoint.

John Petrides: There probably could be some companies out there, Frank, that are taking a big bath. They're using this as an excuse that maybe the fundamentals of their current business are not as strong as what they once were. They'll blame is on China and slow global economy.

John Petrides: By and long, I think that it's a function of the reality for industrial [inaudible 00:35:24] companies, and also for certain stocks where valuation have just gotten way too ahead of themselves still.

Frank Curzio: You mentioned NVIDIA, and I'm going to ask you this. I don't know if I'm there yet, but one of the things that scared me in NVIDIA is yes, you had China, yeah, cryptocurrency was very, very big for them. Everybody [inaudible 00:35:41], and now you can't. Data mine, where Bitcoin and Ethereum are right now, they make money off of it.

Frank Curzio: One of the things they said that stood out to me is that, with their high-end graphic cards that they just released, they said that their clients loved them, but they're waiting because the prices are too high. They don't need them, it's not a necessity, kind of like the iPhone.

Frank Curzio: We talked about a lot over the last year, another podcast, how Apple's an iPhone company. It's hard to innovate when you're coming out every single year. It made me think that deflationary risk may be greater than ... I think, I'm just throwing it out there. I'm not there yet, but that was a real ... We haven't heard that yet.

Frank Curzio: Companies say they have a good product. Listen, there's still a lot of money out there. It's so easy to raise money. You're seeing IPOs being launched. Right? It's still pretty solid market, but for people to say, you know what? We like this graphic, or we like your new products, but you

know what? We're going to wait for prices to come down a little bit.

Frank Curzio: I don't know. It was not a red flag, but something that I definitely want to monitor. I wanted to get your thoughts on that.

John Petrides: To me, chip stocks are almost no different than steel, copper, and iron ore companies. They are commodities. They're embedded in everywhere, they're ubiquitous, every internet [inaudible 00:37:02], everything's getting chips put into them.

John Petrides: When you have this ramp up in global demand, because the economy is strong, chips are in demand, companies crank out a lot of them. Then, all of the sudden, things start to slow, and all these chip companies, they're just stuck on the shelves with massive inventory, and they have to lower their pricing.

John Petrides: This could be a situation where their end customers understand that the economy is slowing a bit. Why not push back on NVIDIA to see if you can get cheaper pricing, and let their inventory buildup a bit? It is what it is. It's just a function of the underlying business.

John Petrides: I agree with you. I had heard that there's been pricing pressure on certain companies, think Micro trip, microchip, Micron, those type of companies. Throughout the tech chip supply stack, but on the graphic side, that was one of the first that I had heard about it.

John Petrides: I think it's a long-winded way of saying, I think it's par for the course, nature of the industry. They are in a cyclical industry, similar conceptually to a basic materials company. Right now, demand has slowed. They were a very high-margin, high-priced player. Maybe there are other competitors. Intel has been moving into the graphic chip. [A & B 00:38:37] is coming with stuff. Maybe there are other competitors out there that are able to come in

with competing products to compete on price, and let's see how that all plays out.

Frank Curzio: Yeah. I know. I mean, I don't know, that's why I asked you. I just threw it out there to see, but the inflationary pressures that they've seen, and let's face it, I mean, NVIDIA has avoided that, right? I mean, I understand the cyclicity of the semiconductor sector. Right? I mean, it is a commoditized business, but this is a company that produces the best products where they were commanding the highest prices, and it seems like they're not. Maybe it's just a function of the entire industry. Yeah. Again, it's just something that don't monitor, I'm just surprised to hear.

Frank Curzio: I want to move on to some of your stock picks for 2019, because you provided 10 of them in that free newsletter, and most of those are large caps. What are some of the ones you like? You provided some of these December. A lot of these have made major moves, along with the rest of the market. Just a few of the ones that you think really stand out, maybe today. Right?

Frank Curzio: I know in the market, and you see this, too, John, when you see people recommend stocks on TV, you might remember a week later and say, wow. That guy could be totally out of it. I know that you're still in these stocks, but they have moved higher. I'm wondering if there's better players here than others because you do have a list of 10 there. Again, it's for free, guys. You can go to their website to check it out at Point View.

Frank Curzio: Talk about some of the ones that you like now.

John Petrides: Yeah. Again, we've had a strong rally to start the year, so some of those have rallied pretty hard, but I don't think that prevents me from still liking them. Again, I still favor the financials. There was a lot of fear that there could've been a credit market lockup in the fourth quarter,

particularly in December, to the point where the treasury secretary called around the bank, and said, “Hey, you guys okay from a capital standpoint?” That was, to me, sort of a ridiculous call. If I was Jamie Dimon, I would have to answer that, basically because while past 10 years, you guys have been regulating the banks to be flushed with capital.

John Petrides: You stress test the banks every year, so how can you possibly question if we’re okay just because the soft market [inaudible 00:40:45]? I feel like the banks, and on that list there’s two, Goldman Sachs and Citigroup. Goldman had been overly discounted because of the hedge fund scandal out of Malaysia. The stock was trading well below its tangible book value, which is pretty ridiculous. That basically would blow liquidation value, which basically the market was giving Goldman no credit for at least its brand name.

John Petrides: I don’t know about you, Frank, but if my kid ever worked at Goldman Sachs one day, I’d feel pretty good about his future employment from an income standpoint. Same thing with Citigroup, again, trading from a discount, from its tangible book value. Except the underlying of these companies have all reported earnings, the impact, so far from the hedge fund of Goldman Sachs, has really been de minimis.

John Petrides: The loan book for Citigroup is still strong, they’re not seeing massive charge off. These companies, so far, continue to be operating in a flat yield curve environment, meaning the amount of money they’re giving to [inaudible 00:41:54] is just about the same, or if not a little bit lower what they’re charging for borrowing for loans. Yet, the wider that’s spread, the better for banks. Right now, it’s been pretty flat, and the banks have been able to operate in it.

John Petrides: I still like Citigroup, still like Goldman Sachs in that group that was on that list. One name that's not on there that I still think is interesting, that has rallied this year, along with everything else has been Kinder Morgan. KMI is the ticker. We felt the energy sector was way over sold in the fourth quarter. I mean, the price of oil dropped about 50%, 5-0, during the fourth quarter. We thought that was way too far, way too fast. Particularly in the large cap, just the oil market just does not respond as quickly to the way that the price of oil does.

John Petrides: Kinder Morgan is one of the largest oil and gas pipeline companies in the United States. They own and operate about 70000 miles of pipes. They're midstream. Now, Frank, you remember the [MLP 00:43:03] story very well, right?

Frank Curzio: Mm-hmm (affirmative).

John Petrides: If we had this conversation five years ago, I probably would've told you a story about all the master limited partnerships, and that Kinder Morgan is like a toll road. It's expensive to put the toll road down, but once you get it down, you can increase the tolls every year, and it's cash flow forever. Right? It has no movement, or the fluctuating price of oil has no impact on [inaudible 00:43:33] business.

John Petrides: Well, what happened to MLPs in 2015, 16, 17, as the price of oil basically had gone down, we knew that story was false. Right? They had significantly more sensitivity to the price of oil than we thought. Kinder Morgan today is a different Kinder Morgan than five years ago. They now have an investment grade-rated [inaudible 00:43:56] sheet.

John Petrides: At one point in time they had suspended the dividend. The dividend is back. Right now, the current wheel is about 4.5%. They're planning on growing that dividend 25%

per year from now until 2020. You'll have about a dollar and a quarter per share dividend in 2020. They're buying back two billion dollars' worth of stock. They have a 6.5 billion dollar backlog. The company counts that 40% of the natural gas that flows through the United States goes through a Kinder Morgan pipe.

John Petrides: They are not in MLP status, so there's no tax issues, you don't have to deal with K-1s anymore, none of that stuff. Here's a company that, it's a different Kinder Morgan than four, five, six years ago. They're significantly in a much stronger place from a capital allocation standpoint, that have significantly more visibility in terms of their cash flow than what they did.

John Petrides: If you're looking at the energy at the oil patch, Kinder Morgan, which we think there's a lot of value to be had, Kinder Morgan is a good place to go. Particularly, you can pick up some [inaudible 00:45:10] with a 4.5% dividend yield.

Frank Curzio: Yeah. I love that statement, John, when you said, MLPs, I love MLPs, when they say they're not leverage to the underlying commodity. It's a commercial real estate REIT saying that they're not leveraged to commercial real estate market. Right?

John Petrides: Right. That was the story, right?

Frank Curzio: Yeah.

John Petrides: That was the story back in 2013, 14, 12, 13, 14, 15. [inaudible 00:45:32]. When people were tripping over themselves to find income, the idea was, well, the analogy was, an MLP on oil and gas pipeline is like buying the New Jersey turnpike. It's very expensive to get the pipe in the ground, but once the pole is up, it's up into perpetuity, and every couple years we raise the toll.

John Petrides: That was the story, and that there was no sensitivity, the price of oil law. [inaudible 00:45:58] January 2016 when oil collapsed at \$26.00 a barrel, that whole story unraveled pretty quickly.

Frank Curzio: No, absolutely. Last question here, because we covered a lot of large caps there. What about small cap, mid-caps? We know that the Russel is not as [inaudible 00:46:15] to the global markets, where I think it's about 40% of profits, maybe around [inaudible 00:46:21] profits for S&P 500 are overseas, but [inaudible 00:46:23] company, most of their business in the US. The US does seem stronger, especially than some of the other areas overseas markets.

Frank Curzio: Are you looking at small caps at all, or mid-caps, or different things like that to add to your portfolio, or is it hey, the large caps, we saw the sell off to allow them to sell cheap here, and never on market, only trading it about 15 and a half times earnings, which is inexpensive? Or do you see a little bit of opportunity in small caps?

John Petrides: Listen, small caps, the Russell 2000's up about 11% to start the year, and again in 2018. The farther out the risk curve you went, so I think emerging markets, small cap stocks, biotech technology, that sort of thing, was the heart of the selloff. You're seeing a rebound, because I think investors are taking a big sigh of relief that the US economy is not headed for recession.

John Petrides: That, the fed has stepped to the side here and looks to be vigilant if the economy does take a step function downward. You're seeing those types of stocks rebound. I'd say the answer is yes. There's value to be had in small caps. I think historically, the best performing sector over the long run, and what I mean by the last 50 years on an annualized basis, I think is small cap [inaudible 00:47:43]. It's one of those sectors that when you had massive panic, you buy the dips on.

- Frank Curzio: Yeah. It is up tremendously to start the year.
- Frank Curzio: John, listen. I love when you come on. I mean, we go anywhere with this. It's barely scripted, and I love talking about sectors, stocks, you always give ideas, and I know my audience loves you.
- Frank Curzio: If people want to find out more information or actually want to see that report on your website, how could they get it?
- John Petrides: Yeah. I appreciate that, Frank. You go to Point View Wealth Management. We're based out of Summit, New Jersey. Our website is PTview.com. When you go to the website, there's an "insights" button. Click on that, and you'll find we do monthly webinars, webcasts. You'll find all of our commentaries for the past, I don't know, five, six, seven years that we've been writing them. All of our media pieces. It's all there.
- John Petrides: PTview.com. There's just a tremendous amount of detail there, at least from our opinion. This is just our thought on how we view the market. We basically take a broad based approach. We pick individual stocks, individual bonds, and we diversify as much as possible with overlaying financial planning services on top of that.
- John Petrides: The goal is, what are you, the client looking to achieve, rather than where is the market today? Once we figure out what it is you're trying to achieve over the long term, we build a portfolio accordingly, regardless of the daily volatility in the market.
- John Petrides: This idea that, oh, it was the worst December in 100 years, or it's the best January since 1987, it doesn't really matter to us because the biggest fear, Frank, that everybody has, it's not, where are we going to be with trade wars? Or is the government going to shut down again? Or what is the president going to say tonight at the state of the union address? It's none of that. The biggest fear that is inherent

in everybody's mind is, will I outlive my money? When you break it down, that is the biggest risk. That's what we're trying to guard against.

Frank Curzio: It definitely makes sense, John. Listen, thank you so much. I know you're a busy man these days. All over TV, guys. You can see him on Bloomberg, CNBC, everywhere. I really appreciate you taking the time to come on. I know my listeners really appreciate it, too.

John Petrides: Thanks, Frank. I appreciate it.

Frank Curzio: Great stuff from John. I just love interviewing smart people. Right? It's just always learning. Somebody said, Frank, you did free podcast things so much. For me, too. I get to talk to these analysts, getting updates and stats, figures, all the time. Seeing what sectors they like, stocks they're buying or shorting, getting new ideas constantly by interviewing these people.

Frank Curzio: I'm interviewing these people, I'm learning, I'm asking questions I want to know about. Yeah, this is about you, not about me. Let me know what you thought at Frank@curzioresearch.com. For me, I just learn a lot. You always have new stats figures, and you just incorporate that into everything you're doing, but having that network is pretty incredible. I'm truly honored. I feel lucky sometimes to have this podcast. It's really cool, and for you guys like John, and so many smart people.

Frank Curzio: Guys, I hope you appreciate it. I think you do, based on your emails and stuff. I love the fact that they spend time, they come on. Again, they don't get paid to do this. These guys are just analysts that love helping individual investors. That's something that I really, really appreciate.

Frank Curzio: Now, I want to get to my educational segment real quick. It's about the state of the union address, which I know a lot of you watched. Thought that Trump did a good job, politically, last night. I mean, he's highlighting a ton of his

accomplishments, but I think whoever wrote that speech was fantastic. Right? Because it's almost like knowing the enemy, knowing exactly what, say, the democrats are going to do. If it was Obama, then enemy republicans. Again, I don't want to keep this nonpolitical, I'm getting to a point here.

Frank Curzio: He was just targeting things where he knew their agenda where they're going to sit on their hands, they're not going to stand up, and they didn't even stand up when he walked through the door, which is the first time, I think in history, that we ever saw that state of union address, which was just insane. Okay? You can disagree with people, but there's another level where you respect, I think. I don't know.

Frank Curzio: Again, I liked Obama. I would like to have a beer with him. I think he was cool, but just because you disagree with their policies, I don't know. Maybe I'm just out there. There's a lot of people to the far left now. It's pretty crazy.

Frank Curzio: Again, his writers did a great job because they highlighted how unemployment was lowest among Asian-Americans, African-Americans, Hispanic, pretty much ever in our country's history. During this time, so prior to this, so many democrats refused to stand even though a lot of these things were about them. More women in congress than ever and stuff like that. He avoided talking about the shutdown, which is really smart.

Frank Curzio: My opinion, I try not to be biased, I thought it was a really good speech. If you're a democrat, you're going to hate it and say, "Oh, everything's a lie," and this and that. If you're a republican, you're like, "Wow, he really nailed it." Whoever's the president, you have this big stage, no matter what side you're on, it's going to be pretty good when you're highlighting so much stuff.

Frank Curzio: To be honest with you guys ... Again, try to forget about politics here. Forget you're a democrat, forget you're a republican because these guys don't give a shit. They don't care about you. What you need to know, even with that speech, we're supposed to be, "Oh, bipartisan, we're going to work together," that speech was basically meant that they're not going to work together, and you see it.

Frank Curzio: It was a speech where, hey, we're trying to work together, but again, they tried to support that the republicans are working together, but they're not. It's not going to happen. It's very important you realize this, guys, because I may create a new newsletter, just one this, because this is going to impact every one of your portfolios. This is one of the biggest risks right now to the market. Forget about tariffs, forget about recessions, which come and go. No.

Frank Curzio: This is different, this is long-term. It's political risk. What do I mean by that? Nothing. Nothing. Nothing is going to get done. Nothing. No matter what. No matter who's the president, no matter if the democrats win, unless they control all three branches, which is probably not going to happen, maybe it does, who knows? Nothing is going to get done. It's not about doing what's in the best interest of the country, because you're looking at both parties who ran on a trillion dollar infrastructure bill, and they're not even close to getting something done.

Frank Curzio: Even though that's our bridges, that's our war lines, pipelines, that are hundreds of years old. Roads, things that could impact us, that can hurt us, nobody cares. Even if you go back and look at a democrats platform, again, keeping politics aside, they talked about borders, they talked about walls, they ran on that saying that we need more border security. Not saying they have to come to all the way to what Trump wants, but the fact that they can't come together when, what's at stake? People's lives. Safety. This is going to happen with every single topic, and it's going to impact your portfolios considerably.

Frank Curzio: Talk about less innovation. Maybe not having so much technology-focused stocks, where you're seeing those FANG stocks come down, and there's a lot of regulation that's going to come down the line. If you're looking at banking laws, repealing some of the Dodd-Frank stuff, which is still insanely crazy, where the banks want to lend money, but they're not allowed to.

Frank Curzio: Looking at healthcare, nothing's going to change. Whether you're an Obama fan, Obamacare or not, affordable healthcare, whatever you want to call it, it's not going to change, so you need to invest accordingly. What does that mean? Well, that means we're going to be 450 million people are going to be insured, and everyone else's premiums are going to be raised. Regardless if you agree with it or not, again, politics aside, but that's 40, 50 million people that continue to get more prescriptions, continue to get medical devices, more medicine. You're going to see a lot of profits for these companies continue to go through the roof.

Frank Curzio: Defense, that industry, a lot of spending's involved with. That's fine, but will that continue going forward [inaudible 00:55:53]? It doesn't matter if it makes sense, these guys are going to vote against ... They don't care about you, they don't care about me, but we have to take control of our futures.

Frank Curzio: This isn't some kind of marketing pitch. This is the truth, guys. This is the biggest risk to your portfolio. [inaudible 00:56:12] Jamie Dimon talked about it, guys at Goldman Sachs talked about it. Doesn't matter if you're democrat, republican, what side you're on, it's going to get nasty, continue to get nasty, and nothing is going to get done, and it's going to impact tons of sectors, and tons of stocks.

Frank Curzio: I can guarantee you right now, you guys are not in the right sectors in stocks, positioned for a government that's

going to be a stalemate on every single subject. Maybe you have exposure to infrastructure. Wow, once infrastructure bill is passed, it's not going to get passed. It won't get passed during a Trump presidency. It won't. They just won't come together to do it. Not right now, and not anytime soon, unless something changes, or a sentiment changes. Right now, it's getting worse. They're getting further and further apart, which is evident by that speech.

Frank Curzio: Yeah, it's a whole game. Trump goes up there, "Bipartisan, we'll all work together." No. The fact that he didn't get his wall, forget it. That's what he ran on. That's what he wants to do. That's personal. He's not going to support a lot of other [inaudible 00:57:06]. It's just the way it is right now. There's hate, and it's going to impact your portfolio.

Frank Curzio: For me, I like to create a special portfolio designed for retired investors to position themselves in the right sectors, in the right stocks, because this is a massive risk that people are just touching on right now. This is something that can push us into recession. We have a party that wants us to be into recession, this way they can take power. That makes sense.

Frank Curzio: You always want the economy to do terrible when whoever's becoming president. That's the way it is. You want to have more ammo, this way you can get your party up there, all your agenda, everything. This is the reality. This is the country you live in right now. This is the way it is, and it's going to get a lot worse, guys. Whatever side that you're on, this is about your money, this is about your portfolio.

Frank Curzio: In the coming months, I'm going to be talking about this, highlighting it, maybe try to bring on politicians who care, really digging into the stats, showing you how these politicians really don't give a crap about any of us. They want power and things for themselves. Provide

great examples of this because everything's documented. There's a lot of research on this lately.

Frank Curzio: You're going to have to position your portfolio right, because this is something that's very, very, very dangerous. It's going to impact your portfolios, impact your retirement, impact your families, at least over the next decade.

Frank Curzio: Okay, guys. Thanks so much for listening. Again, looking forward to our launch. Curzio Equity Owners Token. If you're interested, credit investor, please just send me an email, frank@curzioresearch.com so I can send you all the material, which is going to be available early next week.

Frank Curzio: Thank you so much for all your patience with this. Also, thanks so much for listening. Really appreciate all your support. Love you guys. I'll see you in seven days. Take care.

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