



Tuesday 26<sup>th</sup> July 2022.

**HOT STUFF: RIP David Trimble and please lets *force* Truss and Sunak to be put under the kosh by my old friend Andrew Neil!**

**Made me chuckle:** I see that UK City Leeds is hot choice to host the Eurovision Song Contest (instead of Ukraine). A BBC spokesman explained it was the closest they could get to a city here that looks like Mariupol!

**Inflation: YES, its now getting real!** *Dear Prime Member, Thank you for being a valued member of Amazon Prime. We are writing to you about an upcoming change to your membership. As of 15 September 2022, the price of the monthly Prime membership will increase from £7.99 to £8.99, and the price of the annual Prime membership will increase from £79 to £95. \*\*\*Nutstuff loves Amazon Prime but I vehemently dislike the stock\*\*\**

**UK; 3 things I sense not widely appreciated:**

1. To Property bears, don't forget that over half of all UK homes are actually owned mortgage free, 8.2m vs 7m.
2. Even though the UK base rate currently is just 1.25%, the average rate charged on credit-card debt is 26.6%! That's where the pain comes.
3. NHS England Budget now 2022/23 £190bn, UK Population=?. So, spend per head? Well my BUPA Medical Insurance this year will cost £1200!

**ESG: To those who you berate me for not embracing ESG** (2 yrs+ ago when I told you all to short it and Buy coal! "Tattoos vs Topknots!") Please don't doubt my desire for a healthier environment but from an investment perspective it is Dick Turpin-Esque behaviour still: note that the MSCI ACWI is 4.5% energy, 4% utilities and 4–5% materials, ESG funds are however 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 most ETF's and ESG right now is higher fees for supposedly Green funds and basically is full of Big technology and are hugging main-stream indexes!

At the same time, YES. Lets still be very clear, today's energy under-supply is already creating 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. (Thx ThunderSaid).

**As an aside**, see London over the weekend only avoided a blackout last week by paying a record high £9,724.54 per MWh (more than 5,000% higher than the typical price) to briefly import electricity from Belgium due to traffic jams on the power grid!

**"Leave it to the children"**! Oh and there's Rishi Sunak says his young daughters are the experts on climate change in his house. Well, here is the brutal irony, this is precisely the problem, isn't it?



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### UKRAINE and Fact vs Fiction:

**Nutstuff doesn't talk so about Ukraine for the good of my health or yours for that matter**, but there are much wider ramifications and still SO much misguided B\*\*\*\* being talked. I see Gazprom announced that from tomorrow morning/Wed it will cut the quantity of gas flowing through the Nord Stream 1 pipeline to Germany to 33 cubic metres per day. This will halve the current flow of 67 million cubic metres and is just 20 per cent of the 167 million cubic metres which flowed through the pipeline before the Ukraine invasion. *Ostensibly, the cut is we read for reasons of 'maintenance'. That is unlikely to wash. Nord Stream 1 relies on a compressor station powered by six turbines, but Russia was supplied with two spare turbines to prevent any need for reduction in flows during maintenance periods.*

**So, lets also just assess the Four claims from US-UK NATO alliance on Ukraine 🇺🇦 still being trotted out by Biden Truss and Sunak et al...**

1. Ukraine can win a war against Russia with training from NATO & with NATO weapons.
2. Sanctions will weaken Russia & destabilise Putin.
3. We can deal with consequences of sanctions better than Russia.
4. The world will unite behind NATO because we are right.

***It all sounds good but it is wrong and is The art of wishful thinking vs Harsh Realities.....***

1. Ukraine will never win a war against Russia due to asymmetric superiority.
2. Sanctions are not hurting Russia enough due to self sufficiency in both energy & food, and don't think Putin hasn't planned for this.
3. Europe is in both economic and political stress; with multiple leaders falling (UK, Italy, Bulgaria, Estonia).
4. Commodity prices have doubled leading to a severe cost of living crisis with no quick fix.
5. China, India, Brazil, Africa, much of Middle East refuse to sanction and refuse to take part in the war.
6. The Russian war strategy has shifted; the more NATO supplies Ukraine, the more Russia will shift the front line.

**\*\*\*Brutal Bottom line:** NATO country's strategies are solely leading to prolonging the conflict. There is only one solution; Russia and U.S. must negotiate a peace deal. Zelensky and his "handlers" will be seen in coming weeks/ months as obstacles to this, increasingly the problem not the solution.



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## 2 more things to add:

**On Sanctions “Give”.** The EU just blocked a proposal to sanction Russian metals company VSMPO-Avisma PJSC at the last minute, EU diplomats said, after France and other member states objected to the move over fears of a potential retaliatory ban by Russia on titanium exports to the bloc. The company is a critical supplier of titanium to Airbus SE, the world’s biggest commercial jet maker.

**To quote an extreme article yesterday with some sensible sentiment hidden it:** Putins words resonated: Only a self-confident sovereign who does not expect anything constructive from the collective West can get away with describing it as “*racist and neo-colonial*”, bearing an ideology that “*is becoming increasingly more like totalitarianism.*” In the old days these words would have been met with an assassination. So will the “rules-based international order” be preserved? Not a chance, argues Putin: the changes are “*irreversible.*”

\*\*\*

**Wokeness and History erasers beware:** It turns out that in the wake of the “Hume-cancellation” the University of Edinburgh has seen a £2m slump in donations. That is 24 donations and 12 legacy donations that have either been “cancelled, amended or withdrawn” since the cancellation of Hume. *David Hume was a Historical figure that the university should take immense pride in. Naturally, working 250 years ago, he held some Race views that we just do not hold today. Just as we doubtless hold views today that our successors will not hold in another 250 years. The point of institutions however is not to judge the past and act as judge, jury and executioner over it. Nor is it to erase the past. The job of institutions is to preserve the past, educate the young about it and then pass that education along. In that process continuity and evolution is vital, so that a student today might realise that they could achieve even a portion of the heights of those who went before them.*

**PORTFOLIO & STOCKS:**

SUMMARY	CAPITAL GAIN	DIVIDENDS	CURRENCY GAIN	TOTAL RETURN
Your Portfolio: Nutstuff 2022	-19,538.84 -10.75%	2,063.57 1.14%	12,795.23 7.04%	-4,680.04 -2.58%
Edit Benchmark <a href="#">ACWI.NASDAQ BlackRock Institutional Trust Company N.A. -...</a>	-20.13%	0.90%	12.21%	-7.02%

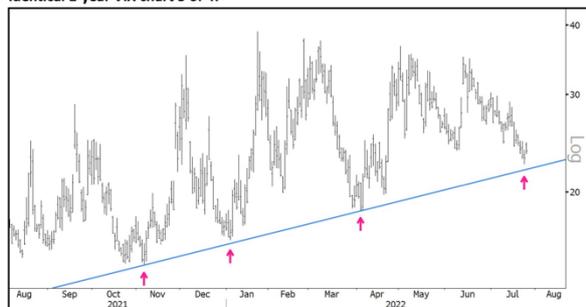
-2.5% YTD in a Long-only diversified Portfolio is something Nutstuff is pretty happy with!

The S&P 500 has now rallied over 10% from its intra-day low on June 17<sup>th</sup>. Legitimate to ask: Was this recent rally a “bear market/flash in the pan”? Well, anyone here subscribe to this?: *Inflation is going to a new all-time which will exceed the previous high in 1917 which was 19.75%. That means a new high in interest rates and a total disaster for bond prices, bond prices will fall 70%.* I am guessing few, But I know one!

Absolutely not for me right now, as the market remains oversold and extreme pessimism persists. Sure earnings coming down and need to. Yes, a Walmart miss, maybe to come a Microsoft miss, or lets hope an AMAZON one, but until a grossly overbought condition is reached, momentum deteriorates, and excessive optimism is witnessed, Greed just might beat Fear! What seems clear however is that many are holding onto the fact that over the most recent economic cycles, the Fed has always been able to stop hiking well before a recession hit & the period in between has been very good for stocks. Markets are discounting a similar pattern now, but due to strong & broad inflationary pressures it clearly won't be as easy this time. Avoiding price-takers is clear! Yes, the latest and most respected surveys show that fund managers have the lowest allocations to stocks since October 2008. I repeat that when this turns, it will be violent to the upside, ( it is already!) So many funds are down huge and if they don't make it back in 2H, they are going to be redeemed. You can't make it back sitting in cash. They'll be forced to buy what's working. Nutstuff thinks that career survival will force \$ into value and energy. *A reminder that Nutstuff buys stocks not markets and that's where my focus remains!* So some reality last night from Walmart: *Nutstuff sent a picture on Sunday highlighting bloated inventories in Home Dept/ HD US, well, I now see the commentary for Walmart as last night they guided-down/miss numbers and stock -8%.*

**2 Pictures:** Volatility looks due for a spike and Small-caps vs Large!

Identical 1-year VIX chart 3 of 4:



Worth Charting

**Chart 2: Small caps remain historically cheap vs. large caps**

Relative Forward P/E: Russell 2000 vs. Russell 1000, 1985-6/30/2022



Source: BofA US Equity & Quart. Strategy, FactSet

**THINGS TO DO & THINGS TO THINK ABOUT:**

The love affair with Technology remains, for every \$100 of inflow since Jan. 2021 there was just \$2 of outflow from tech vs \$3 from equities. ( Nutstuff remains VERY selective) lets just see how it is for Loss-making expensive Cathy Wood-sequel names after earnings and guidance! (Next few days see here)... I subscribe to greater logical de-ratings! (*Peloton my only care!*)

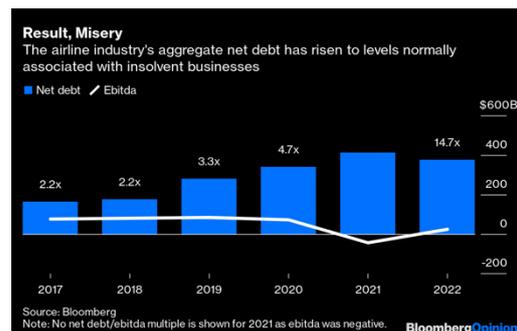
Trailer Trash Stock Q2 Results Tracker

Ticker	Name	IPO Date	Report	MarketCap	23/7 Price	23/7/22	Price 24hrs After	Change
SNAP	Snap	2017	21-Jul	26.9	16.38		9.95	-39.3%
SQSP	Squarespace	2021	25-Jul	2.8	19.95		19.32	-3.2%
SHOP	Shopify	2015	27-Jul	48.3	37.35			
SPOT	Spotify	2015	27-Jul	21.51	111.65			
ROKU	Roku	2017	28-Jul	12.1	88.84			
PINS	Pinterest	2019	01-Aug	12.01	18.11			
SOFI	SoFi Tech	2021	02-Aug	5.29	6.62			
ABNB	AirBnB	2020	02-Aug	66.17	103.97			
UBER	Uber	2019	02-Aug	45.75	23.3			
HOOD	Robinhood	2021	03-Aug	7.59	9.08			
LYFT	Lyft	2019	04-Aug	4.71	13.54			
TWLO	Twilio	2016	04-Aug	15.87	87.33			
TEAM	Atlassian	2015	04-Aug	51.27	202.27			
DDOG	Datadog	2019	04-Aug	29.54	93.79			
DOOR	Door Dash	2020	04-Aug	25.8	73.45			
W	Wayfair	2014	04-Aug	4.86	51.75			
OPEN	OpenDoor	2021	04-Aug	3.23	5.17			
LSPD	Lightspeed	2019	04-Aug	3.91	26.19			
GDRX	GoodRx	2020	08-Aug	2.63	6.62			
LMND	Lemonade	2020	08-Aug	1.18	19.14			
PLTR	Pajantir	2020	08-Aug	20.14	9.84			
RBLX	Roblox	2021	09-Aug	23.37	39.4			
U	Unity Softwz	2020	09-Aug	10.87	36.47			
COIN	Coinbase	2021	09-Aug	18.55	70.82			
BMBL	Bumble	2021	10-Aug	6.86	33.88			
CROWD	CrowdStrike	2019	7 Aug	42.59	183.53			
AI	C3.ai	2020	7 Aug	1.98	18.5			
OKTA	Okta	2017	7 Aug	16.09	101.95			
SNOW	Snowflake	2020	7 Aug	45.5	142.99			
MDB	MongoDB	2017	7 Aug	20.54	301.61			
DOCU	DocuSign	2018	7 Aug	12.89	64.45			
ZM	Zoom	2019	7 Aug	31.79	106.55			
NVEI	Nuvei	2021	7 Aug	5.01	35.4			
PATH	UI Path	2021	7 Sep	10.57	19.41			



**GETTY /GETY US:** Getty Images, finally re appears in Public markets washed clean (again!) by Private Equity! . Yes started trading on NYSE today. Tiny volumes today and I see a nice post SPAC bla-bla Short-squeeze set-up here! *“Yes, I know a photographer who uses Getty exclusively, this company will be around for the next 100 years, images just never go away”*. 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, their closest comp is Shutterstock which has been cut in half in last 12mths, worth noting that Getty has “significantly higher corporate revenue concentration”. Yes, again, I would watch here for SPAC shenanigans and if any sharp moves lower post re-listing , thats the moment to add.

**Airlines: The very Inverse on debt to the below!** This chart has me thinking and relieved I have little exposure...





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**This is useful: Rules of ROE and Lessons in valuation:** “I think we should buy Pepsi, it’s a great business with an ROE of over 50%. But US companies are expensive, don’t you want to buy a European bank like BNP Paribas? No way, their ROE is only 9% - it’s a rubbish business. Really? We don’t need snacking, but we do need banking - and rates are rising, anyway, you’re the MBA who apparently understands business models and value. Do you think buying a share is the same as buying a small piece of the business? Of course - Warren Buffett taught us that. Great, well if it’s so good, let’s buy Pepsi, the whole thing - returns that high don’t come along every day. How much will it cost me? \$232bn. Ok, that’s all done - we’ve bought the entire company. Now I’m preparing my family office budget and just want to confirm that I can expect \$116bn of earnings from our Pepsi acquisition. What? No no, they’ll make \$9bn this year, where did you get \$116bn from? But you were shouting from the rooftops about it being such a great business with a 50% ROE and now I’ve paid \$232bn of my equity so I just multiplied that by 50%. Oh, I see (pause to think) but I think that’s the return on YOUR equity and I said Pepsi made a 50% return on THEIR equity. Hang on, are you telling me that if buy the entire business I don’t enjoy THEIR return on equity? Then why did you bother telling me about their ROE? And what happened to that, “share being a small piece of the business” stuff? Hmm. Good question. I think YOUR ROE is only the same as THEIRs, if the amount you pay for the business, is the same as their shareholders' equity. Do you mean if I pay book value for the company? Yes, that’s it. Which is what for Pepsi? \$16bn. But I’ve just paid 14.5 times that. Are you telling me that MY Return on Equity is 50% / 14.5 because I paid 14.5x their book value? so, a paltry 3.9%? Um let me check my textbooks, hmm it’s not in there. But yes, I think so. Sorry, but everyone kept telling me we should buy these high ROE businesses because they’re such great businesses. Well, they might be great businesses, but if you pay the wrong price, they can be SHOCKING investments, who wants a return of 3.9%? How much would that European bank have cost? €55bn And how much will they make? €10bn. But then if I bought the whole thing, I’d make a  $10/55 = 18\%$  return on MY equity, I thought you said they only made 9%. Yes, but that’s the Return on THEIR equity of €110bn, and if you paid €55bn, you’re getting the business for ½ book value so double that and you get 18%. So why didn’t I buy the entire bank and get an 18% return on MY equity instead of overpaying for a good business, mistakenly thinking I was getting a 50% ROE but in truth only getting 3.9%? I’m sorry but I really don’t think I understood all this. Don't worry, you'd be horrified to know how few money managers do! “ (Thx AL B for highlighting this).

**Finally....last but not least: COAL!**



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**COAL:** This interaction with a PM speaks volumes as we were talking about Coal Research. I really don't think I could have been clearer and more consistently Bullish on this as CEIX US hits yet another all time high, I am again watching valuations as am constantly asked. Clearly basing valuations off of "Spot" pricing isnt right here, and with the huge lack of available capital for these businesses, I am trying to find out what price the debt gets underwritten at...that's probably the right price for valuation inputs. (*Anyone any Intel or thoughts here?*) Again I would highlight NORSK HYDRO and GLENCORE as 2 key ideas. On GLEN LN, say its 30% coal and think BHP and the coal bit of GLEN must be at @ 60% FCF Yield... I have never seen valuations like this!

	Price to NAV	FCF Yield			Dividend Yield			Net debt/EBITDA		
	2022CY	2023CY	2024CY	2022CY	2023CY	2024CY	2022CY	2023CY	2024CY	
<b>Large Diversifieds</b>										
Anglo American Plc	1.3x	5.1%	9.2%	2.4%	6.9%	7.1%	4.7%	0.4x	0.3x	0.6x
BHP Group Ltd*	1.1x	16.2%	12.8%	6.5%	11.8%	9.4%	5.0%	0.1x	0.1x	0.2x
Glencore	0.8x	29.9%	26.7%	13.8%	27.8%	22.7%	5.7%	0.7x	0.8x	1.5x
Rio Tinto Ltd*	1.0x	11.7%	11.7%	4.7%	9.5%	11.1%	4.6%	Cash	0.0x	0.2x
Rio Tinto Plc*	0.9x	13.8%	13.7%	5.5%	11.2%	13.0%	5.4%	Cash	0.0x	0.2x
South 32	0.7x	12.6%	20.5%	10.9%	10.5%	11.8%	9.0%	Cash	Cash	Cash
<b>Weighted Average</b>	<b>16.7%</b>	<b>15.5%</b>	<b>7.2%</b>	<b>13.9%</b>	<b>12.7%</b>	<b>5.3%</b>	<b>0.3x</b>	<b>0.3x</b>	<b>0.6x</b>	
<b>Base metals</b>										
Antofagasta Plc	1.0x	0.5%	0.5%	-1.0%	3.8%	4.8%	5.0%	0.2x	0.2x	0.4x
Aurubis AG	0.9x	-1.2%	-2.6%	1.3%	2.8%	3.6%	3.6%	Cash	Cash	0.1x
Befesa	0.6x	5.7%	7.7%	6.5%	2.8%	3.1%	2.8%	1.7x	1.2x	1.0x
Boliden AB	1.0x	7.9%	5.8%	6.7%	8.9%	7.5%	6.2%	Cash	Cash	0.0x
First Quantum Minerals Ltd	0.9x	12.8%	13.4%	16.0%	1.9%	2.0%	2.4%	1.1x	0.9x	0.5x
KGHM Polska Miedz SA	0.8x	16.7%	7.0%	2.4%	5.1%	4.8%	4.0%	0.3x	0.4x	0.5x
Lundin Mining	1.0x	8.0%	-0.3%	-3.7%	6.5%	4.9%	4.9%	Cash	Cash	0.0x
Norsk Hydro	0.9x	12.5%	16.7%	14.3%	10.6%	8.0%	8.3%	Cash	Cash	Cash
<b>Weighted Average</b>	<b>8.3%</b>	<b>7.6%</b>	<b>6.9%</b>	<b>5.9%</b>	<b>5.2%</b>	<b>5.2%</b>	<b>0.3x</b>	<b>0.3x</b>	<b>0.2x</b>	

sign of the times: i searched among some 50000 emails i have received over recent years for CEIX US 16:48

only emails came up was from Will Nutting and then it [redacted] screens from our Stewardship Team telling us stocks we cant buy 16:48

clearly this is a stock followed by Navy Seals and Talibanis. 16:49

the extremes 16:49

*Nutstuff.*



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