NUTSTUFF

Sunday 24th July 2022.

WEEKEND NUTSTUFF:

So, The CBR (Central bank of Russia) just raised its growth forecast from -8% to -4%, cut interest rates from 9.5% to 8%, (and I sense they cut further to 7% rapidly) as conviction from CBR is that inflation has peaked. The CBR also raised its current account surplus forecast from $145 billion to $243 billion. Exports now expected to reach a record $593 billion. Hmmm. How are those sanctions working out, Joe?

Nutstuff has tried to stay consistent and pragmatic about Ukraine being the nitrous oxide for what was already a massive emerging problem with Ignorance and a lack of joined up thinking, woeful underinvestment in infrastructure meeting ill-thought-out energy policys without joined up thinking in a World where "money has been free" for too long. No more lottery tickets….

So, here I am, currently in Croatia (back to London tonight), a reminder that back in the mid 90's (just after I left the military) this was place of utter hopelessness and brutal tragic genocide not unlike other places today! It is also the impossibly historical and beautiful Dalmatian Coast. Today it is not busy, little sign of war that ended in 1995, many my age and younger fought in it so memories are real, yes its still a little agricultural in all aspects but it had me thinking about "if I had to buy a holiday house" or invest in property, as a euphemism for "most improved places", does anyone know a good Ukrainian Real ~estate broker?! I thought of this as Marco Papic at Clocktower amongst others inspired me to write my WHAT IF? Piece Last Sunday. I am increasingly sickened by sanctimonious Neo-con sabre-rattling journalism without any attempt at balance. No one still seems to be able entertain the idea of a Peace, a cease-fire and absolutely not any end to sanctions or a "look away" . Right now Nutstuff is trying to think through what would happen if the market WAS prepared for Russia stopping / being "satiated" by the Donbas (what it clearly wanted originally!) and Europe blinks on coming intolerable pain and looks away. Late on Friday Kyiv and Moscow signed a UN-backed agreement to free up at least 20 million tons of grain from blocked ports. (I discovered yesterday that an old friend of mine ex. Army headed up this negotiation for the UN). Ukraine was clear it would not sign a deal with Russia directly, only with Turkey and the UN, BUT it marks the first successful mediation between the two sides since the start of the war. If any more sign off movement then that of course will cause the risk premium to come out of oil. (Arguably a great buying opportunity) as Energy security will remain a key strategic imperative for all and as thinkers and specialists like Pierre Andurand articulated, average oil demand from 2000 to 2010 and 2010 to 2019 was quite steady in line with population growth over time, 1.2-1.3mbd. (Millions barrels /day). Since lock-down demand way below trend. Right now he thinks 4.1mbd, (largest prior variance was 2009 of 2.5mbd.) so recession fears, end to wars etc. is NOT an issue. Meanwhile "Even the idiots running Germany & Europe are starting to finally realise that nuclear is the only long-term option and coal right now essential. No one wants to be Germany. Lets be clear, Alternative energy is the skin on the cherry that's on the cake. Alternatives are a 20-30= yr horizon. For legacy Carbon assets/ Co's. NO incentive to spend money and invest! All that will happen is more buy backs and de-leveraging (why I own Coal and many other energy co's) . This winter it is a simple choice, Turn back on coal, Invest full tilt in nuclear , scrap COP 26/27 & 28! etc. Do this OR ration energy! (Easiest way is to do that lock-down populations!)

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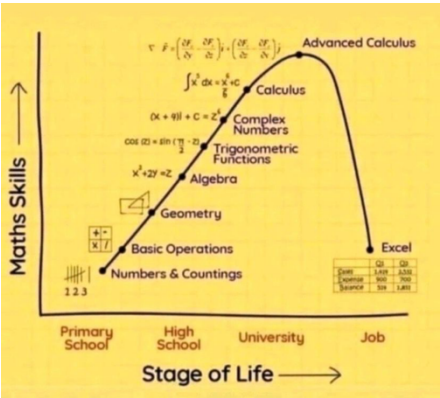
So how does this make me think about the Nutstuff Portfolio? Still -3.8% YTD frustratingly…no changes. Although I am going to look at the weightings of positions and tilting yet more to oversold quality growth and "spec-sit", and some Europe. As have huge weightings in Coal and names like OXY etc. Adding GETY US. See below. (But will let trading settle for 2 days first!)

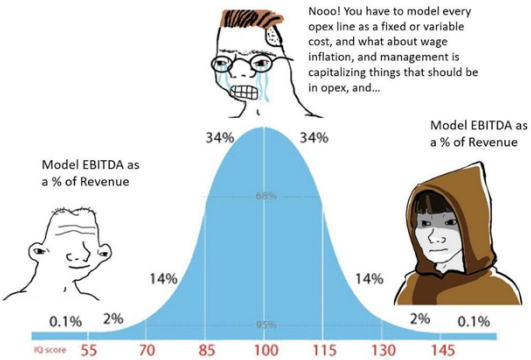
Well the incredibly consensus Bear stance in base metals and especially copper has got to point where I am absolutely doing the opposite as was with China and Biotech. At the same time, when I think about my Oil Equity exposure here, I always remember an old adage which is that when Oil is at $80, Oil Equities price oil at $80, When Oil goes back to $120, Oil Equities price oil at $100, When Oil drops to $115, Oil Equities price oil at $80… SO, right here I'd add to Exonn Mobil/XOM US, no windfall tax risk, good refinery exposure and gas…

WTD & MTD Focus list & Portfolio Alpha:

Ticker	Short Name	Last Price	%1D	Rel 5D Return	Rel MTD Return	Rel QTD Return
ETHE US d	GRAYSCALE ETHER	11.09c	--	+15.66%	+50.09%	+50.09%
FRAS LN d	FRASERS GROUP PL	942.0c	--	+31.00%	+39.46%	+39.46%
PRPB/W d	CC NEUBERG -CW25	.66c	--	+12.91%	+37.10%	+37.10%
CDZI US d	CADIZ INC	3.09c	--	+18.63%	+26.72%	+26.72%
LABU US dS	DRXN D BTECH BLL	8.28c	--	-9.68%	+17.38%	+17.38%
TSLA US d	TESLA INC	816.73c	--	+10.58%	+15.89%	+15.89%
QCOM US d	QUALCOMM INC	153.70c	--	+3.82%	+14.97%	+14.97%
RRC US d	RANGE RESOURCES	29.72c	--	+7.30%	+14.74%	+14.74%
GBTC US d	GRAYSCALE BITCOI	14.48c	--	+3.07%	+14.72%	+14.72%
VSCO US d	VICTORIA'S SECRE	33.28c	--	+13.27%	+13.69%	+13.69%
SQ US d	BLOCK INC	71.80c	--	+6.12%	+11.63%	+11.63%
DKNG US d	DRAFTKINGS INC	13.53c	--	+2.59%	+10.78%	+10.78%
JOG LN d	JERSEY OIL & GAS	236.0c	--	+7.50%	+10.73%	+10.73%
AMZN US d	AMAZON.COM INC	122.42c	--	+5.13%	+10.13%	+10.13%
AMD US d	ADV MICRO DEVICE	88.10c	--	+5.92%	+10.08%	+10.08%
TEP LN d	TELECOM PLUS PLC	2180.0c	--	+1.89%	+9.81%	+9.81%
MRNA US d	MODERNA INC	163.52c	--	-4.47%	+9.38%	+9.38%
NVDA US d	NVIDIA CORP	173.19c	--	+7.15%	+9.17%	+9.17%
CEIX US d	CONSOL ENERGY IN	56.19c	--	-3.91%	+8.73%	+8.73%
YCA LN d	YELLOW CAKE PLC	358.20c	--	+1.80%	+8.59%	+8.59%
GRG LN d	GREGGS PLC	1979.0c	--	+3.40%	+7.85%	+7.85%
ALGN US d	ALIGN TECHNOLOGY	265.88c	--	+1.72%	+7.34%	+7.34%
TPB US d	TURNING POINT BR	30.43c	--	+6.82%	+7.17%	+7.17%
TGA LN d	THUNGELA RESOURC	1266.0c	--	+.21%	+7.16%	+7.16%

Accounting and Mathematics: *2 good topical pictures…*





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On the MARKET: & Rates:

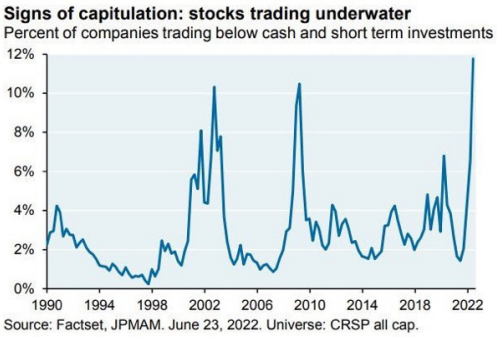
"Connecting the dots". There is massive divergence between what fund managers say there are doing and are actually doing. Michael Hartnett at Bank of America (below). Points out that for every $100 of inflow since Jan. 2021 there was just $2 of outflow from tech, $3 from equities.

2000: Fed raises to 6.50%, and breaks the dot-com bubble.

2008: Fed raises to 5.50%, and breaks the housing market.

2018: Fed raises to 2.75%, breaks the stock market first and then the repo market.

2022-2033: Fed hikes to (?) and breaks (?) This vs 1.75 right now. Going up .5% on Wednesday. So then 2.25. One more increase in before it's over? .



On "bloated" Inventories & Consumer: a picture paints…..doing some work here.

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ESG, Energy & Agriculture:

I was reading some excellent work from the team at "Thunder Said": they too were going through the possible dire consequences of this move to a multipolar world…

1st: ***To those who you berate me for not embracing ESG and my cynicism, don't doubt my desire for a healthier environment but from an investment perspective it is*** interesting to note that the MSCI ACWI is 4.5% energy, 4% utilities and 4–5% materials, BUT ESG funds are holding, on average, only 1.2%, 1.3% and 3.4% respectively. On the other side, of the 'top ten' holdings in these ETFs the average ETF had six in common with the top ten holdings of MSCI ACWI. So ESG higher fees for funds and basically full of Big technology and hugging main-stream indexes!

Today's energy under-supply could create a humanitarian crisis. At current pricing, primary energy will absorb 13% of global GDP this year, that is the highest level on record versus a global average of 4% going back to 1900. In the developed world, energy will absorb 11% of the average income of the average household, up from 5% in 2019. But in the developing world, home to four billion people, energy consumption is 90% lower than per capita levels in the West. These countries could be priced out of the world. Consider fertilisers. In normal times, two-thirds of fertiliser costs are energy costs, pulling nitrogen out of the sky via the Haber-Bosch process. If energy prices treble, then fertiliser prices double. If you can no longer afford to purchase fertiliser, then crop yields will fall proportionally.

The consequences are cruel.

1. Energy shortages also make it harder to do many of the things we want to do in the energy transition. PV silicon, lithium, aluminium and copper production emit CO2 because their production is energy intensive, so it is harder to make them in a world that is short of energy. On a 20-year view, solar and EVs are crucial, but the energy payback on producing them runs at 2–4 years. The faster we accelerate these technologies, the shorter we will be of energy in 'crunch years' such as 2022 and 2023.
2. Also Technologies such as carbon capture, grid scale energy storage and hydrogen all have inherent efficient losses stemming from immutable laws of thermodynamics. Their useful energy losses can range from 15–70%, which means that if you put 100MWH of useful energy into one of these energy storage technologies, you will only recover 15–70 MWH of useful energy back out on the other side. Again, it is harder to justify deploying these technologies if they are going to deepen near-term energy shortages.

What to do?: There may be some opportunities at the margin. We could restart about half of Japan's 45GW of idle nuclear plants, which could substitute about 20% of Russia's gas exports to Europe. Or *we could restart idle coal mines in the West, which at current pricing will print more money in 2022 alone than we previously expected over the entire next 20 years.* Some of these windfall profits could, of course, be reallocated by ESG investors for humanitarian support in Ukraine, food security or to support high-quality nature-based CO2 removal projects.

2 asides: 1. On Friday I saw Yellow Cake (YCA LN); their report predicts continued strong demand for uranium and increase in prices. **2.** To our friends in Europe and all those talking UK crisis, as of this morning, the UK is currently sending almost 2 gigawatts of electricity to France via inter-connectors. That is about 6% of UK generation this morning going to France.

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Climate: "*don't shoot at me, but when it's happened five times over the last half million years, and we were around only for the last one, but didn't cause the other four, then almost certainly none of the five were our fault.*" Anon…

Many people ask questions like, "What could $50 billion do for the 'climate crisis?' "

When Obama's head of the EPA was asked about what $100 TRILLION (2,000 x more than $50 billion) would accomplish, she said, "0.03%."

Look, people, I KNOW you want to help. I KNOW you believe we can't just sit back and do nothing. Thing of it is, Earth's warming is a normal and natural part of Glacial Cycling. We're nearing the peak of the FIFTH Interglatial Warming Period in the last half a million years, with the SAME high temps, sea levels, and concentrations of CO_2, CH_4, and sea as the during the other four Interglatial Warming Periods occuring at roughly 105,000 year intervals (see Vostok Ice Core Sample graphs). In fact, we have records going back three times longer, to 1.5 mya.

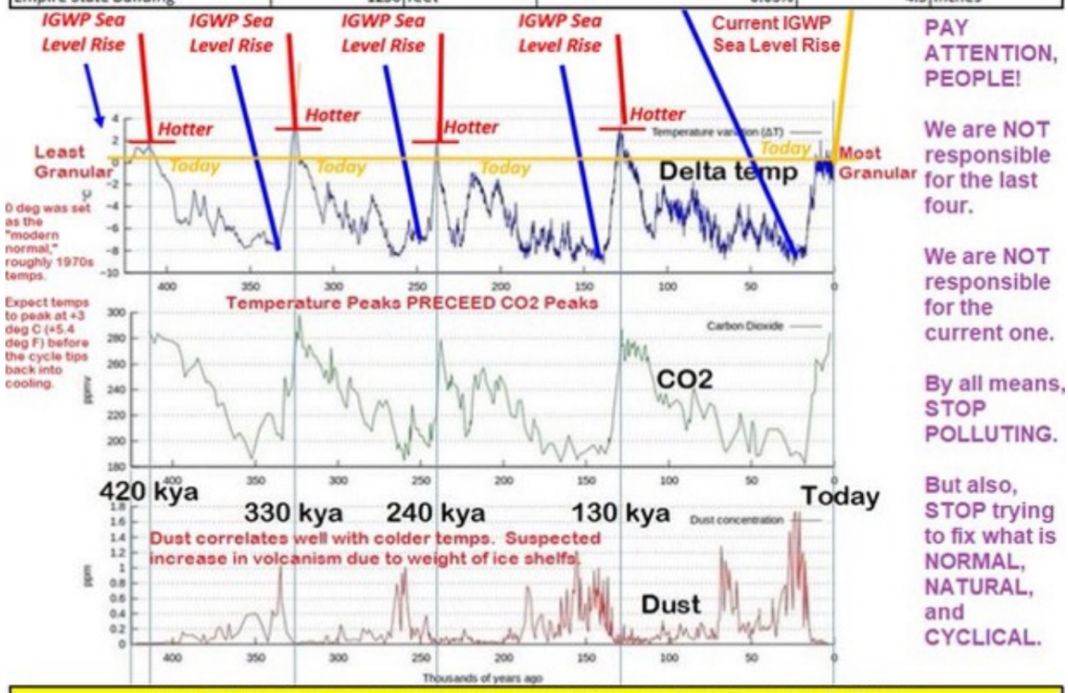
NONE of them were caused by mankind! Not only were our numbers incredibly low, at one point dwindling to just 30,000, but we had not yet achieved civilization, with any sort of farms, much less any sort of industry. We were just hunter-gatherers back then, smarter than your average gorilla or chimp, but nowhere near as smart as humans from Earth's cradle of civilization, the sedentary Natufian Culture in the Levant around 14,000 years ago, which actually predates mankind's first agricultural civilization in the same area by 2,000 years. By comparison, another 6,000 years passed before the transitional period between the Neolithic and the Bronze Age during the 4th millennium BC, and the development of proto-writing in Harappa in the Indus Valley of South Asia around 3300 BC.

$100 Trillion spent on the "Climate Crises" through the year 2100 MIGHT produce a result, but as it falls well below Earth's temperature noise floor and the global warming uncertainty, it almost certainly would never be able to be measured. That tiny little vertical red line is ALL it would accomplish in the midst of the sea of blue. Earth is THAT MASSIVE. Spending $100 Trillion WOULD, however, make a few people a whole lot richer while dooming the rest of us taxpaying sods to abject if not extreme poverty and debt.

If you REALLY want to help Planet Earth:

1. Promote nuclear and solar, along with reversible hydroelectric energy storage. Nuclear technology and safety have VASTLY improved.
2. Cease overfishing. Fisheries are currently struggling at less than 20% of 1950's norms. 80% fish populations are VITAL for ocean health.
3. Get nations to STOP DUMPING GARBAGE in our oceans. It's not just the plastics. It's the persistant toxic chemicals that harm life.

Anticipated Warming	5.4000	deg F	$100 TRILLION worth of Reduction	0.0016	deg F
Effective Mitigation Rate	0.03%		New Temp	5.3984	deg F
Empire State Building	1250	feet	0.03%	4.5	inches



It would ONLY mitigate temperatures by that microscopic little orange, vertical line, below. THAT IS ALL.

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STOCKS:

GETTY /GETY US: Getty Images, re appeases in Public markets. Is set to start trading on NYSE tomorrow. They boast nearly 500 million digital assets, "are fulfilling enterprise and consumer demand at the intersection of two secular growth trends: brand differentiation with digitised images and video, and monetisation of a self-creator economy, closest comp is Shutterstock which has been cut in half in last 12mths, worth noting that Getty has "significantly higher corporate revenue concentration". I would watch here for SPAC shenanigans and if any sharp moves lower post re-listing , thats the moment to add.

TESLA/TSLA US: Telegraph makes some key points here….. Musk still owns almost a fifth of Tesla, even if he does end up having to sell a few shares to fund a settlement with Twitter. He is not yet at the stage where the board is plotting against him, or where shareholders are openly calling for his resignation. But he is clearly losing his grip. In truth, Musk has become a liability at Tesla. He has picked too many fights, spread his energies too thinly, and shown little appetite for the discipline and focus required to run one of the biggest companies in the world, and one that should still be growing at an accelerating rate. If he was mature enough, he would step aside for a time and let more professional managers take the company to the next stage. If he doesn't, others may start to try to extract him against his will. Better to bow out gracefully.

http://digitaleditions.telegraph.co.uk/data/1018/reader/reader.html?social#!preferred/0/package/1018/pub/1018/page/90/article/NaN

EU EQUITIES: for the portfolio Buy/ Core name LVMH MC-FP to "3", what a=n amazing portfolio! Alongside BAYER and RWE (nuclear focussed Utility).

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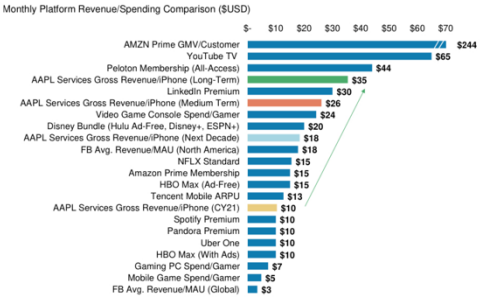
APPLE/AAPL US: some really interesting work from those smart people at Morgan Stanley that was shared with me for my thoughts. ***The path to $3trillion Mkt Cap (+30%) is all about Apple subscribers spending <$2. Or < one coffee/day!***

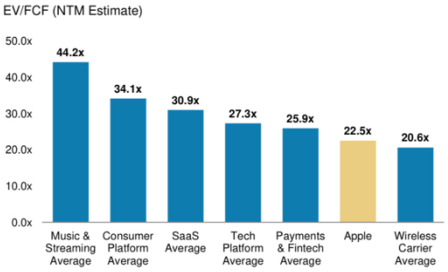
They argue for at least 30% upside here. They assert that the market continues to value Apple shares more like a traditional, best-in- class, technology hardware platform, at 22x EV/FCF vs. 31x for the average SaaS model and 44x (still!) for subscription-driven streaming platforms. Also as Apple's installed base matures, retention rates maintain or improve from already high levels, new market opportunities emerge, and Apple proves they can drive sustained growth in spend per customer, investors will begin to gravitate towards a more lifetime value (LTV) based valuation approach, but currently Apple's share price of $153 roughly implies Apple ceases to grow spend per user in 10 years, an unlikely scenario in our view, given the $26 billion annual R&D spend driving new product and services innovation. So, Apple through a subscription-oriented valuation lens could drive at least 30% upside to Apple's current stock price. The work they have done is a 40-year lifetime value DCF of Apple's user base. They assume over the long-term, total daily spend per Apple user reaches just $2, or a 1%/ 40-year CAGR from today vs. 6% over the last 3 years, with installed base growth of just 2% vs. 7% over the last 5 years. Over the long-term, the average Apple user spends less on all of Apple's Services offerings per month ($35/ month) than an annual Peloton or YouTube TV subscription!

Exhibit 9: From just a Services perspective, we forecast spend per user per month increasing to $35 longer-term, below what offerings like Peloton or YouTube TV cost today, suggesting relative conservatism given the myriad services Apple offers today.



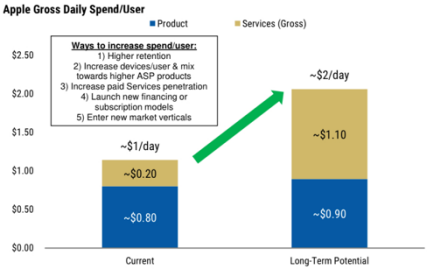
Source: Company Websites, Company Data, Morgan Stanley Research; Note: Gross Services spend includes the entirety of consumer App Store spend, not just the net revenue captured by Apple

Exhibit 1: Apple currently trades at a significant discount to most subscription models on an EV/FCF basis, showing the market is not underwriting long-term cash flow stability at Apple like it does with true subscription businesses.



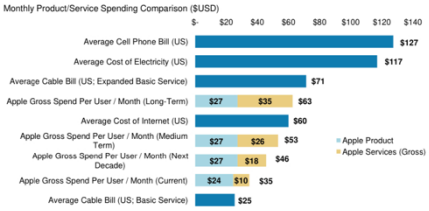
Source: Company Data, Morgan Stanley Research. Streaming average reflects NFLX, SPOT, SIRI. Consumer average reflects SBUX, RACE, TSLA, MCD, RVLV, DIS, SONY, UBER. SaaS average reflects CRM, NOW, WDAY, VEEV, ZEN. Payments & Fintech average reflects V, MA, HOOD, SQ. Tech average reflects GOOGL, MSFT, AMZN, FB. Wireless carrier average reflects T, VZ, TMUS.

Exhibit 7: In our LTV analysis, we forecast global Apple spend per user grows from ~$1/day today to $2/day longer-term.



Source: Company Data, Morgan Stanley Research; Note: Gross Services spend includes the entirety of consumer App Store spend, not just the net revenue captured by Apple

Exhibit 8: In our LTV model, we assume that over the long-term (40 years) total monthly spend per Apple user (products and services) reaches $63, equivalent to half of the average US cellular bill today.



Source: Company Websites, Company Data, Morgan Stanley Research; Note: Gross Services spend includes the entirety of consumer App Store spend, not just the net revenue captured by Apple

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